

# Comment

editorials • opinion

**CHINADAILY**

中國日報

EDITORIALS

## Test for Budget Law

LACK OF FUNDS SHOULD NOT BE THE REASON FOR allowing local governments to issue debt bonds if they are not subject to effective supervision by lawmakers and the public.

This should be the rationale for the Budget Law revision, which has raised a controversy on local government debts across the country.

According to the second draft amendment to the law, being reviewed by the National People's Congress Standing Committee, local governments should not issue debt bonds, except when prescribed by the laws or the State Council.

It deviates from the first draft, which proposed local governments could do that with the approval of the State Council. Some scholars and policymakers have argued that local governments should be given the debt-issuing power to make their ends meet.

Since 1994, when China implemented a major fiscal reform redefining the distribution of fiscal incomes between the central and local governments, the latter have been suffering from inadequate financial resources to fulfill their duties. The recent pile-up of their debts — 10.7 trillion yuan (\$1.7 trillion) by the end of 2010 or more than a quarter of the country's GDP that year — are a reflection of their financial constraints.

But it is also well known that some local governments often decide to invest without fully considering their financial affordability, thus creating unnecessary debts. Some of them borrow heavily simply to boost local GDP figures, which help the political careers of local officials but leave the debt burdens to their successors.

Such willful borrowing has not been effectively supervised and checked by lawmakers or the public.

Without a proper supervision mechanism in place, the local governments could create more financial problems if they are allowed to issue debt bonds.

The central authorities should help local governments that are trapped in financial trouble to tap more financial sources. Tax reforms, of resource tax for example, should be expedited so that the local governments can earn more tax revenue.

The tax revenue-sharing regime fixed in the 1994 reform can be adjusted, too, to give the local governments access to more fiscal resources. And the central government can increase fiscal transfers to the local governments to ease their burdens.

Also, the local governments should provide policymakers with plans on how they would deal with existing debts and prevent new debts from arising.

Although current debts are yet to push China's overall debt level to the warning line, the country cannot afford to see them snowballing.

## Reducing grain loss

CHINA LOSES ABOUT 25 MILLION TONS OF GRAINS, nearly 5 percent of its agricultural output, a year because of poor storage. It means that produce from 6.6 million hectares of land is lost even before reaching the market. This is shocking.

If storage facilities and processing technologies can be upgraded to reduce the grain loss rate to, say, 3 percent of output, the average in developed countries, China could save about 10 million tons of grains a year. In other words, it would be an increase of about 2.7 million hectares of arable land, considering that per hectare output is 3,700 kilograms.

In a country with nearly one-fifth of the world's population and requiring a minimum of 120 million hectares of arable land to ensure food security, reducing the loss of grains is as important as protecting arable land.

That's why the ministries of agriculture and finance jointly issued a document saying the central government has allocated 500 million yuan (\$78.5 million) in special funds to subsidize the upgrade of agricultural products' processing projects.

More than 50 percent of the grain produced in China is kept by rural households or grain storage cooperatives, which need help to upgrade their technology.

The subsidy is good news for villagers because less loss of grain means greater efficiency in agricultural production and higher incomes for them.

However, the efficient use of this money depends on designing an efficient mechanism, which should include experts' technology guidance to build quality and modern granaries and grain processing facilities. It also depends on tight control on and supervision of the entire process, which will ensure that villagers and cooperatives benefit from the project.

Transparency is of utmost importance. The expenditure on each head, as well as the quality and technological level of the storage and processing facilities should be publicized for public supervision.

Also, regular investigations need to be conducted to see how the facilities work and how the beneficiaries respond. Only then can similar projects be implemented in a more effective way.

