

White Paper: China's Peaceful Development Road

By the State Council Information Office of China

I. Peaceful Development Is the Inevitable Way for China's Modernization

To achieve peaceful development is a sincere hope and unremitting pursuit of the Chinese people. Since the policies of reform and opening-up were introduced at the end of the 1970s, China has successfully embarked on a road of peaceful development compatible with its national conditions and characteristics of the times. Along this road, the Chinese people are working hard to build China into a prosperous, powerful, democratic, civilized and harmonious modern country, and continually making new contributions to human progress with China's own development.

Looking back upon history, basing itself on the present reality and looking forward to the future, China will unswervingly follow the road of peaceful development, making great efforts to achieve a peaceful, open, cooperative and harmonious development.

- Striving for a peaceful international environment to develop itself, and promoting world peace through its own development;
- Achieving development by relying on itself, together with reform and innovation, while persisting in the policy of opening-up;
- Conforming to the trend of economic globalization, and striving to achieve mutually beneficial common development with other countries;
- Sticking to peace, development and cooperation, and, together with all other countries, devoting itself to building a harmonious world marked by sustained peace and common prosperity.

Peace, opening-up, cooperation, harmony and win-win are our policy, our idea, our principle and our pursuit. To take the road of peaceful development is to unify domestic development with opening to the outside world, linking the development of China with that of the rest of the world, and combining the fundamental interests of the Chinese people with the common interests of all peoples throughout the world. China persists in its pursuit of harmony and development internally while pursuing peace and development externally; the two aspects, closely linked and organically united, are an integrated whole, and will help to build a harmonious world of sustained peace and common prosperity.

China's road of peaceful development is a brand-new one for mankind in pursuit of civilization and progress, the inevitable way for China to achieve modernization, and a serious choice and solemn promise made by the Chinese government and the Chinese people.

- It is an inevitable choice based on its national conditions that China persists unswervingly in taking the road of peaceful development. During the 100-odd years following the Opium War in 1840, China suffered humiliation and insult from big powers. And thus, ever since the advent of modern times, it has become the assiduously sought goal of the Chinese people to eliminate war, maintain peace, and build a country of independence and prosperity, and a comfortable and happy life for the people. Although it has made enormous achievements in development, China, with a large population, a weak economic foundation and unbalanced development, is still the largest developing country in the world. It is the central task of China to promote economic and social development while continuously improving its people's life. To stick to the road of peaceful development is the inevitable way for China to attain national prosperity and strength, and its people's happiness. What the Chinese people need and cherish most is a peaceful international environment. They are willing to do their best to make energetic contributions for the common development of all countries.

- It is an inevitable choice based on China's historical and cultural tradition that China persists unswervingly in taking the road of peaceful development. The Chinese nation has always been a peace-loving one. Chinese culture is a pacific culture. The spirit of the Chinese people has always featured their longing for peace and pursuit of harmony. Six hundred years ago, Zheng He (1371-1435), the famous navigator of the Ming Dynasty, led the then largest fleet in the world and made seven voyages to the "Western Seas," reaching more than 30 countries and regions in Asia and Africa. What he took to the places he visited were tea, chinaware, silk and technology, but did not occupy an inch of any other's land. What he brought to the outside world was peace and civilization, which fully reflects the good faith of the ancient Chinese people in strengthening exchanges with relevant countries and their peoples. Based on the present reality, China's development has not only benefited the 1.3 billion Chinese people, but also brought large markets and development opportunities for countries throughout the world. China's development also helps to enhance the force for peace in the world.

- It is an inevitable choice based on the present world development trend that China persists unswervingly in taking the road of peaceful development. It is the common wish of the people throughout the world and an irresistible historical trend to pursue peace, promote development and seek cooperation. In particular, further development of multi-polarization and economic globalization has brought new opportunities for world peace and development, and thus it is possible to strive for a long-term peaceful international environment. Meanwhile, China is clearly aware that the world is still troubled by many factors of instability and uncertainty, and mankind

still faces many severe challenges. However, there are more opportunities than challenges, and as long as all countries work together we can gradually attain the goal of building a harmonious world of sustained peace and common prosperity. For many years, China has consistently followed an independent foreign policy of peace, the purpose of which is to safeguard world peace and promote common development. As early as in 1974, when China resumed its membership in the United Nations, Deng Xiaoping proclaimed to the world that China would never seek hegemony. Since the policies of reform and opening-up were introduced, China, keeping in view the changes in the international situation, has upheld the important strategic judgment that peace and development are the theme of the present times, and declared on many occasions that China did not seek hegemony in the past, nor does it now, and will not do so in the future when it gets stronger. China's development will never pose a threat to anyone; instead, it can bring more development opportunities and bigger markets for the rest of the world. Facts prove that China's economic development is becoming an important impetus for economic growth in the Asia-Pacific region and even the world as a whole. It has become the national determination of China to safeguard world peace and promote common development.

