

Strategy for development cooperation with

The People's Republic of China

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Country Strategy for Development Cooperation with the People's Republic of China 2006–2010

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1 Summary

In the last 25 years China has undergone significant changes along with rapid and comprehensive economic development. The number of people living in poverty has sharply declined and people have gradually gained greater freedom of movement and action as state involvement in the private sphere has decreased. Nevertheless, much remains to be done towards reducing poverty and improving conditions for human rights in China. One negative consequence of rapid economic growth has been extensive environmental degradation.

Development cooperation is of marginal significance in relation to GDP in China. Swedish assistance is very limited and it is critical that activities are oriented towards areas where development cooperation can have a catalyzing effect. Increasing China's integration into international regulatory systems by means of such projects in prioritised areas including the environment and human rights/democracy has been a longstanding objective of Swedish development cooperation.

The overarching objective for development cooperation as stated in Sweden's Policy for Global Development¹ - is to contribute to an environment supportive of poor people's own efforts to improve their quality of life. The principal objective of development cooperation with China remains to accelerate the reform process and promote:

- Sustainable development
- Human rights, legal development and democratisation
- Gender equality and reinforcement of the social safety net

Development cooperation will be concentrated geographically and thematically with a view to enabling more in-depth cooperation in a few strategic areas where specific Swedish expertise exists for which there is demand in China.

The financial framework will amount to approximately SEK 65 million per annum during the strategy period (excluding concessionary credits, support to NGOs and disaster relief). Additional funding can be provided by regional programmes, mainly for environmental projects. Contributions will be concentrated to the early stages of the period. Projects refer to actions within the framework of the objectives of development cooperation outlined in section 5. This is the last strategy for development cooperation with China, which does not preclude certain cooperation after 2010, such as within the framework of global and regional programmes.

2 Assessment of poverty in China and Chinese strategies for poverty reduction

China's macro-economic development has been exceptional, with an average growth rate of 9 per cent since 1979. Estimated GDP per capita is USD 1,100.² China currently accounts for approximately 25 per cent of world economic growth and is one of the

¹ Government Bill 2002/03:122

² Reducing Poverty Sustaining Growth, 2004, The World Bank

world's largest trading nations. Risk factors that may constrict economic growth over the medium term include flaws in the financial system, non-sustainable use of natural resources and increasing socio-economic inequalities.

By virtue of its expansive economic development, China is destined to become a significant actor in multilateral contexts such as the WTO. China's burgeoning demand for raw materials and stepped-up foreign investments are taking on greater global significance. The average tariff level has been reduced to 9-10 per cent, which has made China into a relatively open economy, although there are still many restrictions imposed on market entry.

The rapid economic development that began in 1978 with the reform policy has brought about a significant reduction of poverty in China. While 49 per cent of the population lived on less than one US dollar per day in 1981, that proportion had dropped to 6.9 per cent in 2002 (88 million people). Nevertheless, nearly half the population still lives on less than two US dollars a day.³

The majority of poor people in China live in the central and western provinces, but pockets of poverty are also found in the mountainous areas of the coastal provinces, in the northeastern 'rust belt' and in the metropolitan areas. At-risk groups include migrant workers and workers made redundant when state-owned enterprises were shut down. The gap between rich and poor has widened in pace with the development of the national economy. The Gini coefficient has increased sharply and was estimated at 0.41 per cent in 2004. China is in 85th place among 177 countries according to the Human Development Index (2005).

The social safety net previously guaranteed to citizens has essentially ceased to exist. In theory, primary education is supposed to be free but in practise the schools charge fees. Healthcare is mainly patient-financed, which is particularly burdensome on the rural population. There are however certain indications that a policy change is on the way by which the state will take greater responsibility in these areas.

Cutbacks in healthcare and education as well as the restructuring of the labour market have had particularly severe impact on women, whose prerequisites for accessing healthcare and education are generally poorer. Conditions for women vary widely between urban and rural areas and between developed areas in the east and less developed areas in the western and central parts of the country. China is ranked number 71 out of 177 countries on the UNDP gender-related index. However, insight into the problems of gender inequality has increased along with the political will to deal with them. A more open public dialogue on the rights of women has begun to take shape and there is increasing political commitment to eradicating gender-related violence, selective abortion and discrimination against girls and women.