### CONTACT US

**China Daily**  
15 HuiXin Dongjie  
Chaoyang, Beijing 100029  
**News:**  
(86-10) 6491-8366  
editor@chinadaily.com.cn  
**Subscription:**  
(86) 400-699-0203  
sub@chinadaily.com.cn  
**Advertisement:**  
(86-10) 6491-8631  
ads@chinadaily.com.cn  
**Phone app:**  
chinadaily.com.cn/iphone

**China Daily USA**  
1500 Broadway, Suite 2800  
New York, NY 10036  
(001) 212 537 8888; editor@chinadailyusa.com

**China Daily Hong Kong**  
Room 1818, Hing Wai Centre  
7 Tin Wan praya Road  
Aberdeen, Hong Kong  
(00852) 2518 5111; editor@chinadailyhk.com

**China Daily UK**  
90 Cannon Street  
London EC4N 6HA  
(0044) 0207 398 8270; editor@chinadailyuk.com

### CHINA FORUM

# Hand in hand for better future

## Cooperation remains dominant theme in China-ASEAN ties while talks with some nations on South China Sea will go on

**Editor's note:** *The following is Vice-Foreign Minister Fu Ying's recent interview with Xinhua News Agency on China-ASEAN relations.*

**Q1. More than 20 years have passed since China and the Association of Southeast Asian Nations established a dialogue partnership. China has often characterized China-ASEAN cooperation as mutually beneficial in nature. Could you list some examples of such mutually beneficial cooperation?**

**Fu:** China-ASEAN relations have come a long way in the 21 years since the start of their dialogue partnership in 1991. All through these years, China and ASEAN have remained committed to the spirit of good neighborliness, friendship, and mutual benefit despite changes in the international situation.

China-ASEAN political relations have made much progress. Of all ASEAN dialogue partners, China is the first to sign the Treaty of Amity and Cooperation in Southeast Asia, and the first to establish a strategic partnership with ASEAN. The recent establishment of China's permanent ASEAN mission in Jakarta, Indonesia, and the appointment of Yang Xiuping as China's first resident ambassador to ASEAN will enhance China's interaction with ASEAN at the institutional level.

Trade and economic cooperation between the two sides has become ever closer. The largest free trade area (FTA) among developing countries has been established. China-ASEAN cooperation now covers more than 20 fields, and the first China-ASEAN action plan for strategic partnership has been smoothly implemented. The two sides have also set up platforms for exchanges and cooperation such as the China-ASEAN Expo and the ASEAN-China Center.

China-ASEAN exchanges in socio-cultural and people-to-people areas have been thriving. In 2011, the exchange of personnel between the two sides reached 13.63 million person times. About 50,000 students from ASEAN countries are currently studying in China, while 70,000 Chinese students are studying in ASEAN countries.

The two sides are working to realize the goals of 15 million personnel exchanges by 2015 and 100,000 students in each other's countries by 2020. China and ASEAN have also made joint efforts to tackle the two financial crises and a series of natural disasters and outbreaks of infectious diseases.

China has been consistently dedicated to common development and mutual benefit with ASEAN. While maintaining economic and social development at home, China has increased support to ASEAN community building by setting up the China-ASEAN Cooperation Fund, Asian regional cooperation fund, China-ASEAN Fund on Investment Cooperation and China-ASEAN Maritime Cooperation Fund.

China has tried to help ASEAN to realize food security through programs like the China-ASEAN action plan on comprehensive food productivity enhancement. To date, China has provided training for tens of thousands of ASEAN personnel.

On the other hand, ASEAN has contributed to China's reform, opening-up and social progress. It supported China's accession to the World Trade Organization and increased investment in China, including through setting up industrial parks in China.

The development of China-ASEAN relations serves the interest of peoples on both sides. It also contributes to peace, stability and prosperity in East Asia and the world at large, and to the realization of the United Nations Millennium Development Goals, setting a good example of friendship and win-win cooperation among developing countries.

**Q2. This year marks the 10th anniversary of the signing of the**

**Comprehensive Economic Cooperation Framework Agreement between China and ASEAN that started their free trade process. What progress have the two sides made in their economic and trade relations? What measures will China take to work with ASEAN to maintain continued economic and social development in the region?**

**Fu:** China-ASEAN economic and trade cooperation has been booming. The bilateral trade volume rose from less than \$10 billion in 1991 to \$362.8 billion in 2011, representing an average annual increase of more than 20 percent. The launch of the China-ASEAN Free Trade Area in 2010 has, in particular, greatly facilitated economic and trade cooperation between the two sides.