At present, the Chinese people are working hard to build a moderately well-off society in an all-round way. Not long ago, the Fifth Plenary Session of the 16th Central Committee of the Communist Party of China set the main targets for China's economic and social development from 2006 to 2010, of which the principal economic target is to double the 2000 per-capita GDP by 2010 on the basis of optimizing its structures, increasing economic returns and reducing consumption; and enhance substantially the resource utilization ratio, and by 2010 reduce the 2005 per-unit GDP resource consumption by around 20 percent. To attain this target, China, guided by the scientific concept of development with people first, overall coordination and sustainable development at the core, will promote the overall development of its economy, politics, culture and society. While seeking development by relying primarily on its own strength, China sticks to the policy of opening-up, engages in extensive international economic and technological cooperation, and shares with all other countries the fruits of mankind's civilization; respects and gives consideration to others' interests, works with other countries to solve the disputes and problems cropping up in cooperation, and strives to achieve mutual benefit and common development; abides by its international obligations and commitments, actively participates in international systems and world affairs, and endeavors to play a constructive and locomotive role; and gets along with all other countries equally and develops friendly relations with them on the basis of the Five Principles of Peaceful Coexistence.

II. Promoting World Peace and Development with China's Own Growth

Peace is the foundation for development while development is fundamental for peace. For years, the Chinese government and people have made unremitting efforts to create a peaceful international environment. They cherish dearly the peaceful international

environment jointly created by the peace-loving and progress-seeking countries and peoples, concentrate on their own construction and whole-heartedly seek development, and strive constantly to make positive contributions to world peace and development with their own growth, and promote human civilization and progress.

China's development needs a peaceful international environment. Since 1978, when the policies of reform and opening-up were adopted, China has endeavored to develop itself within a peaceful international environment. Its GDP has increased from 362.4 billion yuan (about US\$215.3 billion if converted directly from Renminbi into US dollar at the average exchange rate of that year) to 15,987.8 billion yuan (about US\$1931.7 billion if converted directly from Renminbi into US dollar at the average exchange rate of that year) in 2004, an average growth rate of over 9 percent per annum, calculated according to constant price. Its per-capita GDP has risen from less than US\$300 to more than US\$1,400. China has also made new progress in its building of political civilization, with its democratic system being improved continuously, the freedom and rights of citizens being protected and guaranteed by law, and its people exercising their rights of democratic election, decision-making, administration and supervision in accordance with the law. A legal system centered on the Constitution has taken initial shape, and the basic strategy of ruling the country by law has been implemented. Rapid progress has been scored in its education, science and technology, culture, health, sports and other undertakings, and the increasing spiritual and cultural needs of the people have been constantly satisfied. The construction of a harmonious society has been reinforced, and the state is working hard to realize and safeguard social fairness and justice, increase creativity of the whole society, beef up social construction and administration, and maintain social stability and harmonious relations between man and Nature.

China's development is an important component of global development. China has promoted world peace with its own development and made contributions to the progress of mankind.

China has made contributions to the sustained development of human society. Based on previous experience and the fruits of modern civilization of mankind, it has adopted the scientific outlook on development to transform its concepts, create new modes for growth and enhance the quality of development. Over the years, China has persisted in exploring a new road to industrialization, featuring high scientific and technological content, good economic returns, low resources consumption, little environmental pollution and a full display of advantages in human resources, and striven to steer the entire society along a road of sustained development of civilization, with advanced production, affluent life and favorable ecological conditions. China's success in population control has retarded the expansion of the population of the world as a whole. China emphasizes energy saving, and has adopted various measures in this regard. During the period 1980-2000, its GDP quadrupled, but the annual consumption of energy only doubled. Due to China's intensified efforts at environmental protection, its dust discharge has remained the same as in 1980 despite

a big increase in installed thermal-power capacity. Its energy consumption of per 10,000-yuan GDP in 2004 dropped by 45 percent compared to 1990. China has made medium- and long-term plans for energy conservation, aiming to keep an annual energy-saving rate of 3 percent by 2020, to save 1.4 billion tons of standard coal.

China has made contributions to reducing human poverty and improving the quality of life. It has created a miracle by feeding nearly 22 percent of the world's population on less than 10 percent of the world's arable land. The living standards of its 1.3 billion people are constantly improving. The Chinese government has lifted 220 million people out of poverty, and provided minimum living allowances to 22.05 million urban residents and aid to 60 million disabled people. The life expectancy of the Chinese has been extended from 35 years before New China was founded in 1949 to 71.95 years today, close to that of moderately developed countries.