China is at a crossroads with regard to HIV/AIDS and the political leadership must act swiftly. Prevalence is relatively low at 0.1– 0.2 per cent but that figure may rise rapidly in the absence of strong intervention. There is great awareness of the problems at the central government agency level, while understanding at the provincial level and among the general

³ Human Development Report, 2005, UNDP

public is lower. Sharper focus on prevention and improved sex education for adolescents are needed. Many people living with HIV and AIDS are stigmatised and discriminated against.

Political and civil rights such as freedom of expression, freedom of assembly and of association and freedom of religion are restricted. The rule of law is inadequate and torture is common, despite being prohibited by law. The death penalty is frequently applied. The human rights situation is especially serious in Tibet and Xinjiang. China has ratified five of the six major international instruments on human rights, the exception being the International Covenant on Civil and Political Rights. The civil society plays an increasing role, particularly with regard to gender equality and environmental issues, but the legal framework is hampering the emergence of independent NGOs. Development has however progressed in some areas since the reform process was initiated. The judicial system and legislation have been modernised, although the courts are still under the influence of the Party. The Party's involvement in the private sphere has waned and access to culture and information has increased. The media have evolved towards greater diversity, but a large number of journalists and Internet users have been sentenced to long prison terms in recent years.

In March 2004 an addition was made to the constitution, providing that the state shall protect and respect human rights, but it remains to be seen how this amendment can be cited in practise. There are no expectations that China will develop into a parliamentary democracy in the western sense from a short or medium term perspective. The government is orienting itself towards reforming the one-party system and becoming more responsive to the demands of the citizenry. The objective is to build a 'harmonious society' and modernise the Party to enhance its capacity to govern the country in step with social change. Corruption is rife. China is in 78th place of 158 on Transparency International's Corruption Perceptions Index for 2005. The political leadership have identified corruption as one of the greatest barriers to a continued reform policy and improvement of social service. Fighting corruption is high on the political agenda. Actions towards that end include major anti-corruption campaigns and education of Party members.

The exceptionally high rate of economic growth has been achieved in part through non-sustainable consumption of natural resources, which has created severe environmental problems. China is ranked 133rd out of 146 countries on the World Economic Forum Sustainable Development Index for 2005. Clearly, China is facing gigantic environmental challenges that may jeopardise continued poverty reduction and increased economic growth. How successfully China is able to make the transition to more sustainable development is not only a fateful question for China, it will also have global repercussions. As an example, at the current rate of increase, China is expected to overtake the United States as the country that emits the most greenhouse gases by 2025.

Water pollution and water shortages are severe problems. The issue of energy supply is critical to China's future development. At present, 66 per cent of the energy consumed in the country is produced in coal-fired plants that cause severe air pollution. Greater use of cars is a contributory cause of poor air quality in many cities. According to a study conducted by the World Bank in the 1990s, seven of the world's ten most polluted cities

are in China. Sustained and rapid urbanisation is imposing demands for better urban planning and environmentally sustainable systems for water supply and purification, waste management and transport. Deforestation and ruthless development of arable land are causing land erosion and loss of biodiversity. China's enormous demand for timber is also putting heavy pressure on regional and global forest resources.

The Chinese government has awarded higher priority to better conservation of natural resources and environmental protection and has set goals to promote sustainable development and 'putting people first'. The marked environmental awareness at the central level is however often lower at the provincial and local levels. Environmental action is impeded by the lack of a strong mechanism to monitor compliance with laws and ordinances at the provincial and local levels. Environmental awareness among the general public has increased but is still generally low.

Millennium Development Goals

Judging by the current situation, China will probably attain several of the eight Millennium Development Goals by 2015, particularly the material poverty goal. There are also indications that China will attain the goals for universal primary education and the goal for reducing the maternal mortality ratio. The areas where it is doubtful that China will attain the goals are those of promoting gender quality, reducing child mortality, combating HIV/AIDS, malaria and other diseases and ensuring environmental sustainability. There are however substantial regional, gender-related and ethnic differences behind the figures.

The Chinese government's priorities

The Chinese government is still focusing on economic development with the objective of quadrupling GDP in the period of 2000-2020 and achieving a 'moderately well-off society' with balanced development between cities and rural areas, between different regions, between economic and social sectors and between people and nature. The general policy orientation of the country is governed by five-year plans. Beyond sustained emphasis on economic growth, the eleventh plan for 2006-2010 stresses environmentally sustainable development, an ecological approach and the creation of a socially 'harmonious society'. China does not have a PRS (Poverty Reduction Strategy), but instead several strategies for reducing poverty (in addition to the five-year plans). The most important of them are:

- The development plan for western China, where the objective is to increase domestic consumption and social stability and narrow the gap between the eastern and western provinces.
- The rural development plan for 2001-2010, where the main goal is to eradicate poverty among the 20 million poorest people in rural China.
- The national programme for women 2001-2010, which focuses on six areas in which gender equality shall be improved.

