

## **Business and Politics in Muslim World**

### **China**

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## **National report**

### **Political front**

#### **Geo-strategic front**

- China to enhance army's capabilities for national interest: defense minister (1<sup>st</sup> August)

(Xinhua) -- China's armed forces will continue to enhance its capabilities and military readiness to safeguard sovereignty, security and development of the nation, Defense Minister Liang Guanglie said Saturday.

Liang made the remarks while addressing a reception held in Beijing to mark the 83rd anniversary of the founding of the People's Liberation Army (PLA) on Aug. 1.

"We will continue to strengthen the PLA's capability to accomplish diversified military tasks, particularly for winning regional wars under informationized circumstances, to firmly safeguard national sovereignty, security and development," he said.

He said China's core security interest will always guide the development of the Chinese army.

He said the army should strengthen military training, adopt more high and new technology weapons and equipment, improve military logistics and increase combat capabilities by using information technology.

The PLA will actively take part in and support economic development, keep sabotage of hostile and separatist forces at bay, and contribute to the development and stability of the country, he said.

Liang, also a member of the Central Military Commission (CMC) and a state councilor, said the army will continue to devote itself to the country's complete reunification while promoting a peaceful development of relations between the Chinese mainland and Taiwan.

"We will continue to oppose separatist activities of 'Taiwan independence' forces, while firmly safeguarding national sovereignty, security and territorial integrity," Liang said.

"The PLA will enhance exchanges and cooperation with armed forces of all countries, in accordance with the principles of mutual respect, equal negotiation, and reciprocity," he said.

"The Chinese army will also actively fulfill international responsibilities and obligations, and will contribute to the world peace and development," Liang said.

In August 1927, armed forces led by the Communist Party of China held an uprising against warlords. The first day of August was later designated as the PLA's founding day.

- China to launch military exercise in central provinces (3<sup>rd</sup> August)

(Xinhua) -- A total of 12,000 soldiers and officers from China's air defense force are scheduled to conduct a five-day military exercise in two provinces from Tuesday, a source from the the People's Liberation Army (PLA) Jinan Military Command said Monday.

The military exercise, code-named "Vanguard-2010", will be carried out in the provinces of Henan and Shandong and is an important part of annual joint military exercises between different military commands, according to the source.

An unidentified number of scouting planes, combat aircraft and helicopters will join the exercise, according to the source.

## **Foreign relations**

- Chinese enterprises contribute to Indonesia's economy, society (1<sup>st</sup> August)  
(Xinhua) -- Along with the implementation of "going out" strategy, there has been more than 700 Chinese enterprises registered in Indonesia, contributing a lot to Indonesia's economy and society.

These Indonesia-based Chinese enterprises not only made rapid growth in their business, but also benefit Indonesia by providing job opportunities, pushing forward the development of local economy and society, thanks to their localization strategy.

ZTE and ICBC Indonesia are two of these Chinese enterprises, which are building an image in the country that shows international community sharing China's development.

ZTE, one of China's largest telecom equipment providers, has been in the Indonesian market for more than 10 years. At present, it has signed contracts with more than 400 local employees, and provided more than 1,000 jobs for local people through outsourcing and network construction projects.

By now, ZTE has built CDMA, GSM, 3G and backbone networks for local telecom operators, including Telkom, Indosat, SMART and Hutchison CP Telecommunications.

Adopting an operation idea of localization, ZTE concentrates on not only the sales but also serving the society. Thus, they provide both good and cheap telecom equipment to Indonesia's large rural market, such as small-sized base stations and mobile phones using solar energy, which accelerates the expansion of telecom coverage in the country.

These networks have contributed a lot to Indonesia's economy and society. On one hand, it triggered the emerging of Internet business, such online shopping, online banking and network marketing, in Indonesia, and pushed forward the sales of mobile phones and PCs. Last year, Indonesia's netizen population accounted for 17 percent of the country's total population, doubled from that in 2005. In the second quarter of this year, Indonesia's PC sales reached 1.2 million units, up 76 percent year on year. On the other hand, Indonesia's mobile phone user number reached 180 million by now, accounting for 80 percent of the total population; and the profits of Indonesia's ten domestic mobile telecom operators reached 100 trillion rupiah (around 11 billion dollars) in 2009.

- China pays condolences over Pakistan floods (2<sup>nd</sup> August)  
(Xinhua) -- China here on Monday expressed deep condolences to the victims killed by floods in Pakistan.

In response to relevant questions, Foreign Ministry spokesperson Jiang Yu said China decided to offer emergency humanitarian aid worth 10 million yuan (1.48 million U.S. dollars) to Pakistan, in a move to help Pakistan's flood-hit people overcome the difficulties.

Jiang said the assistance, including relief materials such as tents and medicine, will be delivered to Pakistan as soon as possible.

She added the Red Cross Society of China will also provide emergency humanitarian aid to Pakistan.

Noting China and Pakistan enjoyed neighborly friendship, Jiang said China paid sympathy to relatives of the victims and the floods-hit people in Pakistan.

Continuing floods and monsoon rains have reportedly killed more than 1,400 people and marooned another 30,000 in three of the five provinces in Pakistan as of August 1.

- Cuban leaders meet Chinese FM on ties, friendship (2<sup>nd</sup> August)

(Xinhua) -- Cuban leaders Fidel Castro and Raul Castro met Chinese Foreign Minister Yang Jiechi here on Sunday, respectively, to discuss bilateral ties and traditional friendship.

Fidel and Raul asked Yang to pass their greetings to Chinese President Hu Jintao and other Chinese leaders while Yang conveyed the good wishes of President Hu and other leaders to them.

Fidel, first secretary of the Cuban Communist Party's Central Committee, expressed his satisfaction with and happiness toward the smooth development of the Cuba-China friendly and cooperative ties over the past 50 years.

He said he hoped both sides would continue to make joint efforts to enrich the connotation of bilateral traditional friendship and lift bilateral ties to a new high.

Yang said that over the past 50 years, thanks to joint bilateral efforts, China-Cuba cooperation has yielded rich fruits in various areas.

He said China attaches great importance to its relations with Cuba, and is willing to work together with Cuba to continuously push forward their friendly ties.

Raul, president of the Cuban Council of State, said the Cuban party, government and people cherish their deep traditional friendship with China.

Cuba is energetically devoting itself to socialist economic construction and development, and to the continuous improvement of the people's living standards, he said, adding that Cuba hopes that the two countries could learn from each other.

Raul also expressed his hope that Cuba and China would continue to understand and support each other in international affairs, and continuously push forward bilateral ties.

Yang said China will always stick to the policy of developing China-Cuba longtime friendship, and will continue to support Cuba's just struggle to protect national sovereignty and oppose foreign interference.

He also said China is willing to make joint efforts with Cuba to push their mutually beneficial and friendly cooperation to a new high by taking the opportunity of the 50th anniversary of bilateral diplomatic ties.

Cuba forged diplomatic relations with China on Sept. 28, 1960, and was the first Latin American country to do so.

Cuba was the third stop of Yang's four-nation tour, which lasts from July 25 to Aug. 4 and had taken him to Austria and Mexico. He will last visit Costa Rica

- China mulls law to cap prices in monopoly industries (2<sup>nd</sup> August)

(Xinhua) -- China's government could take powers to cap the prices of monopolized goods and services, according to a draft regulation issued Monday.

The Legislative Affairs Office of the State Council of China said the draft regulation on cost supervision and examination of goods and services priced by the government would be open to public submissions until Sept. 1.

In China, goods and services such as natural resources, public utilities and rare goods, are either priced by the government or by operators under government guidance, rather than through market competition.

The Price Law of the People's Republic of China stipulates that such goods and services must undergo cost supervision and examination.

However, the circular issued by the Legislative Affairs Office on its official website said ambiguities remained in the process of cost supervision and examinations, particularly specific items of "unreasonable" costs.

The circular said the government should examine the operating costs and cap prices of monopolized industries so as to better protect the interests of consumers.

The regulation specifies the authorities responsible for the work, principles and content of price supervision and examination, the process, and the legal liabilities of supervisors as well as operators.

- China to enhance co-op with Vietnam to facilitate trade (4<sup>th</sup> August)

(Xinhua) -- An official with Chinese General Administration of Quality Supervision, Inspection and Quarantine (GAQSIQ) said here Wednesday that China will enhance certification and accreditation cooperation with Vietnam to facilitate trade between the two countries.

The in-depth communication and cooperation of certification and accreditation between China and Vietnam has great significance for the trade development between the two countries, said Sun Dawei, Deputy Director of GAQSIQ in an exclusive interview with Xinhua on Wednesday. Sun is in Hanoi for China-Vietnam Certification and Accreditation Forum.

The cooperation will help promote product safety and quality in the two countries, said Sun.

More importantly, the establishment of mutual trust to reach a wider range of mutual recognition will reduce the cost of testing and certifying each other's products, he said.

China and Vietnam started certification and accreditation cooperation with motorbikes, said Sun. In 2002, the GAQSIQ and Vietnamese Ministry of Science and Technology (MOST) signed a cooperation memorandum which Vietnam admits China's compulsory certification outcome in the field of motorbikes, he said.

The agreement was the first that China signed with a foreign government agency in the field of compulsory certification, according to the deputy head of the China's quality watchdog.

China and Vietnam have also conducted a number of visits and experience exchanges in recent years. They support each other in international and regional organizations of certification and accreditation as well, said Sun.

Sun said that the cooperative relationship in certification and accreditation between the two countries is good but growth in bilateral trade requires better coordination.

Chinese official statistics showed that China has maintained Vietnam's largest trade partner for the past five years. Last year, despite the global financial crisis, the two-way trade increased by 8.2 percent year-on-year to about 21 billion U.S dollars. The two countries vow to increase bilateral trade to 25 billion U.S dollars this year.

Vietnam and China need to find new cooperation areas based on the existing cooperation foundation, Sun said.

The two sides are discussing and establishing comprehensive and diverse cooperation between GAQSIQ and MOST in the field of standards, metrology, certification, import and export product inspection in the future, he said.

"I believe the cooperation between China and Vietnam will be fruitful in the new phase", Sun said. It will facilitate the economic cooperation between the two countries and promote the development of bilateral trade.

- China, Argentina to boost tourism cooperation (4<sup>th</sup> August)

(Xinhua) -- China and Argentina will reinforce bilateral tourism exchanges to promote cooperation, tourism officials from the two countries said here Tuesday.

Argentine Tourism Minister Enrique Meyer said that he was confident that an increasing number of Chinese tourists would visit Argentina as more cultural events would be held to boost tourism exchanges between the two sides.

Meyer made the remarks when meeting with Wang Yan, deputy chief of the National Tourism Administration of China (CNTA).

For her part, Wang said that Chinese people "have a lot of interests" in knowing Argentina, its culture, folklore and customs.

About 15,000 Chinese tourists visited Argentina in 2009. In the first several months of this year, the number of Chinese tourists to Argentina registered a rise of more than 25 percent compared with the same period last year.

- China-S Korea free trade talks "likely next year" (5<sup>th</sup> August)

(Xinhuanet) -- A top South Korean diplomat to China has said that Beijing and Seoul are likely to launch negotiations on a free trade agreement (FTA) next year, a move Chinese analysts said will help reshape trade in East Asia.

Yu Woo-ik, South Korea's ambassador to China, told China Daily in an exclusive interview that the two Asian nations "are expected to initiate official FTA talks in 2011", after a four-year feasibility study among governments, industrial associations and academies from the two countries was wrapped up recently.

Japan, China and South Korea have the largest, second-largest and fourth-largest economies in Asia, accounting for about 70 percent of the Asian economy and 18.6 percent of the global economy.

The free trade zone, if established, will hold a consumer population of 1.5 billion. It will be the third-largest economic area in the world, only after the North American Free Trade Agreement and the European Union.

China has reached free trade deals with Pakistan, the Association of Southeast Asian Nations, Iceland, Chile, Peru, Costa Rica and New Zealand. It is also in talks with Australia and Mongolia over similar agreements.

Zhan Xiaohong, an analyst on China-South Korea issues from the Chinese Academy of Social Sciences, said progress on the China-South Korea FTA will act as a catalyst for East Asian trade.

Long Guoqiang, a top trade policy researcher in China with the Development Research Center of the State Council, which was involved in the feasibility study, said: "It is really worth anticipating and good news for both, especially for the South Korean economy."

The Ministry of Commerce did not comment on the FTA issue.

The Economic Cooperation Framework Agreement (ECFA) signed by the Chinese mainland and Taiwan in June also gave impetus to progress on the China-South Korea

negotiations, analysts said. Under the ECFA, the Chinese mainland and Taiwan will remove tariffs on close to 1,000 categories of goods to each other.