China has made contributions to safeguarding world peace and promoting international cooperation. On the basis of the Five Principles of Peaceful Coexistence, China has developed friendly, cooperative relations with other countries and promoted peaceful coexistence and equal treatment among countries. China has always adhered to the principle of being a friendly neighbor; and has constantly developed good and cooperative relationships with surrounding countries and other Asian countries and expanded common interests with them. China has established various cooperative relationships with major powers, and unremittingly augmented mutual dialogues, exchanges and cooperation. China has also expedited cooperation with a vast number of developing countries, to seek common development by drawing on one another's advantages within the South-South cooperation framework. Active in the settlement of serious international and regional problems, China shoulders broad international obligations, and plays a responsible and constructive role.

China has made contributions to world economic development. In recent years, despite increasingly severe global economic fluctuations, China's economy has maintained a stable and relatively fast growth, bringing hope and a new driving force to world economic development. Statistics released by the World Bank show that China's economic growth contributed on average 13 percent to world economic growth from 2000 to 2004. In 2004, the world economy reported the swiftest growth in 30 years, while China's economy grew by 9.5 percent and became a key driving force for the former. Also in 2004, China's import and export figure doubled that of three years previously, reaching US\$1,154.8 billion, and its import figure nearly doubled that of three years previously, reaching US\$561.4 billion. By the end of 2004, China had made use of US\$745.3 billion paid-in foreign capital, and approved more than 500,000 foreign-funded enterprises.

China has made contributions to the stable development of surrounding areas. China has more than 20 neighbors that either border on its territory or lie across the nearby seas. China's sustained economic growth, social stability and its people's peaceful life also benefit its neighboring countries. The Asia-Pacific economy kept a 6-percent

growth between 1999 and 2004. To ensure a stable environment for the continuous development of its surrounding areas, China overcame arduous difficulties at the time of the 1997 Asian financial crisis, and stuck to the principle of keeping the value of the Renminbi stable while expanding domestic demand, and helped to the best of its ability the victim countries to weather the crisis. China played its role in finally overcoming the crisis. In the case of the 2003 sudden outbreak of SARS, the Chinese government took decisive steps, and cooperated with its neighbors in effectively curbing it. Upon the occurrence of the Indian Ocean tsunami in late 2004, the Chinese government and its people offered timely and sincere aid - the largest external aid in the history of New China - to the suffering countries in their rescue and re-construction effort. The Chinese also expressed great sympathy and extended assistance when South Asia was struck by massive earthquakes in October 2005.

Despite gigantic achievements, China still remains the largest developing country in the world, with a formidable task of development lying ahead. According to the latest statistics released by the World Bank and statistics recently released by China, in 2004, China's aggregate economic volume accounted only for 16.6 percent of that of the US, and its per-capita GDP was merely 3.6 percent that of the US and 4.0 percent of Japan, ranking 129th among 208 countries and regions around the world. By the end of 2004, 26.1 million rural Chinese still lived under the poverty line, more than 100 million farmers have to be provided with jobs elsewhere, and the government is obliged to create jobs for nearly 24 million urban and rural residents every year. There is still a long way to go for China to reach the level of the moderately developed countries and achieve common prosperity for the whole country. China still needs to make persistent efforts to strive for a peaceful international environment for its own development, and promote world peace and development with its own growth. This is particularly significant for both China and the world as a whole.

III. Developing by Relying on Its Own Strength, Reform and Innovation

China will adhere to the scientific approach for development and have an overall plan for domestic development and opening to the outside world, and base its development on its own realities. At the same time, China will maintain the approach of all-round, wide-area, multi-level openness to the outside world, striving to attain a more balanced development.

The main problem facing China in its development is the contradiction between its underdeveloped economy and its people's ever-increasing material and cultural demands, and the contradiction between economic and social development and the relatively strong pressure of the population, natural resources and the environment. Past experience indicates that fundamentally China must rely on itself to solve the problems in its development. By doing so, the country will be responsible to the Chinese people as well as to the people of the rest of the world. It is an important principle that guarantees that China will follow the road of peaceful development.

China will not shift its own problems and contradictions onto other countries, much less will it plunder other countries to further its own development.

To achieve development, China will mainly rely on its own strength, reform and innovation. It has many advantages and favorable conditions: It has the material and technological foundation supporting further economic development; it has an ever-growing huge market and a high rate of private savings deposits; it has a large labor force whose quality, as a whole, is improving all the time; it has an ever-improving socialist economic market system and related policy guarantee; and it has a stable social and political environment.

China intends to do the following work well in order to achieve development by mainly relying on its own strength and through reform and innovation:

- Adhering to innovation in ideas and systems. Practice over the two decades or so since China introduced the reform and opening-up policies has proved that, by emancipating the mind, seeking truth from facts and striving for progress, China is able to bring into full play the enthusiasm, initiative and creativity of its hundreds of millions of people and open up new prospects for its modernization drive. China will unswervingly push forward reform in all aspects, remain steadfast in the direction of socialist market economy in its reform, intensify reform with emphasis on institutional innovation, and strive to make breakthroughs in some key areas and important links. Through reform, China will enhance marketization of its national economy, improve the state's macroeconomic regulatory system, and constantly establish institutions and mechanisms conducive to an overall, coordinated and sustainable economic and social development.