Sweden's assessment is that China's priorities and strategies for reducing poverty on the whole are relevant to the problems the country is facing. The latest five-year plan puts stronger emphasis than before on ecologically sustainable development and the necessity of developing the social sector.

3 Conclusions from previous development cooperation

Swedish development cooperation with China began in 1979. The country strategy for development cooperation during the period 2001-2005 stated that cooperation should focus on the environment, human rights, gender equality and social security. The primary forms of development assistance employed were project grants through CFTC (contract financed technical cooperation), concessionary credits, Sida's International Training Programme (ITP) and support channelled through NGOs. There was also comprehensive scientific exchange within the global Research Links programme. The strategy did not set any geographical priorities.

The volume of funding for development cooperation during the period ranged from SEK 14 million to 57 million per year, plus concessionary credits, ITP and support to NGOs. Development cooperation has demonstrated an upward trend in recent years following some stagnation early in the period. The largest area of cooperation measured in number of projects was the environment, but the social sector increased its financial share through assistance in areas including HIV/AIDS. A programme-oriented approach in partnership with the Raoul Wallenberg Institute was successfully applied in the area of human rights.⁴

Key conclusions from the Result Analysis⁵:

- Specific project goals were largely attained, but it is more difficult to discern results from the medium-term perspective. This applies in particular to how well China has been able to spread the capacity and expertise acquired and influence developments at the national and provincial levels.
- Absorption capacity is generally high on the Chinese side.
- Transparency and communication among Chinese ministries/government agencies are relatively weak. Cooperation among Chinese institutions should be encouraged to the greatest possible extent in order to achieve greater impact.
- Project design should put stronger emphasis on institutional aspects.
- Greater efforts should be put into designing a more cohesive programme focused on fewer areas and actors to more effectively contribute to the reform process.
- Assistance should be concentrated geographically to the poorer provinces to strengthen the orientation towards poverty reduction.
- Gender equality aspects have been successfully integrated into health projects but have been more difficult to integrate into environmental projects.

These conclusions imply a need for a more proactive, long-term and programme-oriented approach with focus on a few selected areas and principal actors, particularly with regard to environmental projects.

Cooperation between Swedish NGOs and China focused primarily on projects within education, healthcare, and the environment and sustainable development. Support for

⁴ Review of Human Rights Capacity Building Programme in China, 2001 – 2003, Phyllis Chang and Marina Svensson.

⁵ Result Analysis: Swedish Technical Cooperation with China 2001-2004, 2004, SPM Consultants. General Result Analysis, 2004, Embassy of Sweden.

organisational development was relatively limited. The International Training Programme was a success, particularly the bilateral courses. The Result Analysis recommends that educational programmes should be given stronger focus on sustainability through a strengthening of training capacity in China. Demand for concessionary credits has declined in recent years. One explanation for the decline is the relatively high tying status of Swedish credits.

Other donors

China is the beneficiary of relatively comprehensive assistance, but it still constitutes only 0.1 per cent of GDP.⁶ Sweden's share of total assistance in the last strategy period was less than 1 per cent.⁷ The majority of donors are discussing phasing out development cooperation, but most will probably still be engaged in China for at least another five to ten years. China prefers to carry out a large number of pilot projects aimed at reaping knowledge from various countries, which has hampered a large-scale approach to projects. Other conclusions are that successful projects usually require a long-term approach, that it is important in the context of cooperation with local government agencies to also establish a relationship with the responsible ministry at the central level and that donor coordination is relatively weak. Many donors have successfully cooperated with Chinese academic institutions.

The European Commission contributes approximately EUR 50 million a year and is among the principal donors, along with Japan and the World Bank. The Commission has been involved in several sectors during the past five years ranging from human rights to the environment and support for economic and social reforms. Coordination has worked well, but the Commission has not assumed any active and comprehensive role as a coordinator.

4 Other policy areas and Sweden-China relations

This strategy governs Sweden's actions with regard to development cooperation, but Swedish actions within a number of other policy areas have consequences on development in China. Accordingly, the strategy for development cooperation must also reflect the entirety of cooperation by reporting other cooperation with the Swedish state that is in progress or under consideration as well as describing activities pursued in the country by Swedish business interest, Swedish organisations or other actors in Swedish society.

