

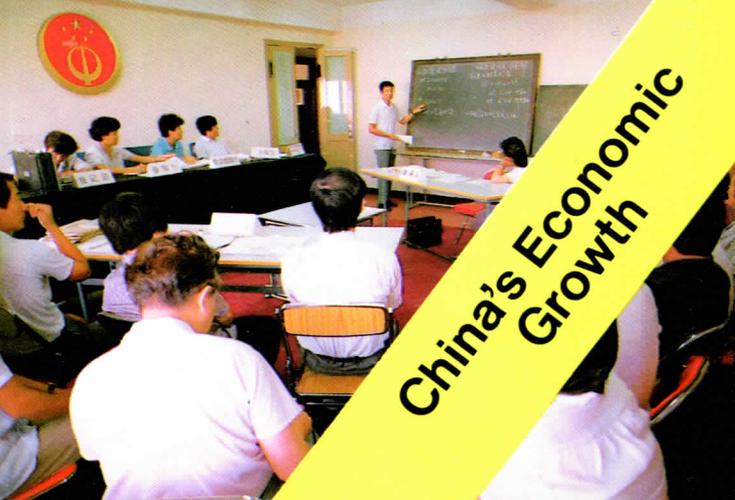
# Beijing Review

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## CHINA'S BURGEONING PATENT BUSINESS



China's Economic Growth



**Giant teapot.**

—Tea brewed in a bronze teapot is a local Beijing hors d'oeuvre. Two foreign tourists have a sip of "eight treasure-assorted" tea brewed in a giant dragon-shaped teapot.

*Photo by Tang Shizeng*



## 7th Five-Year Plan Meets Targets

□ The economic targets set for the Seventh Five-Year Plan have been basically met. The GNP grew at an annual rate of 7.6 percent and the national income rose 7.2 percent. The period is characterized by rapid economic development (p. 4).

## A Meeting of Historical Significance

□ The three-day meeting of the Conference on Security and Co-operation in Europe (CSCE) ended November 21. It is considered of historical significance as it marked the end of the Yalta pattern and the beginning of a new order in post-cold war Europe (p. 24).

## Where Is the Right Place to Invest?

□ The word from China for investors from overseas is that they should put their money in the agricultural and infrastructural development on the mainland and avoid those unwanted areas (p. 4).

## He Xin On East Pacific Economic Ring

□ In the last part of Chinese scholar He Xin's Conversation on August 15 this year with Yabuki Susumu, professor of economics at Japan's Yokohama City University, He Xin talks about the establishment of an East Pacific economic ring (p. 7).

## Patent Business Gaining Momentum

□ China has become one of the major countries that accept and examine patent applications, whose number has been increasing for the past several years (p. 12).

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**COVER:** Top: The Patent Office of the People's Republic of China. Bottom left: An examiner at the Patent Office carefully reviews an application. Bottom right: A patent re-examination court.

Photos by Wang Wenyang and Chen Zonglie

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## A Full Cycle for 7th Five-Year Plan

China has basically met its various economic targets as the Seventh Five-Year Plan (1986-90) period draws to a successful end.

During the period, the GNP grew at an annual rate of 7.6 percent while the national income rose 7.2 percent and industrial and agricultural output by 11 percent annually. This year, the GNP is expected to increase 4.5 percent from last year, the national income up 3.9 percent, and the industrial and agricultural output value up 5.8 percent.

Thirty-nine of the 60 key products listed by the state in the Seventh Five-Year Plan will meet or surpass targets set for 1990. They include coal, oil, steel, rolled steel, nonferrous metals, cement, chemical fertilizer, pesticide, electricity, power generating equipment, caustic soda, sulphuric acid, grain, meat, beef, mutton, seafood products and tobacco.

The government's austerity programme, launched two years ago, has curtailed production of machinery, motor vehicles, tractors, locomotives and passenger and freight trains. Production of household refrigerators met its 1990 target a year ahead of schedule, but production has been cut short this year because of a sluggish market.

To strengthen the national economy, China invested 1,979 billion yuan in fixed assets during the plan period. The 15.2 percent annual growth rate in this regard has helped bolster the nation's production capacity.