The ECFA will stimulate South Korea to accelerate the process of the FTA negotiations with Beijing, as Taiwan is a major competitor with South Korea in areas such as electronics and chemicals, according to Nomura International.

The trade agreement across the Taiwan Straits will also threaten exporters from South Korea, which have relied much on the Chinese market, analysts said.

Yu admitted that South Korea has "a bit of concern" over the ECFA. He also said that the ECFA could enhance cross-Straits economic cooperation.

From the long-term perspective, China and South Korea should sign an FTA "to avoid unfair trade cooperation", Yu said.

China is South Korea's largest trade partner, followed by the United States. Last year, China-South Korea trade accounted for 21 percent of South Korea's foreign trade.

Early in 2004, nongovernmental organizations from China and South Korea initiated feasibility studies and in November 2006, the two sides launched a feasibility study among governments, industrial associations and academics. The studies showed that the FTA would benefit both economies.

Still, official negotiations cannot start as China and South Korea stakeholders have concerns over the implementation of the FTA.

In South Korea, industrial groups from the agriculture, forestry and fishing sectors are deeply concerned that the local industries will be hurt when the market is open to each other under the FTA framework, Yu said.

But Long Guoqiang from the Development Research Center of the State Council said the FTA will still help South Korea take advantage of the high growth of the Chinese economy.

(Source: China Daily)

- China urges Singapore to adhere to one-China policy(5<sup>th</sup> August)

(Xinhua) -- China Thursday urged relevant country to continue adhering to the one-China policy and to prudently handle related issues.

Foreign Ministry spokeswoman Jiang Yu made the remarks when commenting on media reports that Singapore and Taiwan would discuss the feasibility of signing economic agreement.

"Our stance on the economic and trade activities between foreign countries and Taiwan is consistent and clear," said Jiang. "We hope relevant country to continue adhering to the one-China policy and to prudently handle related issues."

- France, China dismantle illegal Chinese immigration network (5<sup>th</sup> August)

(Xinhua) -- Police in China and France have dismantled a network that tried to smuggle Chinese migrants into Italy and Spain on boats, officials said Thursday.

The French Immigration Ministry said several members of the network headed by a Chinese national living in Paris and a number of illegal immigrants were arrested July 27 during simultaneous operations in France and China. The ministry did not detail the number of arrests.

Investigations showed that each illegal migrant paid between 12,000 (15,852 U.S. dollars) and 15,000 euros (18,915 U.S. dollars) to book a ticket to Europe.

France hailed police efforts and called for stronger cooperation ties with China to crack down on human trafficking.

"I congratulated the teams ... for dismantling an important network of illegal immigration from China, to Italy, Spain and Luxembourg, whose principal organizers were based in Paris and Shanghai," said Eric Besson, the French Minister of Immigration, Integration, National Identity and Solidarity Development.

- The U.S. Push for Asian Support of Iran Sanctions (5<sup>th</sup> August) STRATFOR

A delegation from the United States appealed to South Korea on Wednesday to reinforce international sanctions on Iran, namely by cutting off financial relations with the Seoul branch of Iran's Bank Mellat. The bank has been designated by the United States and the European Union as a financial institution used by the Islamic Revolutionary Guard Corps (IRGC) to circumvent sanctions. Officials from the U.S. State and Treasury departments visited Japan — whose government recently announced it would join the United States and European Union by imposing unilateral sanctions of their own — prior to traveling to Seoul. The United States is corralling its allies to support these sanctions efforts after it was forced to compromise on the latest resolution in the U.N. Security Council, which left Iran's energy sector untouched.

The threat of the unilateral sanctions is that if companies continue to deal with Iran, their access to American (or now European or Japanese) markets could be closed and their assets there could be affected. Since few companies, if forced to choose, would prefer the Iranian market over these markets, several global firms have chosen to cut ties with Iran.

At least this is the case on paper. But companies would prefer to have their cake and eat it too. It is up to governments to enforce any sanctions and to prevent shell companies and black markets from (happily) taking over the banned business. In fact, no unilateral sanctions effort, even by the United States, would do the trick in this situation, but the cumulative effect of a series of unilaterally imposed sanctions has a better chance of changing Tehran's tune. Hence the U.S. tour to drum up support for the effort and encourage states not merely to assist the United States in enforcing sanctions, but also to pass their own.

The United States is turning to Northeast Asian states because they are crucial moving parts in this effort. Washington expects Tokyo and Seoul, as allies and beneficiaries of U.S. military power, to volunteer their support eagerly. If they can be brought on board with sanctions, Iran will lose some of its biggest markets and most technologically sophisticated partners. If not, Iran will have a better chance of squirreling out of its knot. The problem is that the national interests of Washington are different than those of Tokyo and Seoul. The United States' primary concern is to establish some form of understanding with Iran that will allow it to withdraw from Iraq without giving Iran too much regional sway, which would upset U.S. allies and the region. Pressuring Iran through sanctions is one way to try to do this, since the military option has been ruled out for the time being.

“Washington expects Tokyo and Seoul, as allies and beneficiaries of U.S. military power, to volunteer their support eagerly.”

Unlike the United States, though, Japan and South Korea have to worry about disrupting relations with Iran, as it is a primary energy supplier. They also see Iran’s hydrocarbon reserves, need for nuclear energy technology and large population of consumers of manufactured goods as a potentially important economic partner in the future. While they are aware of the American argument that an overbearing and nuclear-armed Iran could further destabilize the region, putting their oil supplies at risk, they are also aware that directly antagonizing Iran does the same thing more directly. In short, neither wants to sign up.

But Japan and South Korea are susceptible to U.S. persuasion. Japan has historically had relatively good ties with Iran and is hypersensitive to threats to its energy security. (It remembers all too well the U.S. oil embargo in the early 1940s and the oil shocks of the 1970s.) But the Japanese also traditionally play a role in nuclear nonproliferation efforts, since as a non-nuclear armed state they see little benefit in proliferation of nuclear capability among others. They also have a supreme incentive to maintain good relations with the United States, which is ultimately their security bulwark. Therefore, they have agreed to put sanctions on 40 Iranian entities and one individual linked to Iranian banks and Iran’s nuclear program, the IRGC and the Islamic republic of Iran Shipping Lines. South Korea has not committed to shutting down its remaining ties with Bank Mellat’s Seoul branch, since it is afraid its companies will lose payments from Iran or be forced out of trade. But it would be highly unusual if South Korea decided to disregard the United States’ demands. It needs the United States, especially as a defender against the provocations of a China-backed North Korea (as was demonstrated by recent U.S.-South Korean naval exercises in the Sea of Japan and the symbolic U.S. decision to send an aircraft carrier).

Still, the amount of effort the United States has to put into convincing its allies and dependents to join the sanctions effort does not bode well for its attempts to persuade others to observe them. And there is a difference between good faith, wholehearted participation in the sanctions and grudging, hedging-your-bets participation. In fact, U.S. partners and allies know only too well that should they decide to support the United States and cut ties with Iran, they will suffer relative to China, their competitor, which will eagerly take up the opportunities they abandon. India also has this fear, and has openly discussed how to find loopholes in the U.S. sanctions regime to pursue its interests with Iran and the region as a whole.

Fears about China taking advantage of the situation are well founded. China’s reasons for opposing sanctions are similar to those of Japan and South Korea, but since the United States is not an ally and is a potentially hostile force, it has added incentive to resist. Notably, while the United States lobbied Tokyo and Seoul, the Iranian oil minister began a visit to China on Wednesday seeking support. Beijing has been increasing gasoline exports to Iran since late 2009. The two countries are a perfect match since Iran needs to fill the gap left by sanctions and China has enormous refining capacity. Moreover, every time a multinational energy company pulls out of Iran, Beijing’s state-owned players

seem to take over, as happened to the Japanese firm Inpex in 2006 when it complied with a previous round of sanctions. China is not prepared to jeopardize its relationship with Iran or its energy security in the name of bolstering U.S. foreign policy aims, especially since doing so would only propel the United States' apparent intention to delimit China's rising influence, especially in Southeast Asia.

Needless to say, the United States has serious leverage over Beijing as well. Running economic and trade disputes provide examples of how the United States could quite easily pressure China into greater compliance. But even if all players professed adherence to sanctions, enforcement over rogue entities would still remain a problem. This means that Washington sees there is ample evidence that these sanctions will be limited in effectiveness, especially if it is unwilling to use the leverage it has over those whose cooperation it needs.

- China says to continue supporting Ethiopia's health sector (6<sup>th</sup> August) (Xinhua) -- Chinese Ambassador to Ethiopia Gu Xiaojie on Thursday said the Chinese government is keen to enhance the development cooperation with Ethiopia and China would continue assisting Ethiopia in the health sector.

The ambassador, along with Kebede Worku, Ethiopian state minister of Health and other officials, visited the construction project of Tirunesh-Beijing Hospital which is being undertaken by a Chinese company with the aid from the Chinese government.

Speaking on the occasion, Gu said that China would continue supporting Ethiopia in the health sector.

Gu said the Chinese Embassy has been closely following the construction project of the Tirunesh-Beijing Hospital which symbolizes the good friendship between the two countries.

The ambassador said that the project is one of Chinese development commitments in light of the China -Africa Cooperation.

"The Chinese government attaches great importance to the successful implementation of the project because it is a symbol for the good cooperation between the two countries," he said.

For his part, Kebede said the project is well in progress and lauded the Chinese company for its special effort to implement the project as schedule with good quality.

"The project is very impressive and the progress is very good," said Kebede.

The state minister said the project is a testimony for the good relations between Ethiopia and China.

- Chinese Vice FM on China's policy toward Pacific Islands countries (6<sup>th</sup> August) (Xinhua) -- China will continue to provide assistance to help the Pacific Island countries build capacity to tackle global financial crisis and climate change, and support the sustainable development of the island countries, said Chinese Vice Foreign Minister Cui Tiankai on Friday.

The Chinese vice foreign minister made the remarks at the the 22nd Pacific Islands Forum's Post Forum Dialogue Meeting, which was held in the Vanuatu capital of Port Vila on Friday.

The Chinese government attaches great importance to developing the friendly cooperation with the Pacific Island Countries and will continue provide economic and technology assistance to the island countries, he said.

"China is ready to maintain the high-level exchanges, deepen economic and trade cooperation, further strengthen cooperation with Pacific Islands regional organizations," he told the delegates.

"China will push forward its relations with the island countries to a higher level based the five principles of Co-existence," he added.

Cui also expounded China's stance on assisting the Pacific Island Countries tackling the challenges brought forward by the global financial crisis and climate change, and achieving sustainable development and the UN Millennium Development Goal.

The Forum members welcomed the Chinese government move of sending representatives to attend the Post Forum Dialogue, and appreciated China's efforts in promoting the economic and social development of the Pacific Island Countries.

The Forum members said they are looking forward to strengthening cooperation with China in wider areas.

The Post Forum Dialogue Meeting focused on the impacts of the global economic crisis and compounding vulnerability caused by the impacts of climate change, assistance and sustainable development.

The 15 Pacific Islands Forum members and the Forum's 14 dialogue partners, as well as representatives from the World Bank, the Asian Development Bank attended the dialogue meeting.

The 14 dialogue partners includes China, the United States, Japan, France, the European Union, Canada, Italy, India, Indonesia, Thailand.

- China, Iran pledge to carry out cooperation projects (6<sup>th</sup> August)

(Xinhua) -- China and Iran on Friday pledged to carry through cooperation projects and seek mutual benefit.

The pledge came out of the meeting between Chinese Vice Premier Li Keqiang and visiting Iranian Oil Minister Masoud Mirkazemi in Beijing, according to a press release issued by China's Foreign Ministry.

The release did not specify the cooperation projects nor where they were implemented.

Li said bilateral ties had grown positively and steadily, with good trade and economic cooperation and growing people-to-people ties.

Iran is one of the major crude oil suppliers to China and a crucial trade partner in west Asia and north Africa.

It was in the fundamental interests of both countries to cement friendly and cooperative ties, Li said.

China would like to work with Iran to cement political trust, maintain communication and coordination on international and regional issues so as to safeguard regional and world peace, stability and prosperity, Li said.

Mirkazemi highlighted extensive common interests between Iran and China, pledging his country would encourage their potential and contribute to developing ties.

- China urges ROK, U.S. to treat its concern seriously (7<sup>th</sup> August)

(Xinhua)-- China on Friday urged the Republic of Korea (ROK) and the United States to treat its concern and position seriously on the ROK-U.S. military drills in the Yellow Sea. Foreign Ministry spokeswoman Jiang Yu made the remarks after the Pentagon said Thursday, according to media reports, that the U.S. aircraft carrier USS George Washington would take part in a series of ROK-U.S. joint naval exercises in the Yellow Sea in the coming months.

"We have repeatedly expressed our clear and firm stance on the ROK-U.S. military drills to the relevant parties," Jiang said in a news release.