China's international influence is growing on all levels and Sweden has reason to continue expanding its involvement and deepening its cooperation with China. Through enhancing the breadth and diversity of our relations we can contribute to knowledge transfer in areas significant to positive social development in China. Sweden believes that a wide-ranging network of contacts between China and the rest of the world is the best way to promote the country's evolution towards greater democracy and pluralism.

⁶ Human Development Report 2004.

⁷ Result Analysis: Swedish Technical Cooperation with China 2001-2004, 2004, SPM Consultants.

Relations between the EU and China have been expanded in recent years. The General Affairs and External Relations Council of the European Union have adopted several objectives for the EU's connections with China, which Sweden fully supports: 1) engaging China further in the international community; 2) support for China's transition to an open society based on the rule of law and respect for human rights; 3) continued integration of China in the world economy, e.g. within the framework of WTO regulations; 4) better utilisation of the common resources of the EU vis-à-vis China and 5) raising the EU's profile in China.

Negotiations on a new framework agreement between the EU and China will begin shortly. Existing sectoral cooperation between the Commission and China will be incorporated into the new agreement. Sweden is working within the European Union to influence the EU to adopt a policy towards China that in stronger terms encourages free trade.

The official Swedish presence in China has grown with the Consulates General in Shanghai and Canton in addition to the Embassy in Beijing and the Consulate General in Hong Kong. The Swedish Trade Council and the Invest in Sweden Agency (ISA) have offices in Beijing, Shanghai and Canton. The Swedish Institute for Growth Policy Studies (ITPS) has also opened an office in Beijing. There is active exchange at political level and one or more parliamentary delegations have visited China every year. The political dialogue has been institutionalised, both bilaterally through regular meetings within the framework of political exchange and through the EU and the UN, as well as in multilateral contexts such as the WTO. Several Swedish government agencies have developed contacts and cooperation with their Chinese counterparts, including the Swedish Environmental Protection Agency, the Customs Service, the Swedish Road Administration, the National Board of Trade and the Swedish Armed Forces.

China has been Sweden's largest trading partner in Asia since 2003. Swedish exports to China in 2004 were worth SEK 18.6 billion and imports SEK 22.8 billion. Swedish companies have substantial presence in China and increasing numbers are setting up production and R&D in the country. Chinese investments in Sweden are limited but the number is growing.

With regard to export promotion, Sweden has initiated cooperation with China on the 'Sustainable City' theme. The aim is to demonstrate innovative Swedish solutions for achieving sustainable urban environments. The Chinese Ministry of Construction and the State Environmental Protection Administration are the primary cooperation partners at the central level. Cooperation has also been initiated with regional and local administrations in Inner Mongolia. A report produced by the Swedish Environmental Protection Agency recommends the formation of a committee and secretariat aimed at enhancing coordination of the efforts of Swedish government agencies and institutions related to environmental policy, development assistance and promotion initiatives. A decision is expected in the first half of 2006.

A framework programme for cooperation between Sweden and China within higher education is being drafted and is slated for completion in 2006. Several universities, colleges and research institutes have agreements/partnerships with their Chinese

equivalents, including Karolinska Institutet, Stockholm University, the University College of Arts, Crafts and Design, the Royal Swedish Academy of Engineering Sciences, the Stockholm Environmental Institute, the International Institute for Industrial Environmental Economics at Lund University and Uppsala University.

Swedish academic institutions have also shown an interest in arranging sponsored education for Chinese clients. Sweden and China entered into an agreement on scientific and technical cooperation in December 2004. Karolinska Institutet, the Swedish Royal Institute of Technology and Chalmers University of Technology opened a joint office at Peking University in autumn 2005. A series of seminars was held at the same time in which these universities participated along with the Swedish Research Council for Environment, Agricultural Sciences and Spatial Planning, the Swedish Governmental Agency for Innovation Systems (Vinnova), the Swedish Foundation for International Cooperation in Research and Higher Education and other Swedish actors. China is making substantial investments in research and development and is undergoing rapid technical development aimed at making a successful transition to domestic development of high technology products. It is important that Sweden maintains close relations and collaboration with China so that Swedish research and Swedish business will be able to benefit from Chinese advances in areas including development of standards and procurement of high technology.