Living standards have also been improved. Annual disposable income in 1990 is estimated at 1,360 yuan per urban resident,

double the figure for 1985, with the annual growth rate standing at 14.7 percent during the past four years. Farmers' annual net per-capita income averaged more than 600 yuan in 1990, showing an annual growth of 10 percent during the period.

Analysts pointed out that despite these achievements, China's economy continues to face problems resulting from inadequate comprehensive economic reform, limited macro-control and readjustment measures. High production costs and consumption have created poor economic results, as reflected in the overheated and unstable economic development of the first three years and sluggish growth in the latter two years of the plan period.

Economists suggest China use the knowledge gained from the Seventh Five-Year Plan to obtain a clear understanding of the new changes in the economic environment in order to strengthen macro-control, improve the economic reform measures, prioritize the readjustment within the industrial structure and ensure a stable growth rate of the economy. ■

## Putting Money Where It Belongs

China has recently provided overseas investors with a new guide to the industries where foreign capital is most needed.

Gan Ziyu, vice-minister in charge of the State Planning Commission, dropped the hints when he said on November 20 that China gives priority to the development of agriculture, energy, transportation and major raw material industries, as well as renovation of existing enterprises.

By making investments in the priority projects, the vice-minister said, the investors not only enjoy more preferential treatment but are also most likely to see positive returns.

China had approved 21,776 foreign-funded enterprises with a total investment of US\$33.7 billion by the end of 1989. Ten thousand of these firms have begun operation, exporting US\$4.9 billion worth of goods last year, or 9 percent of the country's total export.

In the first nine months of this year, however, China saw the emergence of 4,792 new foreign-funded enterprises, which brought in a total investment of US\$4 billion.

Vice-Minister Gan said China will improve its investment environment and use foreign funds and technology more effectively.

But he stressed that the government bans projects which tend to endanger public security, harm the national economic development, pollute the environment, destroy natural resources or affect public health.

Meanwhile, the state does not encourage investment in industries already having a surplus production capacity, such as low-end textile and light industrial goods, run-of-the-mill machinery and electronic products, and consumer goods assembled with imported parts, Gan said.

He also advised investors to steer clear of such fields as arts and handicrafts, hotels, offices and apartment buildings. ■

## State Says No To Trade Barriers

A circular was issued on November 10 by the State Council urging the various localities to remove market bar-

riers between them.

Noting that such regional barriers had become more widespread, the circular listed six requirements:

—Maintaining the decision-making rights of enterprises in production and operation. Those which have fulfilled their state allocations, transfers, and purchase and selling quotas have the right to market their products throughout the country. In addition, industrial, commercial and material supply enterprises have the right to purchase goods from any part of the country.

—Ensuring the smooth circulation of commodities. No locality or department shall set up unauthorized outposts at roads, railway stations, ports or on provincial borders in an attempt to block the normal transportation of commodities.

—Strictly enforcing the state's finance and taxation legislation. No locality or department shall impose additional taxes on enterprises which deal with goods from other regions, or formulate punitive regulations, or grant tax breaks to enterprises which deal in local products.

—With regard to terms of financing, banks in the various regions shall give equal priority to enterprises dealing in local products or products from other regions. No bank shall limit loans or raise interest rates for enterprises which purchase goods from other regions.

—Pricing administration departments shall improve price control and support commercial enterprises so as to pave the way for fair competition in purchases and sales.

—All localities and departments shall prohibit or correct the wrongful practice of regional blockades and work to readjust their respective economic structures. ■

## Eight Principles for Reform, Socialism

China has made remarkable achievements over the past decade because it has adhered to the policies of reform and opening to the outside world while upholding the socialist road.

Yuan Mu, director of the State Council's Research Office and spokesman for the State Council, made these remarks during an early November interview with a delegation from the Soviet newspaper *Izvestia*.

China's reform and open policy have attracted worldwide attention over the past 10 years, during which time its gross national product has risen 2.2 times, the people's living standards have improved, and the problem of feeding and clothing the population of 1.1 billion has basically been solved. Yuan attributed all this to China's insistence on carrying out reform and the open policy and adhering to the socialist orientation.