- China opposes Vietnam's accusation on South China Sea islands (7<sup>th</sup> August)

(Xinhua)-- China firmly opposes any remarks and actions that violate its sovereignty over Xisha Islands and adjacent waters in the South China Sea, said Foreign Ministry spokeswoman Jiang Yu here on Friday.

Jiang made the comment after Vietnamese foreign ministry spokeswoman Nguyen Phuong Nga said Thursday, according to media reports, that Chinese vessels' seismic exploration activities near Xisha Islands had violated Vietnam's sovereignty.

"China has indisputable sovereignty over Xisha Islands and adjacent waters," Jiang reiterated in a news release.

## **Economic front**

- Easing in China's manufacturing growth (2<sup>nd</sup> August)

(Xinhuanet) -- China's manufacturing activity continued to grow at a slower pace last month as the government took measures to curb the risk of overheating and adjust the economic structure.

The official Purchasing Managers' Index, a comprehensive gauge of industrial activity, eased 0.9 percentage points from a month earlier to 51.2 percent in July, the China Federation of Logistics and Purchasing said yesterday.

A reading above 50 points indicates expansion, and it has stood above 50 points for 17 straight months. However, the index is down for the third consecutive month and is at its lowest since February 2009, when it fell below 50.

"The slowdown in the manufacturing sector signals that economic growth will continue to moderate. And the growth of investment and exports are not yet stable," said Zhang Liquan, a federation analyst.

However, Zhang did not see much possibility of a sharp contraction in investment and negative growth in exports.

"The country could keep full-year economic growth at around 9.5 percent as both the domestic and overseas markets are improving and there is increasing room for the government to fine-tune its policy," Zhang said.

Ten out of 11 subcomponent indices of the official PMI declined compared with the previous month's reading, including input price, new orders and new exports.

July's industrial output dropped the most among the indices, by 3.1 percentage points to 52.7 percent. The index for ferrous and nonferrous metals, rubber, plastics and other raw materials and chemical industries fell below 50 due to measures to rein in energy-intensive firms.

China's economy grew 10.3 percent in the second quarter of this year, down from 11.9 percent in the first quarter.

(Source: Shanghai Daily)

- China mulls law to cap prices in monopoly industries (2<sup>nd</sup> August)

(Xinhua) -- China's government could take powers to cap the prices of monopolized goods and services, according to a draft regulation issued Monday.

The Legislative Affairs Office of the State Council of China said the draft regulation on cost supervision and examination of goods and services priced by the government would be open to public submissions until Sept. 1.

In China, goods and services such as natural resources, public utilities and rare goods, are either priced by the government or by operators under government guidance, rather than through market competition.

The Price Law of the People's Republic of China stipulates that such goods and services must undergo cost supervision and examination.

However, the circular issued by the Legislative Affairs Office on its official website said ambiguities remained in the process of cost supervision and examinations, particularly specific items of "unreasonable" costs.

The circular said the government should examine the operating costs and cap prices of monopolized industries so as to better protect the interests of consumers.

The regulation specifies the authorities responsible for the work, principles and content of price supervision and examination, the process, and the legal liabilities of supervisors as well as operators.

- What does it imply after China becomes world's No. 2 economy? (2<sup>nd</sup> August)

(Xinhua) -- A deputy governor of China's central bank recently unveiled a major economic milestone in a rather casual manner.

"China is actually now already the world's second-largest economy," Yi Gang, who is also head of the State Administration of Foreign Exchange (SAFE), said in an interview posted on the SAFE website last Friday.

The milestone was an expected accomplishment, as it has been a consensus shared among economists, politicians and the media that China would sooner or later become the world's second largest economy. The only question was when the milestone would occur.

Following Yi's remark, some media lauded China's leaping forward and to a certain extent, exaggerated its significance.

Of course, becoming No. 2 in the world is a milestone earned after decades of hard work by the Chinese people.

Thanks to the reform and opening-up policy, China has experienced uninterrupted economic ascent over the past three decades, overtaking Britain and France in 2005, Germany in 2007, and now Japan.

However, it is also important to ask ourselves what it really implies to become the "world's No. 2 economy," and then stay cool.

After all, China's per-capita gross domestic product (GDP) is still far behind that of many other countries including, of course, Japan.

According to the World Bank, China's per capita GDP was a bit more than 3,600 U.S. dollars in 2009, ranking 124th worldwide, whereas Japan's per-capita GDP amounted to over 39,000 dollars.

- China's auto sales up 17% year-on-year in July (2<sup>nd</sup> August)

(Xinhua) -- Retail sales of China-made autos rose 17.18 percent year on year to 1.056 million units in July, the China Automotive Technology and Research Center said in a statement Monday.

July sales were down 6.7 percent from June, the statement said, adding that the figure brought auto sales in the first seven months to more than 8.24 million units, up 28.58 percent from a year earlier.

Auto production, meanwhile, climbed 12.88 percent year on year to 1.238 million units in July. But on a month-on-month basis, the figure was down 4.34 percent from June. Production for the first seven months of the year hit 9.71 million units, up 39.42 percent year on year.

Retail sales of passenger cars grew 15.43 percent year on year to 822,300 units in July. But that was a fall from the 839,200 units sold in June.

The July passenger-car sales were "fine" because of government subsidies for purchases of fuel-efficient models and the discounts offered by dealers to lure customers, the statement said.

The government began offering subsidies of 3,000 yuan (442.8 U.S. dollars) from June 18 to promote the purchase of fuel-efficient vehicles.

Auto sales in August will weaken due to rising inventories, the statement forecast.

The average stockpile period, a measure of the time between car production and registration, lengthened to 58 days in July, from 55 days in June.

- China removes tariffs, value-added tax on imports for civilian high-tech projects (3<sup>rd</sup> August)

(Xinhua) -- China has scrapped tariffs and value-added taxes on core equipment, components, and raw materials imported and used in civilian high-tech projects since July 15, according to a circular of the Ministry of Finance and other departments.

The move seeks to encourage research and development in the nation's major strategic products, core technologies and major projects, said the circular.

The projects that have been exempted from taxation include core electronics, high-end universal chips, basic software, integrated circuit-manufacturing equipment, new generation wireless mobile communication networks, and new drugs for prevention and treatment of some infectious diseases such as AIDS and hepatitis.

- China's tourist arrivals in Malaysia rise 28% (3<sup>rd</sup> August)

(Xinhua) -- China's tourist arrivals in Malaysia surged 28 percent in the first half of 2010, a visiting Chinese official said here on Tuesday.

To date, tourist arrivals between China and Malaysia have reached two million a year, and the number was expected to hit four million after some years, Shao Qiwei, director of China National Tourism Administration said.

Shao, who arrived here leading a Chinese delegation, met Malaysian Tourism Minister Ng Yen Yen on Tuesday.

At the joint press conference, Shao said that the Chinese government encouraged Chinese nationals to not only visit but also to invest in Malaysia.

He said that China was willing to cooperate with Malaysia and other ASEAN countries to explore the vast potentials in the cruises travel sector.

According to Shao, the largest cruise in the world that can accommodate six thousand travelers have hired 4,000 employees on board, implying that the sector can ease the problem of unemployment.

Meanwhile, Ng said that Malaysia shared the same views with China in terms of the development of cruises travel, adding that both countries were looking at areas where they could collaborate.

Ng also said that Malaysia would participate in the tourism investment conference to be held in Ningbo, China, next April in order to woo investors from China to invest in the five-star hotels sector in Malaysia.

On another note, Ng said that tourists from China had overtaken Japanese tourists to become the top spenders in Malaysia.

- China's central bank issues guidelines for developing gold market (3<sup>rd</sup> August) (Xinhua) -- The People's Bank of China (PBOC), China's central bank, said Tuesday that the country would expand the development of gold markets to increase the competitiveness of domestic financial markets while broadening investment channels for ordinary customers.

The central bank will allow more commercial banks to import and export gold and encourage them to offer yuan-denominated gold derivatives, according to a statement posted on the bank's website.

PBOC also vowed to perfect policies related to the gold market, including foreign exchange policies, to speed development of the market.

Further, the central bank asked lenders to offer better services for raising funds for domestic gold firms looking to establish overseas offices. It will also assist in opening the market to the outside world and permit more foreign participation in it, the statement said. Additionally, China is considering allowing foreign suppliers to provide gold bullion directly for the Shanghai Gold Exchange.

Meanwhile, PBOC said the government would strengthen supervision of the gold market to ensure healthy and balanced development.

- China's economic growth to slow to 9.2% in Q3: think tank (4<sup>th</sup> August) (Xinhua) -- China's economic growth would continue to cool in the third quarter as the government reduces stimulus measures, thus lowering inflation expectations, a government think tank said on Wednesday.

The gross domestic product (GDP) would grow by 9.2 percent in the third quarter from the same period last year, the State Information Center said in its economic review quarterly.

Annual inflation would grow at around three percent, it said.

The world's third largest economy expanded at 10.3-percent year-on-year in the second quarter, slower than the 11.9-percent growth in the first quarter and the 10.7-percent growth in last quarter of 2009

The moderate growth was welcomed by economists, as they said the rate was more sustainable and would help accelerate economic restructuring and prevent overheating.

The report noted consumer spending would remain robust in the third quarter boosted by wage increases and government subsidies on home appliance purchases.

However, slower housing sales following the government's tightening of the real estate industry would hold back consumer spending to a certain extent, it said.

The cooling property market also made investors less anxious about inflation, the report said. In addition, the upping of banks' deposit reserve ration and tighter lending rules had served to drain liquidity and stem inflation.

The report noted consumer prices would increase at moderate pace in the latter half of the year, but unstable food prices due to the extreme weather and labor shortages in some regions would add uncertainty.

China's 2010 annual economic growth target is set at around 8 percent.

- China auto sales, production to exceed 15 mln in 2010 (4<sup>th</sup> August)

(Xinhua) - China's annual production and sales of new autos will both surpass 15 million vehicles this year, Dong Yang, secretary-general of the China Association of Automobile Manufactures, said Wednesday.

Auto sales in China continued to rise in July, though at a slower pace than in previous months. The growth rate slowed from 124 percent in January to 40 percent in April, to 17.18 percent in July.

Rapid growth in auto sales during the first several months of 2010 was due to last year's low comparison base and it was not representative of the true picture in the industry, Dong said at a press conference.

"The current slowed growth in auto sales is beneficial for the sustained development of the industry, while a too-fast growth may put a lot of pressure on the environment and use of energy," he said.

As for auto inventories, Dong said they remain within normal range, though the average stockpile period lengthened to 58 days in July from 55 days in June.

Based upon June exports, China's total auto exports for the year will hit or even exceed the 2008 levels seen before the financial crisis, Dong added.

- Volvo has high hopes for the Chinese market (4<sup>th</sup> August) Deutch Wella

**Volvo's new Chinese owners now have a foot in the European market. They also have their eyes set on China's growing middle class car buyers. In Germany, a world leader, the reactions have generally been favorable.**

The sale was done with Geely transferring 1.8 billion dollars to Ford. Geely Group chairman Li Shufu said it was a "historic day" for the company, which would invest 900 million dollars into improving the brand.

Geely has nominated the German Stefan Jacoby, the head of Volkswagen in America, as Volvo's new president and chief executive.

Ferdinand Dudenhoeffer, a car expert who teaches at Duisburg University, said that this was a good decision because Jacoby had been instrumental in helping Volkswagen expand in China, which has huge potential.

He explained that what was needed first of all was to set up "a manufacturing base in China if the company wants to expand. Secondly, it will have to become stronger in the American market. It will need stronger products and will then gradually make its way across the market but the road will be long. Volvo is struggling today compared to Mercedes and BMW."

### **Expanding in the luxury market will take time**

Geely has also said it wants to expand in the luxury market but Dudenhoeffer warned that this would not happen overnight. "It will need a lot of effort and will mean more engineering. A lot needs to be integrated. Let's see what the situation looks like in 10 years."

He added that to compete with other manufacturers in the luxury sector, Volvo would first have to improve its sales in mid-range models and reach well beyond the 500,000 mark.

The big names in the luxury sector remain Mercedes and BMW, which are still in German hands.

Generally, the reaction in Germany to the takeover of Volvo by Geely has been rather subdued. Some traders said customers had no reason to be concerned.

"There's been little negative reaction, of course people are always a bit skeptical at the beginning but if you put forward arguments they see it as a positive development, just as we do. We have very few negative feelings towards the takeover," one Volvo trader in Munich said.

### **Volvo will "remain true to its core values"**

One of the arguments is that the cars are likely to become cheaper; another is that Volvo's HQ and plants will remain in Europe and that management will retain its autonomy. Moreover, the new owners insist that Volvo, which is known for its family-friendly cars, "will remain true to its core values of safety, quality, environmental care and modern design."