Contacts with Chinese media and cultural institutions resulted in several major cultural initiatives in 2005 including the Strindberg Festival and exhibition in the Forbidden City. One aim of deepening cultural cooperation between the two countries is to strengthen and promote freedom of information and expression in China. Cultural cooperation with China is contributing to developing democratic structures and promoting a democratic culture and active civil participation.

About ten Swedish NGOs are active in China. Swedish trade unions including SIF and IF Metall are cooperating with the All China Federation of Trade Unions. A number of regions and cities including Göteborg, Malmö, Västmanland, Linköping, Skåne, Skellefteå, Östergötland and Västerbotten have twinning relationships with counterparts in China. Tourism is growing in both directions. The volume of travellers from China is increasing, in part due to an agreement on group tourist visas within the Schengen zone. About 30,000 Chinese tourists visited Sweden in 2004.

Bilateral defence-related cooperation with the Chinese armed forces (the People's Liberation Army) is extremely limited. In light of the changes occurring in China and the country's growing global significance, exchange in this area should be continually evaluated. In terms of concrete cooperation, priority should be awarded to peace promotion, an area where the Swedish Armed Forces have identified opportunities inherent in China's recently increased participation in peace promotion missions.

5 Objectives, orientation and volume of development cooperation

5.1 General objectives

The overarching objective for development cooperation with China as stated in Sweden's Policy for Global Development is to contribute to an environment supportive of poor people's own efforts to improve their quality of life.⁸ The principal objective remains to accelerate the reform process and promote:

- Sustainable development
- Human rights, legal development and democratisation
- Gender equality and reinforcement of the social safety net

The capacity to reverse the negative environmental trend, strengthen protection of human rights, bring about democratisation, further the rule of law, improve gender equality and reinforce the social safety net are factors of fundamental importance to poor people's opportunities to improve their lives. Continued large-scale environmental degradation for instance will hit poor people the hardest. Effective economic management is also significant to strengthening economic and social rights in China. In light of the limited resources available within the strategy for development cooperation, attempting to stimulate reforms in these areas at the central level and to geographically focus on a few of the poorer regions in China would appear to be the most effective approach. Development cooperation should be concentrated to a limited number of areas where there is specific Swedish expertise that is in demand in China. The Swedish resource base is a key element of development cooperation and utilisation of its skills, knowledge and experience should continue.

Means of strengthening and embedding the principles of transparency and accountability should be considered in all Sida initiatives. Vigilance against corruption should characterise Sida's approach and specific agreements must always contain corruption clauses. The issue of corruption should also be addressed in the dialogue with Chinese cooperation partners. Opportunities to create synergies and interaction among policy areas should be utilised.

5.2 Sector-specific orientation

Sustainable development

Sustainable development has been a prioritised area for Sweden's development cooperation with China, although Swedish contributions will always be minor in relation to the needs in China. Accordingly, future environmental cooperation should be concentrated as recommended in the Result Analysis. Development cooperation with a more clearly programme-oriented approach within a few prioritised thematic areas with one or two strategic Chinese cooperation partners should create better conditions for engaging in dialogue and influencing processes of change in China. There should however be some scope for a few selective initiatives of particular strategic importance.

⁸ Government Bill 2002/03:122

The Swedish Environmental Protection Agency (EPA) has an agreement of understanding with the Chinese State Environmental Protection Administration (SEPA) that could be developed into stronger institutional cooperation. This could be designed as a programme in which the parties identify and implement projects within specified frameworks. Potential focus areas include environmental regulations and compliance, environmental impact assessments and strategic environmental assessments (EIA/SEA), concepts/steering mechanisms to stimulate development towards more sustainable production and consumption, such as economic instruments in environmental policy, chemicals inspection, the POPs Convention and hazardous waste management.⁹

The National Development and Reform Commission (NDRC) is a key player in efforts towards sustainable development and Sida should, if there is interest from the Chinese side, continue developing the current cooperation. Experiences gained through cooperation show that suitable forms may include policy dialogue, seminars, workshops, studies and exchanges of visits. Cooperation should primarily be directed at the areas where contacts already exist, such as ecological sanitation and sustainable urban development. The Ministry of Construction plays an important role in promoting sustainable urban development and is responsible for development in China in areas including infrastructure and housing construction.

Sweden may also provide support in one or a few other strategic areas in which we can contribute specific expertise. Areas of potential interest include the environmental aspects of sustainable urbanisation and energy. Capacity permitting, support may also be distributed to a Swedish environmental organisation towards building the capacity of Chinese NGOs. It should be possible to continue using the International Training Programme, ITP, within the prioritised thematic areas.