China has become the largest trading partner of ASEAN, and ASEAN the third largest for China. Their cooperation in mutual investment and finance is also showing strong momentum of growth. By the end of 2011, the total volume of mutual investment between the two sides had reached \$85.1 billion, while fast growing Chinese investment in ASEAN reached \$15.1 billion. In recent years, China-ASEAN economic cooperation has expanded into areas like high technology, green industry, circular economy and sustainable development.

In 1997, China worked with ASEAN to tackle the Asian financial crisis. China persisted in not devaluing the renminbi, thus contributing to regional economic and financial stability. During the recent global financial crisis in 2008, China took a series of initiatives to support sustained and healthy economic development in ASEAN. These include the establishment of the China-ASEAN Fund on Investment Cooperation and the provision of \$25 billion credit support to ASEAN.

The two sides also signed an agreement on the multilateralization of the Chiang Mai Initiative, and made efforts to make it more effective.

As the world economy faces more downward pressure, the impact on our region has become more serious. China will continue to work with ASEAN in the spirit of mutual benefit and mutual benefit to address this challenge by improving FTA development, facilitating greater trade and investment, exploring the market demand in the region and expanding mutual investment. China will also send trade promotion missions to ASEAN member states, set up ASEAN commodity exhibition centers in Nanning, the Guangxi Zhuang autonomous region, and Yiwu, Zhejiang province, to increase imports from ASEAN.

The Ninth China-ASEAN Expo and Business and Investment Summit will open on Sept 21 this year to showcase well-known brands and companies as well as unique goods of ASEAN member states in a series of trade promotion events. These steps are being taken to advance China-ASEAN cooperation in the light of recent developments by giving full play to ASEAN's strengths in resources and industries.

**Q3. In recent years, China has stressed the need to enhance connectivity with ASEAN. Could you update us on the progress of China-ASEAN connectivity and major initiatives for the next stage?**

**Fu:** Achieving connectivity within ASEAN and between China and ASEAN is vital for our efforts to narrow the regional development gap, improve competitiveness, and accelerate regional integration in East Asia. In recent years, leaders of both sides have repeatedly emphasized the need to advance connectivity as a key priority area for China-ASEAN cooperation. This has led to the formulation of a Strategic Plan for China-ASEAN Transport

Cooperation and major progress in China-ASEAN connectivity, such as in terms of the Kunming-Bangkok Highway, the Trans-Asian Railway, more flight links, and the beginning of maritime connectivity cooperation.

China has made much effort to build the Kunming-Bangkok Highway. Apart from completing our own section with high quality, we provided assistance for the construction of the Laos section and the cross-Mekong Chiang Khong-Huay Xai Bridge. Last year, the foreign ministers of China and ASEAN jointly inspected the Kunming-Bangkok Highway, and held a meeting with the theme of connectivity in Kunming.

In addition, China has also actively supported the ASEAN Master Plan on Connectivity and participated in connectivity projects, including road, railway, water, electricity, communications and other fields in various ASEAN member states.

As ASEAN's close neighbor and strategic partner, China is committed to comprehensive, in-depth and strategic connectivity between the two sides. China is preparing to establish a China-ASEAN Committee on Connectivity Cooperation. In addition to connectivity on land, China is also ready to promote maritime connectivity with ASEAN by making full use of the China-ASEAN Maritime Cooperation Fund and enhancing port and maritime transport cooperation between the two sides.

To that end, China will host a seminar on China-ASEAN maritime connectivity strategy in the second half of this year. Efforts will also be made to promote institutional and "soft" connectivity by improving trade facilitation, simplifying customs procedures, and strengthening inspection and quarantine. We are also looking to cooperate with ASEAN in increasing investment, cultivating partnerships between central and local governments and between the public and private sectors to facilitate joint financing of key projects.