"It makes no difference for the model I have," one long-time Volvo driver said. "But I can imagine that in four or five years if we want to buy another car we might ask the question about quality standards. We'll have to talk with people who know more but of course one can never be certain."

What is certain is that companies all over the world are scrambling to get their share of China's booming car market.

<http://www.dw-world.de/dw/article/0,,5865962,00.html>

- China shares fall as hope for easy credit fades (5<sup>th</sup> August)

Chinese shares retreated Thursday as investor hopes for the government to ease credit controls faded, led by real estate and banks.

The benchmark Shanghai Composite Index shed 17.76 points, or 0.7 percent, to close at 2,620.76. The Shenzhen Composite Index for China's smaller second exchange slipped 0.1 percent to 1,086.33.

The benchmark soared 10 percent in July amid hopes Beijing might ease credit curbs following a moderation in surging housing prices but investors were disappointed as changes failed to materialize.

"As time goes by, there seemed to be no signs that the government is loosening up the tightening. That spurred some worries about a new round of curbs," said Li Bin, an analyst for Guolian Securities.

Real estate and bank shares fell on a news report that regulators have ordered "stress tests" for banks' loan portfolios using the hypothetical condition of real estate prices falling by up to 60 percent.

Poly Real Estate Group, China's second-biggest developer, lost 4.5 percent to 12.5 yuan, while rival China Vanke Ltd. shed 3 percent to 7.99 yuan.

Bank of China Ltd. declined 1.7 percent to 3.49 yuan, while China Construction Bank Ltd. fell 1.6 percent to 4.83 yuan. Industrial & Commercial Bank of China Ltd., China's biggest commercial lender, slipped 1.4 percent to 4.23 yuan.

Oil heavyweights lost ground on lower crude prices. China Petroleum & Chemical Corp., or Sinopec, fell by 1.6 percent to 8.6 yuan, while PetroChina Ltd., Asia's biggest oil and gas producer, 1.2 percent to 10.55 yuan.

In currency markets, the yuan was largely unchanged at 6.7726 to the U.S. dollar from Wednesday's close of 6.7727.

<http://www.businessweek.com/ap/financialnews/D9HD6T6G0.htm>

- China's central bank repeats goal to continue moderately monetary policy (5<sup>th</sup> August)

(Xinhua) - The People's Bank of China (PBOC), also known as the central bank, said Thursday it would maintain its moderately loose monetary policy and enhance financial supports to boost the economy's sustainable development.

The bank will apply multiple monetary tools to keep an appropriate growth in money supply in a bid to strike a balance between meeting the need of funding economic development and managing the inflation expectation, the PBOC said in a statement posted on its website.

The PBOC reiterated it would maintain continuity and stability in monetary policy while, at the same time, making the policy more specific and more flexible.

It vowed to improve the yuan's exchange rate mechanism, and increase financial support to promote the transformation of the economic growth pattern and adjustment of the economic structure.

China's broad money supply (M2), which covers cash in circulation and all deposits, increased 18.5 percent year on year to 67.39 trillion yuan by the end of June, which marked a slowdown from the 21 percent increase at the end of May, the PBOC said.

During the same period, narrow money supply (M1), cash in circulation plus current corporate deposits, climbed 24.6 percent from a year earlier to 24.06 trillion yuan, representing a decrease of 5.3 percentage points from the end of May, according to the PBOC.

The bank also warned of potential domestic inflation risks due to complicated situations both at home and abroad.

Increases in the costs of labor and environmental requirements, combined with continuing progresses in the reforms in the prices of resource products, will likely impact the inflation expectation.

Meanwhile, the central bank pointed out that external 'hot money' may push up price hike pressures.

"The global monetary situation is relatively loose, as nations across the world have been prudent in their stimulus exits due to continuing uncertainties in the economic recovery. Excessive money is likely to seek various outlets, adding potential risks of inflation expectations," the PBOC said in its statement.

- China's central bank absorbs \$295 mln from money market this week (5<sup>th</sup> August) (Xinhua) -- The People's Bank of China (PBOC), the central bank, auctioned 12 billion yuan (1.77 billion U.S. dollars) of three-month bills in its regular open market operations Thursday at a yield of 1.5704 percent.

The three-month bill yield has been steady at 1.5704 percent since early June.

The central bank also conducted 91-day repurchase agreement operations on Thursday at a yield of 1.57 percent, taking 30 billion yuan (4.43 billion U.S. dollars) out of the money market.

The PBOC absorbed 2 billion yuan (295 million U.S. dollars) from the money stock this week. This came after the central bank's issuance of 60 billion yuan (8.56 billion U.S. dollars) of bills and repurchase agreements to offset those worth 58 billion yuan (8.85 billion U.S. dollars) that matured this week.

It was third straight week the PBOC has siphoned money from the market but the volume was down sharply from 84 billion yuan (12.4 billion U.S. dollars) last week and 81 billion yuan (12 billion U.S. dollars) the week before that.

A trader of a commercial bank in Shanghai said the money market remained quite loose. The repurchase agreements' weak interest rate indicated lenders had enough liquidity to buy those relatively low-yield assets from the central bank.

- China's largest rating agency rebuts S&P's accusation of populism (5<sup>th</sup> August) (Xinhua) - The head of China's largest domestic rating agency denied criticism by its western counterparts' of practicing populism, while reaffirming the agency's principals of independence, objectivity and fairness.

Based on long-term research on the credit economy and rules and experience of rating standards, the Dagong Global Credit Rating Co. Ltd provides impartial rating information in the post-crisis era, which has warded off swinging to domestic interests or so-called "populism", Guan Jianzhong, chairman of the Dagong Global Credit Rating told Xinhua in an exclusive interview on Wednesday.

In Tuesday's interview with the Financial Times, Harold "Terry" McGraw III, chairman and chief executive of the U.S.-based McGraw-Hill Companies, which owns Standard &

Poor's, suggested that the Chinese rating agency follow a "populist mood", and lack transparency in publishing its policies, procedures and putting out assumptions and criteria.

Guan said the accusation is irresponsible for the western rating firm to label a new-born international rating agency as "populist", instead of carrying out self-criticism on its own highly politicized rating standards.

"Standard & Poor's failed to identify the debtor nations' currency depreciation, which infringed on the interests of the creditor nations, as the sovereign debt default. Such practice is the fundamental cause weighing on the instability of the international credit system," said Guan.

Guan also rejected reports that he suggested the government should have more control in credit rating decisions.

"It's a total sheer absurdity. I've never made such a suggestion," he said.

"Dagong has been maintaining its independent, impartial and fair position, however, the independence of some U.S. rating firms needs to be questioned due to the close relationship between the shareholders and their clients," said Guan, adding billionaire investor Warren Buffett is the largest shareholder in Moody's.

Guan also defended Dagong's openness and transparency in ranking standards.

"The English version of Dagong's sovereign credit rating standards and methodologies will be released soon," said Guan.

McGraw told the Financial Times that global ratings agencies, such as S&P, Moody's and Fitch were being unfairly targeted by politicians, commentators and competitors throughout the world.

Guan pointed out that the increasing voices from professional rating agencies in emerging countries posed challenges to the long-monopolized western rating firms, which is conducive to the healthy development of the global rating system.

Dagong published its own sovereign credit ranking on July 11. The report, which covers 50 countries whose gross domestic product (GDP) accounts for 90 percent of the world's total economy, offers markedly different valuations to 27 countries compared with those given by Western rating rivals such as Moody's, S&P and Fitch.

Brazil and other emerging economies were rated higher thanks to their political stability and strong economic growth, while the United States, France and other developed nations were ranked much lower in Datong's report due to their slow economic expansion and mounting debt burden.

- Bank stress test report drives down China stocks (5<sup>th</sup> August)

(Xinhua) -- China's stocks fell on Thursday, pulled down by property developers on reports that the country's banking regulator had asked lenders to assess the impact of a possible fall in housing prices.

The benchmark Shanghai Composite Index slid 0.67 percent, or 17.76 points, to end at 2,620.76 points.

The Shenzhen Stock Index lost 0.94 percent, or 102.30 points, to 10,768.08 points.

Total turnover slightly expanded to 216.33 billion yuan (31.93 billion U.S. dollars) from 209.53 billion yuan on the previous trading day.

Losers outnumbered gainers by 430 to 420 in Shanghai, while gainers outnumbered losers by 519 to 487 in Shenzhen.

Shares of banks and property developers drove the market down after Bloomberg reported Thursday that China's banking regulator had instructed lenders to estimate the worst-case scenarios of prices dropping 50 percent to 60 percent in cities where housing prices have risen excessively.

The regulator also ordered a halt to bank loans to third home purchases in Beijing, Shanghai, Shenzhen, and Hangzhou, said a report on Hexun.com, citing three sources familiar with the issue.

Poly Real Estate Group, the country's second largest listed property developer by market value, fell 4.51 percent to 12.50 yuan. China Merchants Property Development Co. dropped 5.6 percent to 18.88 yuan.

Hua Xia Bank dipped 2.73 percent to 11.78 yuan and China Industrial Bank slid 2.59 percent to 26.34 yuan.

- Singapore to explore economic co-op deal with China's Taiwan (5<sup>th</sup> August)

(Xinhua) -- Singapore and China's Taiwan have agreed to explore the feasibility of an economic cooperation agreement between the two sides, local media reported on Thursday.

The agreement is said to be the first negotiations of this kind after Beijing and Taipei signed the Economic Cooperation Framework Agreement in June, local TV broadcaster Channel NewsAsia said.

It is reported that both sides will meet later in the year to discuss the matter. The two sides will also commence relevant studies on such an agreement.

- Foreign companies out of favor on China's preferred employers list (5<sup>th</sup> August)

(Xinhua) -- The number of foreign companies on the list of the top 50 preferred employers voted by Chinese college students has plunged to four from last year's 21.

ChinaHR.com, an on-line employment agency, Thursday released its report on college students' preference of employers, a poll of 200,000 students from more than 700 universities from November last year to May this year.

Among the top 50 best employers, 46 were local companies, including 33 state-owned enterprises. The four foreign companies in the top 50 were Microsoft, Google, Jardine Matheson, and Procter and Gamble.

Ouyang Hui, a supervisor with the human resource research center of ChinaHR, said local companies had made great headway in salaries, corporate culture and nurturing talents, challenging foreign companies in the fight for employees.

Ouyang also believed the global financial crisis prompted more students to favor government agencies, government-funded institutions and state-owned enterprises -- employers deemed to be offering "gold rice bowls," jobs they might never lose.

According to the survey, students valued a fair and transparent corporate mobility system over salary and welfare.

The survey also showed that 53.7 percent of respondents planned to run their own businesses in five years.

- China clarifies stance on gov't procurement pact (6<sup>th</sup> August)

(Xinhuanet) -- The country is committed to joining the government procurement agreement (GPA) of the World Trade Organization (WTO) "as soon as possible", but still

hopes GPA member nations including the US are not "too demanding" on its revised GPA offer, said Sun Zhenyu, China's ambassador to the global trade arbitrator.

The GPA is a set of standards that grant foreign companies nondiscriminatory access to government purchases. Many expect China's procurement market, which was valued at 700 billion yuan (\$100 billion) in 2009 and growing by more than 15 percent annually, to become open to foreign businesses if the country joins the GPA.

The GPA is "quite a new term" for China and it will take "time and effort" for the country to improve its offer over the agreement, Sun said.

If the country joins the agreement, it will also allow Chinese enterprises to enter the government procurement markets in 41 WTO member nations that have joined the GPA. The procurement amount of the US federal and local governments alone was estimated at \$3 trillion in 2009, the People's Daily reported.

China entered the WTO in 2001 without joining the GPA. In 2007, it submitted its bid to join the agreement but the US and other WTO members rejected its first proposal.

In mid-July, China submitted a new offer to join the agreement. In the revised offer, the threshold for contracts was lowered and the coverage of both contracts and procurement entities were expanded. The implementation period was also reduced to five years from 15 years as had been indicated in the initial offer, Sun said.

The first round of negotiations with GPA members was held in July and the next meeting is scheduled for October. There will be further in-depth discussion on the revised offer and on the process of China's accession, he added.

US Deputy Trade Representative Demetrios Marantis has praised the revised version, saying that it contained "significant improvement" and was better than the earlier proposal in 2007.

But many have still voiced concerns over the issue. One major concern is that the revised offer does not provide foreign companies access to local government and State-owned enterprise procurement contracts.

A number of GPA member nations have asked China to add more entities into the new offer and further reduce the threshold during the latest negotiations.

Sun said he did not agree with these requirements.

"GPA parties should understand that, under the current offer, a lot of opportunities are provided. And the principle of reciprocity does not necessarily lie in the coverage and threshold, but more importantly, relates to the scale of China's economy and its growth rate," he said.