The feasibility of continued support to the China Council, an international think-tank for sustainable development, should be considered. Cooperation with Chinese organisations within the emerging local environmental movement may also be initiated through the embassy fund.

China's need for forest products is having severe regional consequences but in light of the limited financial resources available within bilateral cooperation, forest issues will have to be managed through regional programmes.

Sida shall facilitate the integration of gender equality in environmental projects. This is consistent with China's development plan, in which women's participation and decision-making power in environmental action is an important point.

Human rights, legal development and democratisation

Sida has been supporting the legal sector since the 1990s, primarily through the Raoul Wallenberg Institute, through which solid contacts with Chinese partners have been established. Institution building with regard to human rights should be maintained and greater emphasis should be put on gender equality issues. Resources permitting, one or a

⁹ Protocol on persistent organic pollutants (POPs)

few contributions may be feasible, aimed for instance at supporting women's helplines, securing legal aid for vulnerable groups, helping strengthen the role of lawyers and influencing men's attitudes towards gender equality. These are areas in which Sweden has already cooperated with China to a certain extent and where there is substantial Swedish expertise. Several Chinese universities are interested in starting master's programmes in human rights similar to the one at Peking University, which Sweden has supported through RWI.

China ratified the International Covenant on Economic, Social and Cultural rights in 2001 and its first report was reviewed by the UN Committee on Economic, Social and Cultural Rights in 2005. Many of the Committee's recommendations pertain to shortcomings in labour law, such as the ban on forming independent trade unions. Deficiencies with regard to inspecting health and safety conditions in the workplace were also noted. Swedish expertise on labour law and work environment issues is strong.

Modest initiatives related to culture and media should also be supported. Contributions should be aimed at bolstering freedom of expression and supporting the emergence of a democratic culture, gender equality and active civil participation.

Building the civil society

Since 2000 the Embassy of Sweden has had at its disposal a fund for supporting the emergence of civil society in China. The fund should be maintained in order to support local organisations working with gender equality, human rights and the environment and to improve institutional conditions for NGOs to act in society. The fund should be used, as it is now, for concrete, clearly delineated initiatives, such as funding seminars.

Gender equality and reinforcement of the social safety net

A gender equality perspective shall be integrated in all initiatives and analyses and will also be an important subject of dialogue. Targeted contributions may be made in part within the framework of the embassy fund and in part through a cultural fund, if one is established. A few carefully targeted gender equality initiatives may be considered in the areas mentioned above, such as the legal system, statistics, labour law and the environment.

Swedish experience with regard to the individual's right to economic and social security may constitute grounds for contributions pertaining to the social safety net and social security system. Such contributions should primarily be channeled through ITP and field study trips. Depending on demand from the Chinese side, this could involve one or two bilateral training initiatives. In cases where there has been no procurement of ITP, a project of this type could also be carried out within the framework of CFTC. Institutional development with regard to the public budgeting process and taxation is another area where contributions may be initiated. Sida should coordinate all such contributions.

The health portfolio will be consolidated and concentrated. In future, priority will be awarded to contributions aimed at HIV/AIDS prevention and sex education, which are strongly linked. The majority of Sida's work with HIV/AIDS in the next few years will be carried out within the framework of a partnership with the WHO. Other potential areas of cooperation include regional HIV/AIDS programmes and measures against trafficking in

women and children. Health-related contributions outside the area of HIV/AIDS are expected to be assigned lower priority due to limited financial resources, although a few clearly defined contributions may be considered in areas where Sida has already begun cooperating with Chinese partners.

5.3 Geographical concentration

Sida should continue developing partnerships with national agencies while focusing development cooperation on a few of the western provinces, especially Yunnan, Guizhou, Sichuan and Inner Mongolia. Cooperation with national agencies should be linked with the prioritised provinces when pilot projects are carried out. Individual project proposals at the provincial level should as far as possible be concentrated to the prioritised provinces. This approach should also provide an opportunity to cooperate with institutions in other parts of the country where Swedish companies or institutions are cooperating with Chinese institutions or other parties in order to facilitate the spread of knowledge from eastern and central China to the western provinces, and at the same time to enhance Swedish understanding of the Chinese context.