- Opening up the domestic market and increasing domestic demand. It is China's fundamental stand and long-term strategic guiding principle to expand domestic demand in its economic and social development. China has entered a period when the pace of industrialization and urbanization is being quickened, the people's income level is increasing and their consumption structure is being upgraded. While changing its mode of foreign trade growth, increasing imports and strengthening intellectual property protection, and continuing to make contributions to global trade and the world economy, China keeps up its driving force to maintain sustained economic development through its huge domestic demand and domestic market. This has determined that China should and most likely will mainly rely on domestic demand for its development. China will ensure that investment in fixed assets will increase at a reasonable scale and pace so as to bring into better play the role of investment in economic growth. By implementing correct income distribution and consumption policies, China is relying more on domestic demand and consumption to promote its economic development. In recent years, domestic investment and consumption needs are increasing at a rather rapid rate.

- Promoting the strategic adjustment of the economic structure and the change of growth mode. China considers changing the growth mode a strategic focal point, strives to base economic growth on the enhancement of the quality of its human resources, efficient use of natural resources, reduction of environmental pollution, and emphasis on the quality and efficiency of its economy. China will take a new road of industrialization - using the IT industry to promote industrialization and letting industrialization support the development of the IT industry. It will quicken the pace of optimizing and upgrading its industrial structure, develop advanced manufacturing industry, high- and new-tech industry, especially the IT and biological industries, increase the proportion of the service sector and improve the level of services, strengthen the construction of infrastructure facilities of basic industries, and bring into full play the function of structural readjustment in the change of the growth mode. China will work hard to develop a cost-saving, recycling and environment-friendly economy, establishing a national economic system characterized by intensification and cleanness.

- Promoting scientific and technological progress and strengthening the ability of independent innovation. China is striving to become a country of innovation, and it is a state strategy to strengthen the ability of independent innovation. It has made medium- and long-term scientific and technological development plans, setting forth the objectives and tasks for scientific and technological development for the next 15 years. China is making every effort to enhance its ability of original innovation, integrated innovation and re-innovation after absorbing advanced technology from abroad. By reforming the scientific and technological system and increasing financial input through various channels, China will promote the construction of its national innovation system and speed up the pace of commercialization of research findings. China hopes to increase the proportion of funds for scientific and technological research and development from 1.44 percent of the GDP in 2004 to 2.5 percent in 2020.

- Making every effort to exploit human resources. China will make effort in implementing the strategy of relying on talented people to make the country powerful. It will quicken the readjustment of the educational structure and institute education aimed at all-round development of students, with emphasis being put on compulsory education, especially compulsory education in the countryside. It will make greater efforts to develop vocational education and raise the quality of its higher education, so as to greatly promote the development of education and foster qualified workers and specialized personnel in all fields. It is expected that from 2006 to 2010 the secondary vocational schools will train 25 million graduates, and the higher vocational schools 11 million graduates for the society. The enrolment rate of China's institutions of higher learning will reach 40 percent by 2020. Meanwhile, China will bring in talented personnel, especially high-level personnel, from abroad, forming a favorable mechanism and social atmosphere in which talented people keep emerging in large numbers and every individual gives full play to his or her talents, thus providing

abundant human resources and intellectual support for the country's modernization program.

- **Working hard to build a resource-saving and environment-friendly society.** Historical experiences show that to have a balanced and orderly development of the world economy, the international community must handle the energy problem properly. Through dialogues and cooperation regarding energy, China is working with other countries to safeguard energy safety and stability. China considers energy saving one of its basic state policies. Centering on conservation of energy resources and raising the efficiency of energy consumption, China is working hard to develop a recycling economy so that it will garner the highest possible economic and social benefits with the lowest possible energy consumption. China has persisted in relying on its domestic resources and constantly increasing the supply of domestic energy. China is not only a big energy consuming country, but also a big energy producing one. Since the 1990s, China has obtained 90 percent or more of its energy from domestic sources. The potential of its domestic energy supply is still great. Verified coal reserves account for only a small proportion of the potential reserves. Moreover, it is likely that new oilfields and natural gas fields will be discovered, and the future of new types of energy and regenerated energy is promising. Meanwhile, China upholds the basic state policy of environmental protection, and is making more and more efforts to protect and improve its ecological environment, so as to create conditions for sustainable economic and social development. In its environmental protection efforts, China persists in putting precautionary measures first, treating environmental pollution comprehensively and preventing pollution at the source. China gives priority to environmental protection, makes sure that the exploitation of natural resources is in good order, emphasizes prevention of excessive exploitation of natural resources, and intensifies protection of natural resources and ecology.