"China is going through fast economic growth. Numerous contracts will be given out in supplies, services and construction. These will help the world economy to recover from the crisis," Sun said.

Tong Zhiguang, a former vice-minister of commerce and a chief WTO negotiator, also said that the Chinese government has been taking a "positive attitude" in drafting the GPA proposal.

It is unnecessary for China to "go too far" in making compromises on the issue because of the "external pressure", Tong said.

In June, US Senator Debbie Stabenow said she would introduce legislation to prevent US enterprises from buying Chinese goods until China signs the GPA. Last week, the US House Ways and Means Committee held a hearing and criticized China's trade and industrial policy.

But a number of US analysts said that US enterprises and government had "politicized" China's procurement law and indigenous innovation policy.

In response to the US hearing, Elizabeth Lynch, founder of the China Law & Policy blogsite and an expert on China's legal reforms, wrote on her blog that the US Congress "missed the fact that China has actually promised to move forward".

Brett Gerson, an associate with law firm Reed Smith on international relations, told China Daily that the Chinese marketplace presents "tremendous opportunities" even for foreign firms in sectors excluded from the procurement.

(Source: China Daily)

- China widens stress tests to steel, cement-media (6<sup>th</sup> August)

(Reuters) - Chinese regulators have called for stress tests on loans to a range of industries, including cement and steel, whose fortunes are closely tied to property markets on the brink of a correction, official media reported on Friday.

The tests, part of a broader investigation into banks' ability to withstand falls in housing prices, point to the governments' determination to hold tightening policies in place until the property sector cools off.

The tests envisage a 60 percent plunge in housing prices, but analysts warned against reading too much into the extreme scenario, saying the market was likely to weaken but not collapse in such a spectacular fashion.

"The banking system has made quite a lot of loans to industries upstream and downstream from the real estate market and their risks are intimately connected to the real estate market," the Shanghai Securities News said.

"Therefore, regulatory agencies have demanded that corresponding stress tests should also be conducted for industries such as steel, cement and building materials."

China stepped up a tightening campaign earlier this year to squeeze any bubbles out of its red-hot property market, but while transactions have fallen, prices have barely dipped.

The China Banking Regulatory Commission (CBRC) declined to comment directly on reports of the ultra-stringent bank stress tests.

But in a statement on its website late on Thursday, it said that stress tests differed from bank to bank and formed part of continual efforts at risk management. [ID:nTOE674014]

Hypothetical scenarios examined in stress tests did not reflect regulators' forecasts for the property sector and nor did they herald any change in policy, the CBRC added.

"The tests show the government is not happy with the current prices. Prices haven't been falling deeply enough," said Cao Xute, a property analyst with Sinolink Securities in Beijing.

"If prices don't fall in the next couple of months, the government could tighten further, through monetary and tax measures," he said.

Industry insiders said that would not be necessary.

"Price growth in key cities has declined and property sales have plummeted," Zhu Zhongyi, vice-chairman of the China Real Estate Association, a top industry think-tank, was quoted as saying in the China Daily.

"So there is little possibility that the government will launch more tightening policies for the real estate sector before the end of the year," Zhu added.

#### TARGETED TESTS

Concerns have centred on top-tier markets where price rises have been most extreme.

Banks in seven cities, including Beijing, Shanghai and Shenzhen, have been asked to examine the impact of a fall in property values of up to 60 percent, the official China Securities Journal reported.

Banks in the seven cities must submit the stress test results to their provincial regulator before August 13, it added.

There would no "one size fits all" method and banks would decide for themselves how to conduct the tests based on the conditions of their local real estate market, the Shanghai Securities News said.

The CBRC has also instructed banks to stop extending mortgages to people buying their third homes in at least four booming cities -- Beijing, Shanghai, Shenzhen and Hangzhou. The government launched a property tightening campaign in April, demanding higher down payments and curbing loans to buyers of multiple homes, because of concerns that prices were rising too fast and morphing into a dangerous asset bubble.

Speculation had been mounting that Beijing might relax the controls as the economy slows in the second half, but many analysts now believe that it will hold them in place until there is a clear correction in prices.

"In top-tier cities, prices will probably fall by 20-30 percent, returning to the levels where they started the year at the end of 2010," said Wang Xia, a property analyst with CCB International in Beijing.

Earlier stress tests showed that Chinese banks could sustain a drop in housing prices of up to 30 percent without a sharp rise in bad debt ratios. Those tests, conducted in May, also looked at the risks posed by loans to sectors tied to the property sector, such as cement and steel.

<http://af.reuters.com/article/metalsNews/idAFTOE67500M20100806?sp=true>

- Baidu celebrates 5-year IPO on Nasdaq (6<sup>th</sup> August)

(Xinhua) -- Nasdaq held a special ceremony on Thursday to celebrate the five-year listing anniversary of Baidu Inc., the largest Chinese company listed on the New York-based stock exchange.

Robin Li, founder, chairman and CEO of Baidu, received the award of Nasdaq Global Distinguished Entrepreneur from Sandy Frucher, vice chairman of NASDAQ OMX Group, at the celebration held in Beijing, China. They then jointly rang the opening bell remotely for Nasdaq.

"Like Baidu every enterprise has a drive to succeed, but very few companies reach the pinnacle of achievement," Bob Greifeld, CEO of Nasdaq OMX Group, said in a video congratulatory message. " Through your persistence, innovation and hard work, Baidu's dream has come true."

"We are honored that Baidu chose to list on Nasdaq five years ago. We are also very proud that Baidu was the first and is currently the only company from China which is included in the very prestigious Nasdaq 100 Index."

The whole ceremony was broadcast live on the Nasdaq MarketSite tower in Times Square of New York.

This "is a ceremonial event that represents Nasdaq's virtual market model," a statement from Nasdaq said. "As a result, Nasdaq can be opened from any location bringing together investors and market participants from around the world to mark the opening of the trading day."

Baidu successfully debuted on Nasdaq on Aug. 5, 2005, with an initial offering price of 27 U.S. dollars per share. It currently trades around 86 dollars per share after a 1:10 shares split earlier this year, which means its stock price soared more than 30 times within the five years.

With a market value of over 30 billion dollars, Baidu now is among the top three Internet stocks in the U.S. equity market.

China is now the largest overseas market for the Nasdaq Stock Market, with a total of 148 listed companies, more than any other U.S. exchange.

There were a total of 33 Chinese companies that landed on Nasdaq in 2009. By the end of July this year, there had already been 25 new listings on Nasdaq from China, including nine IPOs, 12 over-the-counter bulletin board (OTCBB) upgrades and four switches.

- Focus: China transforms into a global player (6<sup>th</sup> August) Deutch Wella

Global policy was not a key element of Deng Xiaoping's economic reforms for China launched in the late 1970s. But increasing political influence has accompanied the extraordinary economic growth which followed.

There is no denying that China has developed into a political heavyweight, redefining its relations with other world powers and regions. Yet at the same time, Beijing has sought to ensure that its national interests remain protected.

<http://www.dw-world.de/dw/article/0,,5848776,00.html>

- China using currency reserves to retake its place as economic power (6<sup>th</sup> August) Deutch Wella

In the 19th century China began its slow economic decline. Nearly 200 years later, the People's Republic is using its abundant currency reserves to buy its way back to economic prominence, raising concerns in the West.

China's fall from and subsequent rise to economic power is a story of extremes. In 1820 the Middle Kingdom accounted for 30 percent of the world's economic product. By 1978 its share had been reduced to just 5 percent. Three decades after Deng Xiaoping opened his nation's doors to the global economy, China has become the world's third-largest economy and its largest exporter.

And China is financing its sprint to the top with swelling foreign currency coffers. An annual 10 percent growth rate coupled with an export surplus of \$200 billion (151 billion euros) has allowed the Bank of China to rack up a staggering \$2.4 trillion in foreign currency reserves, a significant portion of which is invested in US treasury bonds.

While the financial meltdown in the United States has driven much of the world into a deep recession, China has emerged relatively unscathed and is now using its abundant cash - \$50 billion in 2009 - to buy natural resources in the developing world as well as potentially lucrative, but currently ailing Western brands.

China's relationship with Africa has turned into a strategic partnership, demonstrated by a 2006 summit held in Beijing between numerous African countries and China. The Chinese government, through the use of sovereign wealth funds and other state-affiliated instruments, is buying raw materials from desperately poor countries - which are often ruled by autocratic regimes - and offering to build infrastructure in exchange.

And Latin America has also begun to pique China's interest. In 2009, China was the 29th largest investor in Brazil's economy. This year it is on its way to claim the top spot. China is currently helping to develop the oil and manufacturing potential of Latin America's largest and most populous country.

But China is no longer simply buying raw materials from developing nations to fire its manufacture of cheap goods back home. It is now seeking to make the leap into the higher-end markets traditionally dominated by Western brands.

The Chinese automaker Geely recently bought Sweden's Volvo from its US-owner Ford for \$1.5 billion. That is less than a quarter of what Ford paid for the brand 10 years ago. China will not just acquire the brand, but also the technical know-how imbedded within Volvo.

As the global economy falters, China continues to grow and is rapidly reclaiming its place as an economic great power.

<http://www.dw-world.de/dw/article/0,,5862646,00.html>

- China shares rebound on bargain-hunting (6<sup>th</sup> August)

Chinese shares rebounded Friday on bargain-hunting, led by banks, ending the week up by 0.8 percent.

The benchmark Shanghai Composite Index rose 37.63 points, or 1.4 percent, to close at 2,658.39. The Shenzhen Composite Index for China's smaller second exchange advanced 1.9 percent to 1,107.44.

Stocks extended a rising trend that saw the benchmark gain 10 percent in July following a sluggish first half.

"Buying sentiment recovered because stock valuations are attractive," said Zhang Qi, an analyst for Haitong Securities in Shanghai.

Banks recovered after the banking regulator said stress tests ordered for Chinese lenders' real estate loans don't reflect its outlook on the housing market.

Bank of China Ltd. added 0.9 percent to 3.52 yuan, while China Construction Bank Ltd. rose 0.8 percent to 4.87 yuan. Industrial & Commercial Bank of China Ltd., China's biggest commercial lender, edged up 0.7 percent to 4.26 yuan.

Agricultural stocks rose on expectations of higher prices due to flooding that is disrupting supplies.

Xinjiang Talimu Agriculture Development Co. surged the daily maximum of 10 percent to 17.07 yuan, while Shandong Denghai Seeds Co. soared 5.8 percent to 59.19 yuan.

Tourism-related shares rose on hopes for sales growth in summer. Beijing Capital Tourism Co. advanced 8.4 percent to 20.93 yuan, while Hainan Dadonghai Tourism Center Co. added 2.3 percent to 3.11 yuan.

In currency markets, the yuan strengthened to 6.7692 to the U.S. dollar from Thursday's close of 6.7726.

<http://www.businessweek.com/ap/financialnews/D9HDSTF00.htm>

## **Social front**

- China seeks opinions on rules to protect workers sent overseas (3<sup>rd</sup> August)

(Xinhua) -- The Chinese government has begun to solicit public opinion on a set of draft regulations on the management of foreign labor service cooperation agreements, which aim to protect workers sent overseas.

"Problems exist in foreign labor cooperation, such as nonstandard markets and illegal operations by some companies. In some cases, workers' legal rights were not properly protected, which occasionally led to overseas labor conflicts and even mass incidents," said a statement released Tuesday by the Legislative Affairs Office of the State Council.

The draft rules have specified market admittance and responsibilities of foreign labor cooperation companies, as well as what the government's role should be in foreign labor service cooperation agreements.

China's foreign labor service cooperation is mainly conducted in two ways: domestic companies recruit and train workers in accordance with the requirements of foreign employers and send them overseas to offer labor services; or domestic contractors send workers overseas for contracted foreign projects.

While the latter condition is covered in the current Administrative Regulations on Contracting Foreign Projects, the new rules will mainly focus on laborers sent by domestic companies to foreign employers.

The rules noted that individual Chinese citizens who worked overseas are not covered by the regulations.

The solicitation will remain open until Aug. 23, and opinions can be sent via letters or by logging onto [chinalaw.gov.cn](http://chinalaw.gov.cn).

- China regarded role model of achieving Millennium Development Goals (4<sup>th</sup> August)

(Xinhua) -- China won plaudit for accomplishing almost all of Millennium Development Goals (MDGs) except environmental target.

Ajjay Chhibber, the United Nations assistant secretary general and director of the U.N. Development Program's Regional Bureau for Asia-Pacific, dubbed China as the biggest role model of countries in achieving the MDGs.

"That's why I call China the champion of the Millennium Development Goals," he said in an exclusive interview with Xinhua recently.