The concentration on western China is motivated by the poverty criterion and is consistent with China's own priorities. In addition, the selection is based on established contacts with the relevant provinces and consideration for regional aspects. Yunnan borders on Vietnam and Laos, where Sweden is engaged in comprehensive development cooperation. Efforts there may be linked to the regional Greater Mekong Subregion Programme (GMS). The strategy may continue to encompass some form of action in Tibet. Such support should primarily be given to initiatives carried out via Swedish and international NGOs whose operations are oriented towards the Tibetan people in areas such as education and healthcare and which may directly or indirectly contribute to promoting respect for human rights.

5.4 Forms of cooperation

CFTC will remain the primary instrument. Identifying a few principal areas for environment-related institutional cooperation will allow Sida to work with a limited number of projects and in a more proactive way, which is expected to enhance opportunities to influence policy and thus have greater impact on the reform process.

As previously, the majority of the human rights portfolio is expected to be managed in programme-oriented forms. Somewhat higher use of ITP in the form of bilateral or possibly regional courses is expected, resources permitting. The majority of participants should be selected from the central level in the prioritised provinces. Bilateral courses should have a distinct 'training-of-trainers' or institution building component embedded in the programme.

Concessionary credits will be used reactively and may remain an instrument if there is Chinese demand, but Sida's assessment is that there is no strong demand for Swedish credits.

5.5 Volume

The estimated country allocation for China is SEK 65 million per year during the period. That figure does not include concessionary credits and contributions through NGOs, regional cooperation, participation in the International Training Programme, other general, non-country-specific programmes or humanitarian assistance. The phase-out should take place gradually, with allocations exceeding SEK 65 million in the early years followed by gradual reductions. Contributions will thus be concentrated early in the period. The portfolio for China currently contains a relatively large number of projects that will be successively phased out during the next five years.

6 Subjects of dialogue

Sweden has extensive relations with China and engages in dialogue with China in a wide array of forums, in various contexts and at various levels. In the context of international cooperation, with focus on the UN, Sweden is working to further engage China in initiatives such as six-party talks with North Korea. China's involvement is vital to a long-term solution to global environmental and health problems such as non-proliferation and peace-keeping in conflict zones all over the world, including Africa.

Summit meetings between the EU and China are held annually and many other meetings at various levels are held regularly. Sweden is working to influence the EU to pursue an active policy vis-à-vis China with regard to non-proliferation and disarmament. The EU/China summit in December 2004 adopted a Joint Declaration on Non-Proliferation and Arms Control, with particular focus on weapons of mass destruction. A Joint Declaration on Climate Change was issued at the summit in September 2005. Dialogue is taking place within the framework of the Schengen cooperation agreement concerning procedures and possible actions against trafficking in human beings and on repatriation agreements.

The China Council is an important forum in which Sweden can actively promote dialogue on sustainable development and where continued support is expected. A more programme-oriented approach directed at strategic partners with regard to the environment will create opportunities and scope to conduct more active and targeted dialogue on strategic environmental issues. It is essential to extend our co-operation on environmental issues beyond the realms of development co-operation. Other policy areas are important and must be brought to the fore, especially in light of the planned phase-out of development cooperation.

Dialogue is in progress on bilateral trade and investment-related issues and on general trade policy trends in EU contexts via the Commission as well as bilaterally at the regular 'Joint Commission' meetings between Sweden and China. Sweden is committed to engaging in continuous dialogue with China on problems related to intellectual property law and China's compliance with international conventions such as the TRIPS agreement. The EU adopted a strategy for the enforcement of intellectual property rights in 2004 and has issued a related directive.

Issues of Corporate Social Responsibility (CSR) have been given an increasingly prominent place on Swedish and international agendas. Sweden stresses the importance of compliance with fundamental international norms that establish a ‘rudimentary standard of decency’ for companies and others. The fundamental precept is that companies must assume responsibility for maximising the positive impact and minimising the negative impact of their operations with regard to human rights and the environment. Promoting CSR is a priority issue for the Swedish Government and is central to the effort of strengthening corporate contributions to fair and sustainable global development. Greater contributions to promoting CSR in China may reinforce the positive impact of Swedish trade and Swedish investments on human rights and the environment.

Within the framework of the EU’s dialogue on human rights, Sweden is participating in exhaustive discussions with representatives of the Chinese government and government agencies of all issues related to human rights in China, where the European side feels there is a strong need for change. The EU is putting forth concrete proposals for measures that would entail greater protection of human rights in China. As an aspect of the dialogue, China and the EU are carrying out exchange programmes in the form of seminars and study activities in which various Chinese institutions participate, as well as providing assistance aimed at enhancing skills in human rights among various occupational groups, such as the judiciary.