China will unswervingly carry out the basic state policy of opening up to the outside world, and actively engage in economic and technological exchanges and cooperation with other countries to raise the overall level of openness. China has earnestly fulfilled the promises it made when admitted into the World Trade Organization (WTO) by constantly improving the management system and policies concerning foreign businesses in China and creating a fair and predictable legal environment; opening the market further and improving the environment for investment and trade; improving the trade structure, enhancing the degree of freedom and convenience for trade and investment, and creating a better environment for investment; and, in addition, encouraging its own enterprises to invest overseas and developing alongside foreign businesses. Opening up to the outside world has played a very important role in promoting China's economic and social development. The foreign capital China brings in makes up for the inadequacy of capital for development. Domestic industries have been growing rapidly thanks to the full utilization of overseas markets. The introduction of advanced technology, equipment and management expertise has improved the production technology and management level of Chinese enterprises.

Frequent exchanges with other countries make it possible for China to share the fruits of mankind's civilization and improve the quality of its own human resources.

IV. Seeking Mutual Benefit and Common Development with Other Countries

China cannot develop independently without the rest of the world. Likewise, the world needs China if it is to attain prosperity. Following the trend of economic globalization, China is participating in international economic and technological cooperation on an ever larger scale, in wider areas and at higher levels in an effort to push economic globalization towards the direction of common prosperity for all countries. Today, the mainstream of international trade is to share successes, with all as winners. China adheres to its opening-up strategy for mutual benefit. For this, it has made conforming to China's own interests while promoting common development a basic principle guiding its foreign economic and trade work, develops its economic and trade relations with other countries on the basis of equality, mutual benefit and reciprocity, and makes constant contributions to the sustained growth of global trade.

China has exerted itself to push forward multilateral economic and trade relations and regional economic cooperation, actively participated in the formulation and execution of international economic and trade rules, and joined various other countries in settling disputes and problems emerging in their cooperation, so as to promote the balanced and orderly development of the world economy.

China has been an active supporter of and participant in multilateral trade system. Since its accession to the WTO in December 2001, China has strictly kept its commitments to create more favorable conditions for international economic and technological cooperation. China has sorted out and revised some 3,000 laws, regulations and department rules, continually improved its foreign-related economic legal system, and enhanced the transparency of its trade policies. China has cut its customs tariffs step by step, as promised, and by 2005 its average tariffs had been reduced to 9.9 percent, and most non-tariff measures had been cancelled. Banking, insurance, securities, distribution and other service trade sectors have opened wider to the outside world. Of the 160-odd service trade sectors listed by the WTO, China has opened more than 100, or 62.5 percent, a level close to that of the developed countries. China has actively pushed ahead with a new round of multilateral trade negotiations, participated in talks on various topics, especially on agriculture, market access of non-farm products and the service trades, and played a constructive role in helping developing and developed members reduce disputes through talks. China, together with other WTO members, has done a lot of work to spur substantial progress to reach early agreement among the negotiators.

China has continuously stepped up participation in regional economic cooperation. The building of the China-ASEAN Free Trade Area is going full steam ahead. Following the practice of zero tariffs on farm products under the "Early Harvest Program," the Agreements on Trade in Goods and the Dispute Settlement Mechanism

Agreement were formally signed in November 2004, and in July 2005 the free trade area launched its tariff concession program, clearing the way for realizing its goals. At present, the building of the Shanghai Cooperation Organization is proceeding with comprehensive and pragmatic cooperation, and its process to facilitate trade investment has been launched in an all-round way. China has also initiated negotiations on such free trade areas as the China-Southern African Development Community, China-Gulf Cooperation Council, and China-New Zealand, China-Chile, China-Australia and China-Pakistan, and signed relevant agreements with its partners. China is also an active and pragmatic participant in the activities of the Asia-Pacific Economic Cooperation, Forum on China-Africa Cooperation, Sino-Arab Cooperation Forum, Asia-Europe Meeting and Greater Mekong Subregion Economic Cooperation Program. China advocates the liberalization and facilitation of investment in bilateral trade, and has signed bilateral trade agreements or protocols with more than 150 countries and regions, bilateral investment protection agreements with more than 110 countries, and agreements with over 80 countries on the avoidance of double tariffs.

China sticks to the principle of mutual benefit and win-win cooperation, tries to find proper settlement of trade conflicts and promotes common development with other countries. Trade conflicts are quite natural in international economic exchanges. Following international practice and WTO rules, China has tried to resolve such conflicts through dialogue on an equal footing and through the WTO dispute settlement mechanism. When promulgating and implementing domestic economic policies, it tries to take international factors and influences into account as well as the impacts its own economic growth imposes on the outside world. Based on its reform and development, China is serious in judging the effects its exchange rate reform may bring to surrounding countries and regions, and the global economy and finance. It has thus advanced the reform in a steady way, adopted a managed floating exchange rate regime based on market supply and demand, and linked and adjusted it according to a basket of currencies, so that the Renminbi exchange rate will remain stable at a reasonable and balanced level. China has intensified its protection of intellectual property rights, improved the relevant legal system, and tightened up law enforcement to crack down on all kinds of violations.