He said that socialism must undergo reform. If the economy stagnates, the people cannot receive tangible benefits and they will lose confidence in socialism. Without reform, it is impossible to achieve proper economic development, Yuan added.

"In China, the implementation of reform and the open policy must include, as a prerequisite, adherence to the four cardinal principles. Otherwise, it will be impossible to maintain political stability and unity, which may result in social turmoil," he said.

Yuan held that insistence on both socialism and reform should be guided by the following eight principles:

First, adherence to the people's democratic dictatorship based on the worker-peasant alliance led by the working class — carrying forward democracy among the

people and strengthening the construction of socialist democratic politics while suppressing hostile elements which attempt to sabotage socialism.

Second, establishing an ownership relationship with socialist public ownership being the mainstay. Referring to this question, Yuan stressed that China will by no means forsake public ownership in favour of private ownership. But in the socialist period, especially in its primary stage, he noted, it is necessary to allow the existence and proper development of other economic elements including a private economy as a supplement to public ownership.

Third, according to the principle of combining a planned economy with market regulation, it is necessary to build a new economic system and operational mechanism through reform. The drawbacks of excessive centralization and rigid control in a planned economy must be removed to take full advantage of the active role of market regulation under the guidance of planning.

Fourth, it is imperative to adhere to the socialist principle of "to each according to his work" while allowing the existence of other forms of distribution.

Fifth, ideologically speaking, it is imperative to maintain the guiding position of Marxism while absorbing all outstanding cultural achievements worldwide, including all things from capitalist society which may benefit China and are worth studying.

Sixth, referring to the nationalities question, China opposes ethnic chauvinism, oppression and divisions and makes all efforts to establish a new socialist relationship between nationalities on the basis of mutual understanding, respect and assistance, equality, unity and cooperation.

Seventh, in handling international relations China adheres to an independent peaceful foreign policy.

Eighth, the socialist road and the people's democratic dictatorship can never work without strengthening and improving the leadership of the Communist Party. This is the most important principle of the eight.

Yuan said that under China's conditions, construction of socialist democratic politics can be strengthened only through constantly improving the people's congress system which conforms to China's reality, rather than practising a multi-party or capitalist parliamentary system. ■

## Birth Control: Still Essential

In the 1990s, China's population will increase with the advent of a "baby boom," warned Peng Peiyun, minister in charge of the State Family Planning Commission.

She elaborated on the recent census, revealing the numbers of women in their reproductive age (15-49), those most likely to be fertile (20-29), and those reaching their peak reproductive age (23) will be higher than in the late 1980s.

Facing these grave statistics, Peng said, family planning work must be improved at the grass-roots level nationwide in an effort to control the birth rate by persuasion and the popularization of contraceptives.

Peng set the goal of the national family planning programme for the next ten years at a national conference held in Beijing on November 20 to award advanced units and individuals that had excelled in family planning work.

In a meeting with delegates to the conference, Premier Li Peng

said that in family planning due consideration should be given to children's health and education. This is the only way to raise the quality of the entire nation, enable poverty stricken areas to get prosperous and provide a better life for all, Li said. If national economic growth does not keep abreast with population growth, the Premier said, no growth can be expected in China's gross national product, average income and the people's living standards.

According to Peng, a contingent of professional family planning workers has been established nationwide with 180,000 professionals serving at the county level and below; and 90 percent of all Chinese counties and 30 percent of the towns and villages have set up their own family planning service stations. At present, 26 provinces, autonomous regions and municipalities directly under the leadership of the central government have erected their family planning codes.

Peng said that despite the great progress made, it is still difficult to implement the family planning programme because many women in the rural areas continue to have more than three children and mothers under the age of 20 account for about one-tenth of the babies born in the countryside every year.

Among farmers the government's birth control policy is often at odds with the traditional concept that favours more children and large families. The backward economic and cultural conditions and the difficulties in farming caused by shortages of labour also prompt farmers to have more children. ■

## News In Brief

### RMB Devaluates by 9.35%

The State Administration of

Exchange Control announced on November 17 the official exchange rate of 5.209 yuan RMB to one US dollar, 9.35 percent down from the previous rate of 4.71 yuan.