"In reducing poverty, China is the fastest in the world," he said, referring to the UN data showing that since 1990, poverty, especially absolute poverty in rural areas, has been greatly reduced and now it achieved the target of halving the number of poor people from the 1990 figure of 85 million.

By 2015, poverty rate in the country is expected to fall to around five percent, according to the UN data.

Chhibber said that although the country has not yet met the environmental target in MDGs, it is now starting to shift towards renewable energy.

"It is now investing in solar energy and low carbon ones. The country is encouraging green technology which is very important for the country to achieve the environmental target," he said, adding that Chinese are conscious of their weakness in meeting environmental target.

However, he added, in other fields, the country managed to achieve the goals successfully, such as health and access to clean water and primary education.

The data also showed that mortality rate of children under five dropped from 61 per 1,000 births in 1991 to 25 in 2004. The maternal mortality ratio has dropped from 89 per 100,000 live births in 1990 to 51.3 in 2003.

- China to conclude nationwide training for grassroots court presidents (5<sup>th</sup> August) (Xinhua) -- China is completing a nationwide training for presidents of grassroots courts Friday, following the downfall of a group of judicial officials implicated in corruption scandals.

More than 3,600 presidents from intermediate and grassroots courts across the country attended the training in Beijing, a year-long-event that focused on raising their awareness of corruption-free law enforcement and improving their abilities in handling social disputes, according to information released by the Supreme People's Court (SPC) on Thursday.

More than 80 high-ranking judges, including SPC President Wang Shengjun, delivered lectures during the training, which also covered topics of improving the judges' knowledge in coping with public opinion as well as that of the media.

"Given the complex and volatile international situation and rising domestic demand for judicial services against the backdrop of emerging social conflicts ...it is imperative to undergo such large-scale training for presidents from grassroots courts." said Zhou Zemin, director of SPC's political department.

Over the past year, a string of high-level judicial officials were punished for their involvement in corruption scandals.

Among them were former SPC vice president Huang Songyou, who was sentenced on Jan. 19 to life imprisonment for taking bribes and embezzlement and Wen Qiang, former director of the Chongqing Municipal Judicial Bureau, who was executed on charges of corruption charges involving organized crime.

Training judicial staff has long been a priority on the SPC's agenda.

The SPC spent three years training judges of grassroots courts from 2005 to 2007.

Since 2006, the SPC sent lecturers to grassroots courts in the western provinces and autonomous regions. As of Thursday, nearly 150,000 judges and police officers have attended such lectures, according to the SPC.

- Experts call for survey on Chinese residents' housing conditions (5<sup>th</sup> August) (Xinhua) -- Experts have called on the Chinese government to carry out a survey on Chinese residents' housing conditions in a bid to guide cooling-down measures for the property market.

The survey should have been performed earlier, said Chen Guoqiang, deputy head of the China Real Estate Society, on Thursday. "If the government did not know the residents' housing conditions, how could the government make corresponding policies?"

China launched a survey on residents' housing conditions in the 1980s, but not since, said Chen.

By the end of June, China had 106.5 million square meters of unsold homes, up 0.2 percent year on year, according to a statement posted on the website of the National Bureau of Statistics (NBS) Wednesday.

The statement also said China had 192 million square meters of unsold commercial housing by the end of June, up 6.4 percent from one year earlier.

The figures were taken from a survey of 80,522 property developers across China, the NBS said.

Given that China sold 937 million square meters of commercial housing in 2009, the stockpile of commercial houses is sufficient for sale within two and a half months, by and large, said Yang Hongxu with the Shanghai-based E-house China Research and Development Institute.

The NBS gave no exact data on vacant houses that have been sold around the country. But Gu Yunchang, deputy head of the China Real Estate and Housing Research Association, dismissed the rumor that China has 65.4 million vacant houses.

The rumor said electric consumption in these houses was zero for six months in a row based upon a survey made by State GRID Corporation of China.

Wang Li, United Nation's chief economist stationed in China, who was previously an economist with the Chinese Academy of Social Sciences (CASS), supported the proposal that a survey should be made of Chinese residents' housing conditions.

However, Wang saw another side of the issue. The survey would be quite complicated and difficult given that sampling alone would be a huge systematic task needing collaboration of 100,000, or even millions of employees. Also, China does not have a government sector in charge of such work, she said.

The NBS describes the general development of China's building industry in its annual China Statistical Yearbook, but it is quite different from the specific research work on the country's property market, said Wang.

China has no bureau of the census. Whether the survey should be carried out or not, and who should be in charge, are decisions to be decided by the central government, said an unnamed NBS staff member.

Since April, the government adopted a series of measures to rein in soaring home prices and curb property speculation. The measures included tighter scrutiny of applications for financing, limiting of loans for third home purchases and higher down payments for second homes.

The most current data indicated China's property market has begun cooling as average housing prices in 70 major cities fell 0.1 percent in June compared to May.

- Chinese Premier encourages scholars to contribute to culture development (6<sup>th</sup> August)

(Xinhua) -- Chinese Premier Wen Jiabao Friday expressed his hope that scholars from home and abroad will contribute more to China's cultural development.

"Culture is a nation's blood and soul," said Wen in a meeting with famous scholar Jao Tsung-I.

Developing the Chinese culture and building a homeland for the Chinese spirit were the common aspirations of compatriots around the world, he said.

He said he hoped scholars from home and abroad would contribute more to their motherland's cultural development.

Born in southern Guangdong on Aug. 9, 1917, Jao is an expert on traditional Chinese culture. He contributed to many fields in the humanities, including archaeology, literature and history. He lives in Hong Kong.

He has contributed to the study of the Dunhuang relics in northwest China's Gansu Province.

## **Ethnic issues**

### **Environmental front**

- Flood-triggered disasters kill more than 1,450 Chinese: ministry (7<sup>th</sup> August) (Xinhua) -- Flood-triggered disasters have killed more than 1,450 Chinese this year, with another 669 missing, according to the Ministry of Civil Affairs.

Lingering rainstorms have been slashing provinces including Shaanxi, Sichuan and Jilin this year, triggering floods and landslides, which have affected a population of 200 million and forced more than 12 million to evacuate, according to the ministry.

Nearly 13.5 million hectares of crops were affected by heavy rains and floods, with 2.09 million hectares destroyed, while floods have also leveled more than 1.36 million houses. The total economic loss was put at more than 275 billion yuan (40.6 billion U.S dollars), according to the ministry.

The central finance authority has recently allocated 195 million yuan to subsidize local governments in those regions worst-hit by natural disasters such as rainstorms and typhoons.

The fund, which has been channeled to Jilin, Guangdong, Sichuan and Shaanxi, as well as the Guangxi Zhuang Autonomous Region, will be used in relocating residents, helping people rebuild homes and offering relief for residents who lost family members.

### **Cyber/Technology Front**

- China successfully launches fifth satellite for its own global navigation network (1<sup>st</sup> August)

(Xinhua) -- China successfully launched its fifth orbiter into space at 5:30 a.m. Sunday, as a part of its indigenous satellite navigation and positioning network.

The satellite was launched from the Long March 3I carrier rocket.

It is the 126th flight for the country's Long March series of rockets.

The satellite will join another four satellites in orbit to form a network that will eventually consist of 35 satellites.

The system, code named "COMPASS", is a crucial part of the country's space infrastructure for providing navigation and positioning services in transportation, meteorology, petroleum prospecting, forest fire monitoring, disaster forecast, telecommunications and public security among others.

China started building its own satellite navigation system to end its dependence upon the U.S. GPS system in 2000, when it sent two orbiters as a double-satellite experimental positioning system.

The system is designed to provide navigation, time and short message services in the Asia and Pacific region before 2012 and will be capable of providing global navigation services by 2020.

- Survey shows Hong Kong youngsters own most mobiles across Asia (3<sup>rd</sup> August) (Xinhua) -- Personal ownership of mobiles among Asia's youth had increased from 60 percent in 2008 to 64 percent in 2010, while that of Hong Kong jumped from 82 percent to 87 percent of youth owning a mobile, the highest among all surveyed regions, according to a survey released on Monday by market research firm Synovate.

In the 5th Synovate Young Asians, respondents ranged from eight to 24 years old across 11 markets in Asia, including China's mainland, Hong Kong, Taiwan, India, Indonesia, Singapore, Thailand and the Republic of Korea.

A total sample of 12,302 youth was surveyed by face to face interviews and online method during the second quarter this year, said Synovate in a statement.

Sixty-four percent of young Asians surveyed own a mobile phone. Hong Kong is leading the pack with 87 percent of youth possessing this multifunctional extension of themselves, followed by 85 percent of Singaporean and youth in the Republic of Korea, it said.

When looking at the results by age segments, 93 percent of youth between age 12 to 14 in Hong Kong and Singapore own a mobile phone, above the regional average of 47 percent, according to the survey.

In Hong Kong, the most popular mobile phone activities over the past 7 days are listening to music, SMS, taking pictures, and playing games, it said.

"This year, we see that the mobile phone is simply inseparable from its owner. More youth across a number of Asia markets now own a mobile compared to 2008. With one in five young Asian planning to use their mobile even more often, these findings show the great potential of this medium," said Susanna Lam, research director of Synovate in Hong Kong.

Synovate Young Asians is a tracking survey that provides credible, relevant, and detailed information on the lifestyle, product ownership, media, and leisure habits of young people in Asia aged eight to 24, meeting the needs of regional media, marketing and advertising specialists.

- Beijing hosts cyber-security conference (4<sup>th</sup> August) (Xinhuanet) -- Top cyber-security analysts are gathering in the Chinese capital for a summit to boost security in the sector, amid the increasing threat of computer hacking worldwide.

About 300 participants from countries including the United States, Japan and Australia are attending the two-day summit, which starts on Wednesday and is initiated by XFOCUS, a Chinese information security society.

Starting from a website in 1999 created by information security professionals, XFOCUS has organized eight Xcon conferences since 2002 for professionals in the industry to exchange skills and meet friends.

The meeting has drawn wide media attention partly because China has grown quickly to become the country with the biggest Internet population in 2009 and consequently experienced frequent cases of cyber attacks, analysts said.

The conference gathers information security professionals to exchange skills and welcomes stakeholders to discuss technical issues, said Fang Xing, a veteran participant and a speaker at the meeting. Fang is also one of 16 core members of XFOCUS.

"We don't want to be confused with the so-called hackers," said Fang, CEO of the Nanjing-based information technology cooperation, Vulnhunt.

There are two camps within the hacker community, Fang said. One is called "the black hat" and its members attack systems, while members of the other "white hat" group defend systems from being attacked, said the 37-year-old Fang.

"Although many people call us 'hackers', actually we are the 'white hats' who have conducted deep research on hackers' technologies to help enterprises and users defend themselves against hackers," Fang said.

Veteran US hackers, who recently concluded a meeting in Las Vegas known for attracting rogue software savants that have found ways to "crack" items including smart phones, Web browsers and power plants, are also attending the conference in Beijing, AFP reported.

"We want to create understanding between the two hacker cultures," said Colin Ames, who is part of a scouting team setting out for the conference.

"It's nonsense that all Chinese hackers are evil and hack for the government."

Ames told China Daily through e-mail that he wanted to learn more about the challenges China faces in computer security and share knowledge about the challenges the US faces.

"We believe that through understanding and friendship, we can avoid problems and bad assumptions we can learn from each other and improve the state of security of both nations," he said.

Analysts from IT giant Microsoft have also been invited to the conference, organizers said.

The upcoming conference is already one of the most influential gatherings in the Chinese information security circle and it aims to become "the most professional one in Asia", Fang said.

"It's not exactly between China and the US. It brings researchers from all around the world for the purpose of technical communication," said Sun Bing, an information security researcher who has spoken at Xcon three times.

The conference hall for the event will seat 270 people, said organizers, who closed the meeting to media because they wanted it to keep a low profile.

Fang said the most pleasant part of the conference each year is that it provides an opportunity for friends in the circle to gather.

"We can chat, we can drink, and we can know what's new. We can think together," Fang said.

"The computer security area is experiencing more and more hacker attacks around the world. So this conference is very necessary," said a Japanese attendee, who did not want to be named.

"I'm here to learn," he said.

(Source: China Daily)

## **Regional report**

### **North**

#### **Politics**

#### **Social front**

- Population control mooted in Beijing (4<sup>th</sup> August)

(Xinhuanet) -- In a move to reduce a burgeoning population, the Beijing People's Congress has advocated a restriction of low-wage workers in the capital through closures of small businesses.

The report, released by the municipal legislature during its recent session that ended on July 30, recommended population control measures be part of the city's 2011-15 development plan, whereby the adjustment of industries be accompanied by the introduction of more skilled workers during a reduction in the overall demand for laborers.

Beijing's population reached 19.72 million by the end of 2009. Among this figure, 7.26 million people were migrant workers who had been living in the city for more than half a year, official figures show.