Growing China is active in international economic and technological cooperation, and provides good opportunities and a huge market for the rest of the world. All countries, the developed countries in particular, have reaped lucrative benefits from investment in and service trade with China.

China's active involvement in the international division of labor and cooperation is conducive to the reasonable and effective distribution of global resources. As the largest developing country in the world, China boasts an abundant labor force, the quality of which has been constantly improving. It is a natural advantage of China in developing labor-intensive industries and some technology-intensive ones. Along with economic and social progress, as well as the improvement of the living standards of its people, China's demand for capital-, technology- and knowledge-intensive

products keeps increasing, offering great opportunities for foreign products, technologies and services, as the country has now evolved into an internationally acknowledged big market. China's foreign trade is mutually supplementary with many countries. About 70 percent of China's exports to the US, Japan and the Europe Union (EU) are labor-intensive, while 80 percent of its imports from the three are capital-, technology- and knowledge-intensive. In the new structure of international labor division, the country has become a key link in the global industrial chain.

By importing cheap but good-quality products made in China, the importing countries can reduce their expenditure and pressure caused by inflation while satisfying the demands and enhancing the welfare of their consumers. China's labor-intensive products enjoy unique comparative advantages in the global market. Since 1997, US consumers have saved billions of dollars every year by buying Chinese commodities - US\$600 billion in the past decade and nearly US\$100 billion in 2004 alone.

The expansion of China's reciprocal economic and trade relations with other countries has benefited both in a tremendous way. China's imports have kept growing by a yearly 16 percent since 1978, and the country imported commodities worth US\$1,270 billion in the three transitional years following its WTO accession. In 2004, China became the world's third largest importer, next only to the US and Germany, with US\$148.47 billion of increased imports or 9 percent of the world's total growth of imports. Also in 2004, China's trade volume with the EU, the US and Japan totaled US\$177.3 billion, US\$169.6 billion and US\$167.8 billion, respectively, making them China's top three trade partners and main sources of foreign investment. In the same year, China's trade volume with Asian countries and regions amounted to US\$664.9 billion, 34.2 percent up over that of the previous year. This figure accounted for 57.6 percent of China's total foreign trade value. In addition, China has become the fourth largest trading partner of and a fast-growing market for ASEAN.

The huge market of China offers such great opportunities for international capital that investors around the world have benefited from China's rapid economic growth. From 1990 to 2004, foreign investors repatriated US\$250.6 billion in profits from China. In 2004, US-funded enterprises in China generated US\$75 billion in sales revenue in China, and their products earned another US\$75 billion elsewhere. A 2005 survey by the American Chamber of Commerce-People's Republic of China shows that 70 percent of American firms are making profits in China, and about 42 percent report a higher profit rate than their global average.

China's growing investment abroad has also fueled the economies of the destination countries. At the end of 2004, China's net non-banking direct investment abroad amounted to US\$44.8 billion, spreading to 149 countries and regions. Among which, US\$33.4 billion, or 75 percent, went to Asia.

China's foreign economic and trade cooperation has tremendous potential and boosts bright prospects. In the post-WTO era, China imported US\$500 billion worth of

commodities annually during the period from December 2001 to September 2005, which meant 10 million jobs for the countries and regions concerned. In the next few years, it will import US\$600 billion worth of goods annually, and the amount will exceed US\$1,000 billion by 2010. By 2020, the scale and total demand of the Chinese market will quadruple that in 2000. During the process, the rest of the world will find development and business opportunities in their reciprocal cooperation with China, which will greatly accelerate the growth of the global economy.

V. Building a Harmonious World of Sustained Peace and Common Prosperity

Mankind has only one home - the Earth. Building a harmonious world of sustained peace and common prosperity is a common wish of the people throughout the world as well as the lofty goal of China in taking the road of peaceful development.

China holds that the harmonious world should be democratic, harmonious, just, and tolerant.

- **Upholding democracy and equality to achieve coordination and cooperation.** All countries should, on the basis of the UN Charter and the Five Principles of Peaceful Coexistence, promote democracy in international relations through dialogue, communication and cooperation. The internal affairs of a country should be decided by its people, international affairs should be discussed and solved by all countries on an equal footing, and developing countries ought to enjoy the equal right to participate in and make decisions on international affairs. All countries should respect each other and treat each other equally. No country is entitled to impose its own will upon others, or maintain its security and development at the price of the interests of others. The international community should oppose unilateralism, advocate and promote multilateralism, and make the UN and its Security Council play a more active role in international affairs. When dealing with international relations, it is necessary to persist in proceeding from the common interests of all the people throughout the world, make efforts to expand common interests, enhance understanding through communication, strengthen cooperation through understanding and create a win-win situation through cooperation.