### Li Peng Talks With DPRK Premier

Chinese Premier Li Peng told his counterpart from the Democratic People's Republic of Korea, Yon Hyong Muk, during their talks in Beijing on November 23 that China's next Five-Year Plan will continue to emphasize a sustained, stable and harmonious economic growth and implement the policy of reform and opening to the outside world.

Li said China supports all kinds of dialogues between North and South Korea and hopes that talks between premiers of the two parts of Korea will continue and be fruitful. He described the improvement of DPRK-Japan relations as "gratifying."

The next day Chinese President Yang Shangkun also met with the DPRK premier.

### Sino-Soviet Foreign Ministers Meet

Chinese Foreign Minister Qian Qichen and Soviet Foreign Minister E.A. Shevardnadze had a working meeting in Urumqi, China, on November 23, to exchange views on the current situation in the Gulf and brief each other on matters of common concern.

Both sides stand for a political solution to the Gulf crisis on the basis of relevant UN Security Council resolutions. They call for unconditional and immediate Iraqi withdrawal from Kuwait.

They hold that so far as there is still hope for a peaceful solution, the international community should continue to work to that end and try its best to avoid a war. ■

# The Development of China's Economy

—Chinese scholar He Xin's talk with Japanese Professor Yabuki Susumu (III)

*This is the last part of Chinese scholar He Xin's talk on August 15 this year with Yabuki Susumu, professor of economics at Japan's Yokohama City University. In this article, Mr He discusses the establishment of an East Pacific economic rim. The first two parts, entitled "The Current World Economic Situation" and "The Advantages and Disadvantages of Socialism," appeared separately in our issues Nos. 47 and 48.—Ed.*

## 15. The Pace of China's Progress

**S:** If the problem is not your political and social system, then what is it, Mr He, that has hampered China's development?

**He:** Statistically, there are no grounds to think that China's progress during the past 40 years has been slow.

**S:** Oh?

**He:** For example, we can make the following comparisons:

In 1949, there was a gap of some 150 to 200 years between China and developed Western nations in industrial techniques and socio-economic development.

Today, 40 years later, there is only an agricultural gap between China and developed Western countries of some 20 to 40 years.

Moreover, in terms of basic industrial equipment and technology, China is only ten to 15 years behind developed nations.

In military equipment and technology, China is about ten years behind.

In scientific research, particularly in some basic theory, China is catching up and even leading world research.

Generally speaking, therefore, the gap between China and developed countries has been narrowed. China is catching up at a reasonable speed in an all-round way. If history grants China the time, the nation will, by relying on the wisdom and diligence of the Chinese people, continue to make demonstrable progress.

**S:** China's economic rise would arouse fear in the world.

**He:** That's correct. Indeed, there are people who are afraid of just such a development. I read an article in a Western magazine in which the author said that if

China's per-capita GNP equals half or even one-quarter of that of Japan, that nation would feel stiff competition and face the possible loss of its domination of the Asian-Pacific economy. Some Japanese people, therefore, believe that Japan must keep its economic and technological position ten to 15 years ahead of China.

### 16. Overspeed Development Produces Economic Problems

**S:** Well, we don't have to worry now.

**He:** (Laughing) Don't be too proud of Japan's present economic achievements. The country's economy has its weaknesses. During the current Gulf crisis, when Iraq seized international capital, most of it, several billion US dollars, was Japan's. Despite the seizure, Japan could do nothing. This is just one aspect of its fragile economy.

**S:** Then, your point is that the current world situation does not favour modernization in developing countries.

**He:** Yes, but there is always a way out.

**S:** But aren't there other reasons why China's economy is not developing faster?

**He:** Many people blame China's slow development of productive forces. I think it's the other way round. Many of China's economic problems are produced by the excessive development of its productive forces.

**S:** Oh?

**He:** For instance, people often criticize the low utilization rate of China's industrial equipment, overstaffing in enterprises where many people are idle, hidden unemployment (said to be about 20-30 million people), and the practice of egalitarianism wherein "everybody eats from the same big pot." In a sense, these are all true.