If unregistered migrant workers and people on short visits to the capital are also taken into consideration, the floating population in Beijing could have exceeded 10 million, the municipal officials said in the report.

Du Peng, an expert with the population research institute at Renmin University of China, said that, to set a population control target is necessary and that the local legislature's suggestion for lowering the number of low-end laborers is feasible.

"To introduce strict management over small businesses such as floating stalls and junkyards will definitely hurt businesses," Du said. "If they cannot make a living in the capital city, they might go back to their hometown or shift to other cities."

Other cities' experiences in population control should also be taken into account, according to officials.

For example, "Shanghai has been doing very well in regulating street vendors", said Du. "You can hardly see any illegal stalls in the street. This not only helps reduce the number of low-wage laborers, but also makes the city tidy and clean."

But Qiao Xiaochun, a population expert with Peking University, said such a policy might have limited effect on population control.

#### **Economic front**

### **Northwest**

#### **Politics**

#### **Social front**

- Billions to be handed out in aid across Xinjiang (2<sup>nd</sup> August)

(Xinhuanet) -- Millions of low-income residents in Northwest China's Xinjiang Uygur autonomous region have received a huge boost as billions of yuan in government funds are being handed out to improve living standards.

The regional government of Xinjiang last week announced a series of social security and welfare policies to aid people who face financial hardship.

The package of measures is designed to improve basic living standards, provide condolence grants and subsidize pensioners and extend an increase in the pay of village cadres.

At least 1 billion yuan (\$146.8 million) extra money will be invested in the package annually, based on calculations made by China Daily.

The announcements came only a week after Zhang Chunxian, the Party chief of Xinjiang, promised at a closed Party conference to increase the incomes of Xinjiang residents.

Zhang said the move would represent a major breakthrough in improving local residents' livelihoods, local media reported last week.

He initially pledged billions of yuan to guarantee a basic living for those on low incomes and later widened the scope of the policy to include all residents of Xinjiang, official media reported.

Ma Wenhua, a 73-year old villager from a rural area near Changji city of Xinjiang, said she planned to use the extra income the family receives to give her 19-year old grandson better food.

"It's time for him to develop physically and he needs to eat well," Ma said.

The four family members in Ma's household, which includes her husband, daughter-in-law and grandson, currently receive government aid providing a basic standard of living and they are all now eligible to receive an additional 10 yuan per month.

"My husband has been bedridden for years and my daughter-in-law doesn't have a permanent job," Ma said. "The increase in our income will also help buy medicine."

There have seldom been policies of benefit to such a large number of people in Xinjiang, said Ji Sulin, a professor at the Party School in Xinjiang.

"The people who receive aid to guarantee daily essentials live at the very bottom of society," Ji said. "The growth in aid will ease their financial hardships."

In regard to village heads receiving a pay raise, Ji said it would have an encouraging effect on them as they seek to maintain stability in the region.

The Xinjiang Uygur autonomous region is the largest Chinese administrative division and covers an area of 1.66 million sq km, one sixth of the country's territory.

(Source: China Daily)

## **Economic front**

- Greenhouses revolutionize rural economy in western China (5<sup>th</sup> August)

(Xinhua) -- Farmers in China's arid west are taking advantage of the region's ample sunshine to increase farm output.

In the northwestern Ningxia Hui Autonomous Region, a mostly Muslim community, many farmers have built greenhouses so they can grow chilis, cucumbers and tomatoes all year round.

Ma Junxian, from Pengyang County in Guyuan City, makes at least 20,000 yuan (2,941 U.S. dollars) in net annual income by growing celery, broccoli and chili throughout the year in his 667-square-meter greenhouse.

He said it was 10 times as much as what he used to earn by growing potatoes and Chinese cabbages -- and relying solely on the weather for a harvest.

Vegetable and fruit supplies have always been a problem in western China, where the long, tough winters make it impossible for many plants to grow.

For many generations, potatoes and Chinese cabbages were what people ate for three seasons of the year.

The region, however, has more sunshine than most other parts of the country.

In Ningxia alone, the average exposure to sunshine is 2,250 to 3,100 hours a year, averaging up to eight hours a day.

The greenhouses have revolutionized the rural economy and kept farmers busy all year long.

"Everyone earns more and has more dishes on the table," said Cheng Yushan, manager of Tianyu Agricultural Development Co. based in Ningxia's Wuzhong City.

The company has set up 80 greenhouses on the edge of the desert to grow fruits and vegetables.

"The region's arid climate and ample sunshine are ideal for growing organic and pollution-free crops," said Cheng. "There's active photosynthesis but pests are rare, so we can minimize the use of fertilizers and pesticides."

- Shaanxi's H1 retail sales up nearly 19% (6<sup>th</sup> August)

(Xinhua) -- Retail sales in northwest China's Shaanxi Province amounted to 149.5 billion yuan (21.96 billion U.S. dollars) in the January-June period, a growth of 18.5 percent year-on-year, according to the provincial commerce bureau.

Sales of motor vehicles and home electrical appliances remained brisk, and those of cosmetics, gold and silver jewelry, clothing and food grew rapidly.

In the six months, the province sold 68.5 percent more air-conditioners, 55.4 percent more washing machines and 54.7 percent more laptop computers.

## **Northeast**

### **Politics**

### **Social front**

### **Economic front**

## **Southwest**

### **Politics**

### **Social front**

### **Economic front**

- Promoting sustainable development in Sichuan province (3<sup>rd</sup> August) Deutch Wella

According to the World Bank, some 600 million Chinese have been pulled out of absolute poverty in the past 25 years. But activists say living conditions will only really be improved if people have a say in their future.

Two years after the devastating earthquake shook the western Chinese province of Sichuan, the streets are still piled up with wood and rubble. Wang Wei\* runs a private research institute that is specialized in sustainable development.

Although Wang admits that the state has been effective in combating poverty, he says that there has to be more participation from the people. His idea is to set up microcredit for rural communities so that "we can reach many goals at the same time – starting with the fight against poverty. The loans and payments support local economic activity. The government accepts this. Then the community can develop because it has new skills."

Wang has a pilot project in a small village where the locals have taken out a loan to plant bamboo. They have created a small cooperative and taken courses so that they can increase their income by a fifth over the next few years.

"We've come a long way," Mr Li, the proud community leader says. "The cadres are respecting us more and more and giving us more support. They come from other areas to learn from us. We're becoming better known. This has a positive effect. More and more people who are interested are coming to visit us. The economy is developing on its own."

#### Villagers not convinced by government plans

Wang hopes to transpose his ideas to another village a few kilometers away, where the inhabitants are not entirely convinced by government plans to relocate them. Mrs Zhu, who lost her home to the earthquake, now lives in a government-built house, which has running water and an inside toilet.

But she is worried about the future: "I don't know what life will be like here later. We have to pay for everything here. Every month, we have to pay for electricity and water and gas. It's all going to be unitized later. Who knows what's going to come?"

Although the old houses were drafty and not entirely rainproof, at least the inhabitants could keep their animals in them, she adds. But now the farmers have to walk for over an hour to reach their fields. The authorities want the relocated young people to work in the local factories, however some refuse to change their lifestyles.

#### Taking the future into their own hands

Although many of the farmers in the village are skeptical of collective organizations, since they remember the forced collectivization of the Mao era that triggered a famine, Wang manages to convince them that small cooperatives can help them take decisions that are of benefit to the community as a whole.

He promises them that they will have the final say and will not be forced to plant anything they do not want to.

The farmers seem happy to give it a try and take the future into their own hands.

<http://www.dw-world.de/dw/article/0,,5862692,00.html>

- Chinese central bank pledges financial support for development of western regions (3<sup>rd</sup> August)

(Xinhua) -- Chinese central bank governor Zhou Xiaochuan was cited Tuesday as saying the central bank will increase its financial support for the development of the country's western regions.

The central bank will offer more financial aid to the tourism industry and other service industries in the western regions of China, the People's Bank of China said in a statement on its website citing remarks Zhou made during his visit to the provinces of Qinghai and Gansu.

Zhou said the central bank will work to improve the financial environment of the western regions and make fundraising easier for small- and medium-sized businesses and farmers. Greater efforts will be made to boost financial innovation and to support urbanization in western China, he added.

- China's Chongqing aims to develop into regional financial hub (4<sup>th</sup> August)

(Xinhua) -- Chongqing will become a regional financial center in southwestern China in the coming years, an official from the municipal government said here.

The city has set a goal to develop into a regional financial hub by 2015, Li Jianchun, director of Chongqing's Foreign Trade and Economic Commission, told Xinhua.

Chongqing, a traditional manufacturing center in China, has a population of 32.8 million. After being separated from Sichuan province and made into a municipality in its own right in 1997, the city has accelerated its development.

Chongqing has set favorable policies for foreign investments on both local income tax and enterprise income tax.

Any foreign-funded enterprise can open foreign currency accounts in any bank or financial institution in Chongqing which have the right to run foreign currency business, according to the official.

Foreign-funded enterprises may get loans from financial institutions, enterprises and individuals abroad, or from foreign financial institutions in China, and they are not subject to a loan quota.

The city also has invested heavily in infrastructure to attract investments. The network of roads and railways connecting Chongqing to the rest of China have been expanded and upgraded, reducing logistical costs. Those infrastructure improvements have led to the arrival of dozens of foreign investors in industries ranging from auto making to finance and retailing such as Ford, Mazda, HSBC, Standard Chartered Bank, Wal-Mart, and Carrefour.

"Chongqing is rapidly urbanizing to promote the region's investment and consumption demand," the official said.

The municipal government launched a household registration reform last week, with the goal of turning 10 million farmers into city dwellers by 2020.

Within two years, 3.38 million farmers, mainly the new-generation migrant workers born in the 1980s and the 1990s, are expected to become urban citizens.

There are also many advantages for Chongqing to develop into a financial center at the moment, Li explained.

"Chongqing is less affected by the international economic crisis than China's coastal regions and the municipality has the most solid and complete industrial base in the region," he said.

Until late 2009, at least 16 foreign financial institutions, including Citibank and Metlife, have set up branches or representative offices in Chongqing.

Meanwhile, the city has just launched a 30-billion-yuan (4.4 billion U.S. dollar) project as part of its efforts to become a financial center.

The first commercial real estate project for the financial sector, to be located in the central business district in the city, will be the core of the city's future development.

Knowing the critical role of the financial industry for the economy, the city has set a goal of balanced development of banking, securities and insurance, the official added.

## **South central**

### **Politics**

#### **Social front**

- Draft law in Guangdong aims to ease labor tension (6<sup>th</sup> August)

(Xinhuanet) -- The Guangdong provincial legislature is drafting a new regulation to help ease tense labor relations in the booming province, which has seen a number of industrial strikes in recent months.

The draft - Democratic Management Rules of Enterprises - stipulates the use of "collective negotiation mechanism" to resolve labor disputes.

The regulation states the mechanism should start if over 25 percent of all workers in a company request a pay hike, under which circumstances the trade union in the company should organize all staff for a democratic election of negotiators to represent the workers.

The collective negotiation mechanism will create more opportunities for trade unions to protect workers' rights, said Yu Chuntao, head of the labor relation section of the Guangdong provincial department of human resources and social security.

He, however, added the draft regulations should be more detailed to ensure effective implementation.

"What are the do's and don'ts in negotiations and what's the alternative if collective negotiation fails? Many such questions need to be addressed," Yu told China Daily on Thursday.

"In this draft regulation, the concept collective negotiation is only limited to payment," noted Di Yujuan, head of the institute of labor and social security law at the Shenzhen University. "But workplace safety, employment policies and welfare are also important aspects in labor relations."

An item in the draft regulation that reads, "Workers should not resort to suspending work or other extreme behaviors to ask for pay raises before or during the procedure of negotiation", has sparked a debate.

Many are worried that this rule implies a ban on striking.

"The rule doesn't mean workers are not allowed to stop work. But they should express rational and reasonable requests first, and try to resolve the conflicts with their employers

via the channel of law," Kong Xianghong, who helped draft the regulation, was quoted as saying in the Guangzhou Daily on Wednesday.

The draft also clarifies that the All China Federation of Trade Union above the level of township is entitled to ask companies to rectify flaws in their management and even condemn them publicly if they fail to comply.

"Naming and shaming, to some degree, will put pressure on the enterprises as it would have an effect on their reputation. However, we should still try to realize justice for both sides via legislation," said Di.

(Source: China Daily)

## **Economic front**

- New Foxconn factory in central China begins production with hope of peace, prosperity (2<sup>nd</sup> August)

(Xinhua) -- A new Foxconn Technology Group factory in central China's Henan Province began production Monday, as the Taiwanese high-tech giant has begun moving its factory production to inland China.

The 100 million U.S. dollar factory is owned by Futaihua Precision Electronics (Zhengzhou) Co. Ltd., a Foxconn subsidiary.