- **Upholding harmony and mutual trust to realize common security.** All countries should join hands to respond to threats against world security. We should abandon the Cold War mentality, cultivate a new security concept featuring mutual trust, mutual benefit, equality and coordination, build a fair and effective collective security mechanism aimed at jointly preventing conflict and war, and cooperate to eliminate or reduce as much as possible threats from such non-traditional security problems as terrorist activities, financial crises and natural disasters, so as to safeguard world peace, security and stability. We should persist in settling international disputes and conflicts peacefully through consultations and negotiations on the basis of equality, work together to oppose acts of encroachment on the sovereignty of other countries, interference in the internal affairs of other countries, and willful use or threat of use of

military force. We should step up cooperation in a resolute fight against terrorism, stamp out both the symptoms and root causes of the problem of terrorism, with special emphasis on eliminating the root cause of the menace. We should achieve effective disarmament and arms control in a fair, rational, comprehensive and balanced fashion, prevent the proliferation of weapons of mass destruction, vigorously promote the international nuclear disarmament process, and maintain global strategic stability.

- Upholding fairness and mutual benefit to achieve common development. In the process of economic globalization, we should stick to the principle of fairness, achieve balanced and orderly development, and benefit all countries, developing countries in particular, instead of further widening of the gap between South and North. We should propel economic globalization towards the direction of common prosperity. The developed countries should shoulder greater responsibility for a universal, coordinated and balanced development of the world, while the developing countries should make full use of their own advantages to achieve development. We should actively further trade and investment liberalization and facilitation, remove all kinds of trade barriers, increase market access, ease restrictions on technology export, so as to establish an international multilateral trading system that is public, fair, rational, transparent, open and nondiscriminatory, and construct a good trading environment conducive to orderly global economic development. We should further improve the international financial system to create a stable and highly efficient financial environment conducive to global economic growth. We should step up worldwide dialogue and cooperation on energy, and jointly maintain energy security and energy market stability. We should actively promote and guarantee human rights to ensure that everyone enjoys equal opportunities and right to pursue overall development. We should make innovations in the mode of development, promote the harmonious development of man and Nature, and take the road of sustainable development.

- Upholding tolerance and opening to achieve dialogue among civilizations. Diversity of civilizations is a basic feature of human society, and an important driving force for the progress of mankind. All countries should respect other country's right to independently choose their own social systems and paths of development, learn from one another and draw on the strong points of others to make up for their own weak points, thus achieving rejuvenation and development in line with their own national conditions. Dialogues and exchanges among civilizations should be encouraged with the aim of doing away with misgivings and estrangement existing between civilizations, and develop together by seeking common ground while putting aside differences, so as to make mankind more harmonious and the world more colorful. We should endeavor to preserve the diversity of civilizations and development patterns, and jointly build a harmonious world where all civilizations coexist and accommodate one another.

Over the years, China has persisted in the policies of peace, development and cooperation, and pursued an independent foreign policy of peace. In the spirit of democracy, harmony, justice and tolerance, China has been playing a constructive role, and making efforts to attain the lofty goal of building a harmonious world together with all other countries.

China is working hard to bring about a just and rational new international political and economic order, and stands for greater democracy in international relations. China adheres to the purpose and principles of the UN Charter, attaches great importance to the UN's role in international affairs as the core of the international multilateral mechanism, vigorously promotes multilateral cooperation to settle regional conflicts and development problems, and actively supports the UN to play a greater role in international affairs. China backs up UN reform, and firmly helps safeguard its long-term interests and the common interests of its members. China has joined more than 130 inter-governmental international organizations, including the International Atomic Energy Agency (IAEA), is committed to 267 international multilateral treaties such as the Treaty on the Non-Proliferation of Nuclear Weapons, and actively participates in international cooperation in such fields as anti-terrorism, arms control, non-proliferation, peacekeeping, economy and trade, development, human rights, law-enforcement, and the environment.

China takes practical steps to establish fraternal relations with surrounding regions and promote cooperation in maintaining regional security. In line with the generally acknowledged principles of international law and in the spirit of consultation on the basis of equality, mutual understanding and mutual accommodation, China has made efforts to properly resolve boundary issues with neighboring countries, settle disputes and promote stability. So far, thanks to joint efforts with various countries, China has signed boundary treaties with 12 continental neighbors, settling boundary issues left over from history. The boundary issues with India and Bhutan are in the process of being settled. China actively promotes dialogue and cooperation on regional security, and plays a positive and constructive role in such regional mechanisms as ASEAN + China, ASEAN + China, Japan and the ROK, Shanghai Cooperation Organization, Asia Pacific Economic Cooperation, ASEAN Regional Forum, and Asian Cooperation Dialogue. China has joined the Treaty of Amity and Cooperation in Southeast Asia, lending new vitality to the peaceful and friendly relationship between China and ASEAN members.