But, what is the key to the problem?

I think China's poor efficiency is due to the fact that its productive industrial forces have outgrown its current domestic market. In addition, China's overseas market is too limited.

**S:** This is an interesting point of view.

**He:** In economic terms, there must be a strict distinction between society's demand for materials and the actual demand for commodities on the market formed through value and prices. The former is unlimited and always outstrips supply while the latter is limited to the given level of market development. If adequate attention is not paid to this fact but, instead, there is a blind pursuit of growth of productive forces and the unlimited expansion of equipment and investment, an imbalance between supply and demand and overproduction can occur.

**S:** Overproduction is a capitalist phenomenon. Why should it occur as well in China?

**He:** There are two reasons. First, economic decision-makers often give top priority to society's material demand, or absolute demand, when they consider investment and often confuse this with the economic concept of "overall demand."

Second, our economic plans and policy decisions often neglect the economic costs to be paid when satisfying society's material demands and the means by which economic costs can be recouped within a reasonable time after investment.

### 17. The Unification and Balance of Plans and Market

**S:** This is very interesting. Your theory, then, connects China's economic hurdles with general macro-economic problems in much the same way as L. Walras

and J.R. Hicks talked about the situation with their theory of dynamic equilibrium.

**He:** Yes, I've studied the writings of these two scholars and I think their theory is of great significance to a proper understanding of China's current economic problems.

For many years, China's economic decision-making departments attached importance to a balanced and steady growth of the country's economy. Mao Zedong repeatedly raised this question, a question which he found it not easy to resolve. In fact, it is a matter of achieving dynamic equilibrium in economic development.

**S:** Yes, this does seem to be the case.

**He:** Unfortunately, our country's planning departments and economists have, since the 1950s, seemed to have lacked an understanding of the principle that investment in productive forces must be in balance with the available market scale. Hence, there has been the tendency to pursue an infinite expansion of productive forces.

These people thought there could be no overproduction in China because the economy was a material-deficient one. As a result, the greater the scale of investment, the better it was thought to be. It was precisely because of this mistaken policy that many problems and difficulties emerged.

Two noticeable phenomena, therefore, occurred. First, key state projects often do not yield good economic returns and, second, China owes its economic accumulation chiefly to its light industry because which has a large market and flexible market demands. Most industrial capital accumulation of the developed nations, however, comes from machinery and electronic products.

**S:** Yes, that's true.

**He:** The long-term problem facing China's industry, thus, is the fact that the output value created in production is not necessarily realized in the marketplace.

This problem, prior to reform, was reflected in the separation of the state planning and production departments and in the industry's blind pursuit of planned output.

Recently, the government raised the question of how to unify economic planning and market regulation. The essence of the question, then, lies in how to satisfy the demands of society and the national economy through state plans and, in particular, how this can be accomplished through realization of market value and real economic returns.

For this purpose, while expanding equipment and investment and increasing supply, attention should be paid to a balanced demand and supply. Here, an objective economic law is involved. The regulation of production and market, on the other hand, must rely on state intervention and macro-economic plans.

It seems that the scale of industrial equipment and employment must have a certain proportionate relationship to the scale of effective market demands—the scale of investment must meet the demand that can bring economic returns. Once the market demand produces enough pressure on production departments and, stimulated by high profits, enterprises operate at full capacity and have a high equipment utilization rate, the economic pressure necessary for improving management and increasing efficiency will be created. This, when added to a financial mechanism which makes investment more flexible and more easily transferred, will improve China's economic efficiency.

If I understand Hicks correct-

ly, he considers the situation in a similar way—in his model of balanced planning and market stability.

**S:** Hicks' model won him a Nobel Prize of Economics, didn't it?

**He:** Yes, that's right. This theory of dynamic equilibrium between supply and demand is of practical significance for China. Unfortunately, China's economists have failed to take note of it in recent years. Instead, the theories in vogue are J.M. Keynes' financial and high consumption theories, P.A. Samuelson's ideal market economic theory and the shortage theory of the Hungarian Janos Kornai.