It will primarily produce Apple's iPhone, according to an agreement between Foxconn and the government of Zhengzhou, Henan's capital city.

This year, several Foxconn workers committed suicide, raising questions about the company's management of its workers.

A Xinhua reporter saw more than 500 employees working on a production line at a temporary workshop the company has rented from the city government, which was located at Zhengzhou New District in the eastern suburbs of Zhengzhou.

Construction of the company's permanent plant will begin on Aug. 20 at a site several kilometers away. The permanent plant is expected to begin production in one year and create an annual export volume of more than 13 billion U.S. dollars.

It will form the capacity to make about 200,000 cell phones per day, with nearly 200,000 employees employed at the factory.

The name of the site for the permanent plant, "Pingzhen", can be seen on the standardized T-shirt worn by all Foxconn workers.

"In this name, 'Ping' means peace and 'Zhen' means calm. We will strive to make the 'town' peaceful and prosperous," said Lin Zhenghui, deputy general manager of the group. The workers are being housed in several seven-story buildings just several hundred meters from the factory.

The workers also have access to sports fields, fitness facilities, reading rooms and TV rooms.

Nine out of ten employees in the factory are from Henan and have worked at Foxconn's plant in the coastal city of Shenzhen. These employees volunteered to work at the new plant, said a Futaihua spokesman.

In a few months, nearly 10,000 workers would live in the community, the spokesman said.

"I'm satisfied with the new company's living conditions," said Li Gongchen, a Futaihua worker from Zhoukou City of Henan.

"I like my work and life in Shenzhen. But, Henan is my hometown. I will enjoy a more stable life and work with much sense of belonging here," said Peng Jinlong, another Futaihua worker from Xinyang City of Henan.

Several workers told Xinhua that they believe the company would offer them "a reasonable remuneration package".

Foxconn is warmly welcomed by the local government, which has been seeking to accommodate its surplus laborers from the rural areas. Henan is the most populous Chinese province.

Thanks to the government's coordination, the new plant finished its preparations, including renovation of the workshops and the workers' dormitories and opening of facilities, within one month.

"No other Foxconn plant has launched production in such a short time," Lin said.

"We've provided many conveniences for Foxconn's locating here, such as opening a fast track for the import of its facilities and construction materials," said Liang Andong, a local government official.

"We welcome advanced manufacturing companies like Foxconn," said Song Xuantao, vice governor of Henan.

In July, Taiwan's Hon Hai Precision Industry Co., the parent company of Foxconn, registered to build two factories in Henan to produce cell phones and related devices.

It remains unknown when the factory, owned by Hongfujin Precision Electronics (Zhengzhou) Co. Ltd., another Foxconn's subsidiary, will begin production.

Besides Henan, Foxconn has opened plants in the inland regions of Hebei, Shanxi, Hubei and Chongqing. In July, the company also invested in two factories in Chengdu, the capital city of southwest China's Sichuan Province.

"We moved into Henan, on the one hand, to secure our status as the world's biggest electronics contractor making high-tech products as well as, on the other hand, to set up our own sales network and Development & Research department," Lin said.

Foxconn is talking with the provincial government about opening some 2,000 chain stores selling IT products and home appliances as an attempt to diversify its business model.

"This shows that Foxconn targets not only the low labor costs of inland areas, but also the huge market," said Shi Pu, a professor with Henan University of Economics and Law.

- Officials plan ahead to see a bright future beyond 2010 (2<sup>nd</sup> August)

(Xinhuanet) -- A feasibility study is under way by trade promotion authorities in South China's Guangdong province with the hope of hosting the World Expo after 2020, officials have said.

Although plans remain in an internal "discussion" and bids are in the preparatory phase, Guangdong officials have made contact with Expo representatives, Chen Wenjie, director of the Guangdong Branch of the China Council for the Promotion of International Trade, told Guangzhou Daily on Sunday

Given that it took Shanghai officials 11 years between their first bidding procedures and the opening of Expo 2010 Shanghai, Guangdong officials clearly have a long way to go towards realizing their dreams of holding the World Expo, Chen said.

But his hopes are high. "All the cities in the prosperous Pearl River Delta can be candidates," Chen said.

Meanwhile, Chen told reporters in Shanghai last week that Guangdong provincial officials had also expressed their interest to Jean-Pierre Lafon, president of the Bureau of International Expositions (BIE), in submitting a formal application.

"Lafon said he was happy to learn Guangdong would bid for the World Expo, and he paid a special visit to the Guangdong hall," according to Chen.

"Guangdong is a vibrant and fast-developing province. It is fully capable of hosting the event," Lafon said.

Chen said that, in the event of Guangdong's selection, the entire Guangdong hall at the Expo could be brought back as a tourist attraction to the province after this expo ends.

Chen is now in Shanghai to promote the province's cultural and economic development during the inauguration of Guangdong week with the aim of winning support from home and abroad for the province's bid for the World Expo.

Guangdong Week, themed "Thrilling Asia, Green Guangdong" at the Expo took place from July 28 to Aug 1.

Guangdong, one of the country's economic powerhouses, is set to host the 16th Asian Games in its provincial capital Guangzhou in November.

Insiders, however, have indicated Guangdong might have to wait until 2025, since a host country usually has to wait 15 years for another chance to host the Expo.

Were Guangdong to win after 2020, this would mark the fourth time in a row that the Expo has been held in Asia. The Japanese city of Aichi hosted the Expo in 2005, while Seoul, the Republic of Korea, won the bid to host the 2015 World Expo.

(Source: China Daily)

## **East**

### **Politics**

### **Social front**

### **Economic front**

- H1 tourism income up 24.5% in Shandong (6<sup>th</sup> August)

(Xinhua) -- The tourism sector in East China's Shandong Province generated 127.7 billion yuan in the first half of this year, a growth of 24.5 percent on the same period last year, according to the provincial tourism industry authorities.

The province received 152 million domestic tourists in the six months, up 20 percent, and 1.55 million visitors from abroad, up 16 percent.

The province would invest 100 billion yuan in tourist projects this year.

- Jiangsu exports nearly 27% more toys in first half (6<sup>th</sup> August)

(Xinhua) -- East China's Jiangsu Province sold 94.94 million U.S. dollars worth of toys abroad in the first half of this year, a growth of 26.8 percent on the same period last year, according to the provincial customs house.

The total included 19.24 million U.S. dollars worth in June alone, up 65.2 percent year-on-year.

The growth was attributable to government stimulus measures and the global economic recovery, local customs analysts said.

The United States and European Union accounted for 57.6 percent of Jiangsu's total toy exports in the six months, with sales to the former up 18.5 percent to 27.43 million U.S. dollars and sales to the latter up 12.8 percent to 27.25 million dollars.

The analysts said in the second half of this year, the province's toy exports would remain stable, although challenged by a slow-down in the economic recovery globally, trade barriers and rising costs.

## **HONGKONG AND MACAU**

### **Politics**

- Macao, HK anti-corruption agencies seek to strengthen cooperation (2<sup>nd</sup> August) (Xinhua) -- Macao's anti-graft chief has led a delegation to visit his counterpart in Hong Kong, where they explored closer cooperation between the two places on the fight against corruption, Macao's Commission Against Corruption of Macao (CCAC) said on Monday. Fong Man-chong, Commissioner of the CCAC, leading an official delegation, met with Timothy Tong Hin-ming, commissioner of the Independent Commission Against Corruption (ICAC) of Hong Kong, on July 30.

This was the first time Fong Man-chong paid his official visit to ICAC since assuming office earlier this year.

During the meeting, Fong said that increased exchanges and experience sharing between Hong Kong and Macao graft fighters were expected following the extension of Macao's anti-corruption laws to the private sector earlier this year, according to a press statement from the CCAC.

Given ICAC's rich experiences in fighting corruption in the past decades, the CCAC can learn from it in many fields, such as raising the awareness of anti-corruption in the private sector, promoting business integrity through establishing partnership with the business sector, integrity supervision over public projects, etc., Fong also said.

For his part, Timothy Tong Hin-ming said that the new management of CCAC has greater capability in terms of legal affairs, which gives the Macao anti-graft agency an advantage in carrying out its work.

He also said that the two sides can continue their close cooperation in the future.

### **Social front**

#### **Economic front**

- Chinese mainland, Macao H1 trade up 9.3% year on year (2<sup>nd</sup> August) (Xinhua) -- Trade between the Chinese mainland and Macao in the first half of the year rose 9.3 percent year on year to reach 1.07 billion U.S. dollars, China's Ministry of Commerce (MOC) said Monday.

Mainland exports to Macao jumped 31.6 percent to 1.02 billion U.S. dollars while imports from Macao dropped 75.8 percent year on year to 50 million U.S. dollars, a statement posted on the MOC website said.

The statement did not explain the sharp decline in imports from Macao.

In June, trade between the mainland and Macao hit 200 million U.S. dollars, a decrease of 4.8 percent compared to May. Mainland exports to Macao in June dropped 5 percent from May to 190 million U.S. dollars.

Macao investments in the mainland totaled 420 million U.S. dollars in the first half, up 36.8 percent year on year, the statement said.

The mainland signed 6,580 projects and labor contracts worth 790 million U.S. dollars with Macao during the period.

Some 45,864 mainland workers were in Macao at the end of June, the statement said.

- HK's retail sales value up 15.3% (2<sup>nd</sup> August)

(Xinhua) -- Hong Kong's value of total retail sales in June is provisionally estimated at 24.3 billion HK dollars (about 3.13 billion U.S. dollars), representing a 15.3 percent year-on-year increase, the city's Census and Statistics Department said on Monday.

After netting out the effect of price changes over the same period, the volume of total retail sales rose 12.1 percent during the month when compared with a year earlier.

The department said retail sales continued to grow in June over a year earlier, reflecting the relatively firm local consumer sentiment and the rapid expansion of inbound tourism.

The increased uncertainty in the external environment stemming from the fragile nature of the recovery in the advanced economies will remain a concern, given its possible dampening effect on consumer sentiment. Nevertheless, the continuous strong expansion of inbound tourism should still be favorable to retail business.

The revised estimate of the value of total retail sales in May, at 25.9 billion HK dollars, increased 19.7 percent over May 2009, while the volume of total retail sales increased 16.3 percent.

During the first half of the year, total retail sales rose 17.9 percent in value or 14.7 percent in volume over the same period last year.

Based on the seasonally adjusted series, the volume of total retail sales fell 2.6 percent in the second quarter when compared with the preceding quarter. (U.S. dollar = 7.76 HK dollars)

- Macao's gaming revenues surge 70% in July (4<sup>th</sup> August)

(Xinhua) -- Macao's gaming revenues continued its streak of rapid growth in July 2010, as the monthly figure rose by 70 percent year-on-year to 16.3 billion patacas (2.04 billion U.S. dollars), according to the statistics released on Tuesday by Macao's Gaming Inspection and Coordination Bureau.

This was the second highest figure recorded so far this year by the Bureau, only less than that of May when the monthly revenues stood at 17.1 billion patacas (2.14 billion U.S. dollars).

As for the first seven months of this year, the gaming revenues amounted to 102 billion patacas (12.75 billion dollars), an increase of 67.5 percent over last year, according to the Bureau.

Being the only place in China where gambling is legal, there were 33 casinos with 4,828 gaming tables and 14,659 slot machines in Macao by the end of the second quarter of this year, according to official figures.

- Macao records 778 newly-established companies in Q2 (6<sup>th</sup> August)  
(Xinhua) -- A total of 778 new companies were incorporated in Macao in the second quarter of 2010, an increase of 18.4 percent over last year, according to the figures released on Friday by the city's Statistics and Census Service (DSEC).  
Among these new companies, 300 were operating in wholesale and retail, with the registered capital amounting to 55 million patacas (6.9 million U.S. dollars), while 120 were operating in business services and 103 in real estate, the figures indicated.  
The total value of registered capital surged by 66.9 percent year-on-year to 136 million patacas (17 million dollars).  
Some 65.2 percent of the new companies were incorporated with registered capital under 50,000 patacas (6,250 dollars) and the value of capital made up merely 9.7 percent of the total, the DSEC also said.  
There were 28 new companies incorporated with registered capital of 1 million patacas (125,000 dollars) or over, and the value of capital accounted for 66.3 percent of the total. More than 80 percent of the new incorporations were limited companies.  
Capital of the new companies came mainly from Macao (61 million patacas), the Chinese mainland (35 million patacas) and Hong Kong (10 million patacas), according to the DSEC.  
In the second quarter of 2010, the number of companies in dissolution totaled 125 and the value of registered capital amounted to 66 million patacas (8.25 million dollars), of which the registered capital of 57 wholesale and retail companies in dissolution accounted for 7.7 percent, according to the DSEC.