China plays a constructive role in resolving weighty international and regional issues for common security. With respect to the nuclear issue on the Korean Peninsula, China has worked tirelessly with the other relevant parties, and succeeded in convening and hosting first the Three-Party Talks (China, North Korea and the United States) and then the Six-Party Talks (China, North Korea, the United States, the Republic of Korea, Russia and Japan). China was instrumental in getting the participants to issue a joint statement, thus mitigating tension on the peninsula, and contributing constructively to peace and stability in Northeast Asia. Regarding the

Middle East issue, China encourages the parties involved to resume talks and start a new peace process based on relevant UN resolutions and the principle of "Land for Peace." As for the Iraq issue, China advocates seeking a political solution within the UN framework, and is making great efforts in this regard. On the Iran nuclear issue, China has tried several approaches to persuade the parties involved to engage in dialogue and find a proper and peaceful settlement within the IAEA framework. Moreover, China is expanding its participation in UN peacekeeping efforts, having sent military personnel, police and civil officers on 14 UN peacekeeping missions, to the number of 3,000.

For many years, China has provided assistance within its capacity to other developing countries to help them build the capacity for self-development as well as engage in common development. So far, China has provided assistance to more than 110 countries and regional organizations for over 2,000 projects. China has reduced or canceled 198 debts totaling 16.6 billion yuan owed to it by 44 developing countries. In May 2005, the International Poverty-Reduction Center in China was formally set up in Beijing. In September 2005, at the High-Level Meeting on Financing for Development, on the occasion of the 60th Anniversary of the United Nations, President Hu Jintao announced the new measures China would adopt to increase assistance to other developing countries: China will give zero tariff treatment for certain products to all the 39 Least-Developed Countries (LDCs) having diplomatic relations with China, covering most commodities exported by these countries to China; further expand aid to Heavily Indebted Poor Countries (HIPC) and LDCs; through bilateral channels, exempt or cancel in other ways within the next two years of all the outstanding interest-free and low-interest government loans due as of the end of 2004 owed by all the HIPC having diplomatic relations with China; within the next three years, provide US\$10 billion in preferential loans and preferential export buyer's credit to developing countries to help them strengthen the construction of infrastructure, promote enterprises of both sides to carry out joint venture cooperation; within the next three years, increase aid to developing countries, particularly aid to African countries in related areas, provide to them medicines including effective drugs to prevent malaria, help them build and improve medical facilities and train medical personnel; and train 30,000 persons of various professions from the developing countries within the next three years, and help relevant countries expedite the training of talented people.

China continuously enhances exchanges and dialogues with other civilizations to promote mutual tolerance. Opening, tolerance and all-embracing are important features of Chinese civilization. As the trend of economic globalization develops in depth, China, all the more aware of the significance of exchanges and dialogues among different civilizations, is working harder to get the rest of the world to understand China, while absorbing and drawing on the useful fruits of other civilizations. In recent years, China has cooperated with numerous countries in holding Culture Weeks, Culture Tours, Culture Festivals and Culture Years, thus

helping promote exchanges and understanding between the Chinese people and other peoples, and creating new forms for equal dialogue between civilizations.

Conclusion

China is the largest developing country in the world. The 1.3 billion Chinese people, taking the road of peaceful development, undoubtedly play a critical and positive role in the lofty pursuit of the peace and development of mankind.

The Chinese government and people are well aware that China is still a developing country facing a lot of difficulties and problems on its road of development, and therefore it still has a long way to go before modernization is achieved. The road of peaceful development accords with the fundamental interests of the Chinese people; it also conforms to the objective requirements of social development and progress of mankind. China is now taking the road of peaceful development, and will continue to do so when it gets stronger in the future. The resolve of the Chinese government and the Chinese people to stick to the road of peaceful development is unshakable.

The Chinese government and people also see clearly that peace and development, the two overriding issues facing the world, have not yet been fundamentally achieved. Local wars and conflicts arising from various causes keep erupting. Problems and conflicts in some regions remain complicated and thorny. Traditional and non-traditional factors threatening security are intertwined. The wealth gap between North and South continues to widen. People in some countries are still being denied the basic right to subsistence, and even survival. All this has made the road leading to a harmonious world characterized by sustained peace and common prosperity a bumpy and challenging one, and reaching the goal demands long and unremitting efforts by the people throughout the world.

The 21st century has opened up bright prospects, and human society is developing at an unprecedented rate. China has identified its goal for the first 20 years of this century. That is, to build a moderately well-off society in an all-round way that benefits over one billion people, further develop China's economy, improve democracy, advance science and education, enrich culture, foster greater social harmony and upgrade the quality of life of the Chinese people. China is certain to make more contributions to the lofty cause of peace and development of mankind.

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