Sweden plans to further develop bilateral dialogue with China on human rights in ways connected to development cooperation within the framework of Sida-financed support of legal development in the country. Issues that may be pinpointed in this dialogue include those arising from China’s ratification of the International Covenant on Economic, Social and Cultural Rights, ICESCR. With regard to social security, China has shown interest in the Swedish model and dialogue is possible in connection with seminars or international courses and exchange.

When engaging in dialogue surrounding specific contributions, Sida has great responsibility for ensuring that the issues of poverty, corruption, gender equality, HIV/AIDS and human rights are brought to the fore. Sweden is contributing to further opportunities for high-level dialogue on subjects including HIV/AIDS and maternity care by means of cooperation with other donors, such as UN bodies.

7 Cooperation with other donors

Assistance to China is marginal in relation to the country’s GDP, but the Chinese government welcomes the opportunity to learn from the experiences of other countries. There is a limited number of donors and China has not put priority on harmonisation and donor coordination, although the coordinating ministry, MOFCOM, does arrange some donor meetings. Cooperation among donors is limited, in part due to the lack of the usual coordination mechanisms such as CG (Consultative Group) meetings and PRS. There is however greater awareness among donors and the Swedish overnment of the need to improve the exchange of information. Sida has joined forces with certain other donors who jointly arrange regular donor meetings and will continue to actively participate in EU

coordination meetings held in Beijing. By means of cooperation with other bodies, Sida can have greater influence on the reform process, which should be utilised as a gateway to dialogue.

Sida may continue to channel funds via other bodies in future, provided the organisations can assume coordination responsibility and Swedish expertise can be linked to the project in accordance with the CFTC principle. Among else, continued partial funding with the WHO of an HIV/AIDS project, a maternal health project in partnership with UNICEF and support to the China Council in partnership with other bodies including the Canadian International Development Agency (CIDA) are anticipated during the strategy period.

8 Implementation and follow-up

The results of the strategy for development cooperation will be followed up in the embassy's annual reports. The objectives in the cooperation strategy will be operationalised in annual country plans. Programmes and projects will be followed up by means of regular reports, project field trips, the rating system and evaluations.

The administrative cost of development cooperation with China is relatively high due to the high number of relatively small projects that require large staffing in relation to volume.¹⁰ Great emphasis will be put on concentrating the project portfolio. In the initial years, the strategy is expected to be implemented with the current administrative resources. The need for human resources is expected to decline towards the end of the period and in pace with the concentration of development cooperation to a smaller number of initiatives.¹¹

9 Deliberations prior to the phasing out of development cooperation

China is an unusual recipient country in several ways. China is itself a large donor that gives assistance to some 100 countries. The country has undergone a long period of strong growth and is expected to be ranked among the world's largest economies in the relatively near future. The World Bank currently classifies China as a middle-income country, a group with which Sweden shall according to the Budget Bill reduce or redesign development cooperation.¹² It is therefore reasonable that development cooperation should be phased out and transitioned to other forms. The strategy for 2006-2010 is accordingly a final consolidation and phase-out strategy for development cooperation with China. The phase-out should take place gradually during the period so that the bulk of contributions are made in the initial phase. Nevertheless, Sweden has several reasons to continue seeking means to broaden and deepen cooperation with China in areas such as the environment

¹⁰ Administrative expenses for personnel stationed abroad in relation to disbursements are among the highest in Sida's operations.

¹¹ At present, 2.5 full-time employees at Sida in Stockholm; 1.6 full-time employees stationed abroad and one local employee at the Embassy in Beijing.

¹² See the 2006 Budget Bill, chapter 3, page 16.

and human rights. With regard to the environment, Sida intends to finance a programme-like collaboration between the Swedish Environmental Protection Agency and its Chinese equivalent, the State Environmental Protection Administration, SEPA. This collaboration may lay the foundation for regular institutional cooperation. Working towards future cooperation in these areas should be stressed during the strategy period with the objective of enabling cooperation independent of financing from the budget appropriation for development assistance.

This is the last strategy for development cooperation with China. Further initiatives financed by the development assistance appropriation are expected to be justified for some years after 2010 with regard to the environment and human rights, from both a development perspective and with respect to the national interests of Sweden. Some future cooperation is accordingly anticipated, possibly within the framework of global and regional programmes.



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