**Q4. The 45th ASEAN Foreign Ministers' Meeting held recently in Phnom Penh failed to issue a joint communiqué. What is your comment on some people's claim that Cambodia's support of China during the meeting was to blame for this failure?**

**Fu:** The reason why the 45th ASEAN Foreign Ministers Meeting was not able to issue a joint communiqué was because certain ASEAN claimants in the South China Sea tried to impose their own stands on the issue on ASEAN. Such acts go against the important consensus reached by China and ASEAN member states in the Declaration on the Conduct of Parties in the South China Sea, and were opposed by most ASEAN member states during recent meetings.

It is understood that during the meetings many ASEAN countries tried very hard at communication, coordination and persuasion. Yet the insistence of certain countries to stick to their own positions meant that eventually ASEAN was not able to issue the joint communiqué. This was not a situation the Chinese side had wanted to see.

China's sovereignty over Nansha Islands and their adjacent waters has solid and abundant historical and legal basis. China has advocated shelving disputes and going for common development in the South China Sea pending a final resolution. The South China Sea is not an issue between ASEAN and China, but rather between China and relevant ASEAN countries. China has consistently stood for resolving the issue through friendly negotiations between sovereign countries directly concerned on the basis of historical facts and universally recognized international law.

The DOC signed by China and ASEAN countries a decade ago clearly says that parties should "resolve their territorial and jurisdictional disputes by peaceful means, ... through friendly consultations and negotiations by sovereign states directly concerned".

China hopes that all ASEAN member states will join China in working for a comprehensive and effective implementation of the DOC. This will contribute to mutual trust and cooperation between China and ASEAN, to peace and stability in the South China Sea, and to the healthy and stable growth of China-ASEAN relations.

China is also ready to enter into discussions with ASEAN member states on a code of conduct on the South China Sea when conditions are ripe. As for the issues between China and the Philippines and Vietnam respectively, China is committed to properly managing and tackling them through friendly consultations and not letting these differences affect the larger interest of bilateral relations and China-ASEAN relations as a whole.

In the 21 years since the establishment of their dialogue partnership, China and ASEAN have seen healthy, stable and fast development of their relations, thanks to their joint adherence to the spirit of mutual respect and win-win principle. This has not only benefited China and ASEAN, but also made important contributions to peace in and stability and prosperity of East Asia.

As the global economy remains overshadowed by the global financial crisis, and the regional economy faces heightened challenges, China and ASEAN have more reasons to focus on development and cooperation. China remains committed to working together with ASEAN to jointly safeguard regional peace and stability and promote sustained and healthy development of China-ASEAN relations.

**Q5. What are the prospects for China-ASEAN relations? What are the priority areas for cooperation between the two sides?**

**Fu:** It has been China's foreign policy priority to strengthen good-neighborly friendship and mutually beneficial cooperation with ASEAN. As the world economic outlook remains uncertain, China and ASEAN have the common task of promoting regional economic integration and enhancing internally driven growth in East Asia. As close neighbors and strategic partners, China and ASEAN should work together in the spirit of solidarity and good-neighborly friendship to strengthen strategic communication and practical cooperation and advance our shared interest.

Under the joint efforts of both sides, China-ASEAN relations have entered a stage of mature and comprehensive development in broader areas and at higher levels than ever before. The China-ASEAN Commemorative Summit marking the 20th anniversary of dialogue relations held last year and the Joint Statement of the Summit set out a comprehensive plan for the development of our relations, including a series of medium- to long-term goals of cooperation between the two sides.

China is ready to work with ASEAN to enhance mutual trust, implement the second five-year Plan of Action and strengthen cooperation in Free Trade Agreement, connectivity, maritime cooperation, and social and cultural fields. This will not only help raise China-ASEAN strategic partnership to a new level, but also make China-ASEAN cooperation better serve the interest of sustainable development of both sides, bring more benefits to our peoples and contribute more to peace, stability and prosperity of our region.