China's current scale of industrial production is already very large and the nation's industrial foundation quite solid. Productive forces are generally not facing a shortage. Instead, there exists a structural surplus. Thus, China needn't feel inferior or underestimate its capacity.

In some respects, the scale of China's industrial equipment and employment have already outstripped China's existing market demand. This is one of the chief reasons for the decline in profits.

### 18. Suggestions on Promoting China's Economic Development

**S:** If you are asked to make recommendations, how would you suggest China speed up its economic growth?

**He:** Some people propose introducing capitalist methods, such as unemployment and bankruptcy mechanisms. In fact, in recent years, these methods have been put into trial practice in some localities. The results, however, are less than satisfactory.

People must have food; without it, there is sure to be social disturbances. If you dismiss workers from enterprises and leave them without support, they

will have no stake in society. Superficially, from the micro-economic point of view, the efficiency of a single enterprise might seem to improve but actually, from the macro-economic point of view, such steps will engender a host of other problems for society. Furthermore, in terms of total social production, efficiency will not have been improved.

In addition, the state would still have to provide support for the unemployed and their families. China could not finance such a situation for a prolonged period of time. It is not a positive solution.

**S:** Then, what methods do you suggest?

**He:** I'm not an economist. But I think that improving productive capacity while, at the same time, expanding domestic and foreign markets could be a positive method.

I am opposed to a campaign to advocate high consumption as it is not suited to China's conditions. But, to expand the market, I favour expanding the market population, chiefly in the rural areas.

This requires further efforts to deal with poverty in the rural areas. The state, I think, must use financial and other economic reform methods to help more farmers rid themselves of poverty. China's entire rural population must enter into the commodity economy, not just a few wealthy farmers. I think agricultural support should mean more than increased grain output. What is more important should be putting more cash into farmers' pockets. An all-round expansion of the rural purchasing power can effectively resolve the problem of overproduction in China's industry. Moreover, this would be a genuine and profound economic and social revolution.

In fact, in the past 40 years,

the basis for China's prolonged social stability has been in the countryside. During the decade of reform, economic achievements also first appeared in the rural areas. At the same time, it is precisely in the countryside that economic planning departments have fallen short.

**S:** I just remembered that you wrote an essay on "physiocracy" which was published in a Japanese magazine.

**He:** In 1988, given the neglect of agriculture and the rush towards merchantism during the preceding years, I suggested introducing the idea of "new physiocracy" to our country's policy-makers.

In addition, a concerted effort to expand our markets overseas is another possible method. The profits from enormous overseas markets will stimulate enterprises to reorganize themselves and raise their efficiency.

**S:** Oh?

**He:** In recent years, Chinese economists have often talked about the rationalization of enterprise organization and the rationalization of the economic pattern. But, before the country's economic development, economists did not design a set of ideal organizations and economic patterns. In fact, rationalization has only been achieved as a part of the constant readjustment, adaptation and improvement of economic operations. Haven't improvements in Japanese enterprises been brought about in the same way?

**S:** Yes, that's right. In fact, China's "Charter of the Anshan Iron and Steel Complex" of the 1960s was adopted by some Japanese entrepreneurs. For instance, the famous principle of "dual participation, one reform and three-way combination" (referring to cadre participation in productive labour and worker participation in management; reform of irrational and outmoded rules and

regulations; and close cooperation among workers, cadres and technicians—Tr.).

**He:** This is the case with many aspects of traditional Chinese culture. They have been discarded or forgotten here but, in Japan, they have been organically dissolved and integrated into its modern civilization.

This coincides with what Confucius said, "The lost rite may be found in the wilderness" and "to find doctrines unacceptable here one may cross the East Sea." The wilderness and East Sea he referred to are very likely to be Korea and Japan. The secrets of Japan's success perhaps lies in the fact that the Japanese do not have a strong sense of rebellion but instead favour traditions.

**S:** (Laughing) Oh, really? This is very interesting.

### 19. Why Should China Persist in the Open Policy?

**He:** Another major factor hampering China's economic development is the country's limited overseas market.

The main cause of this, in my opinion, is the fact that, due to both objective and subjective reasons, China had neglected to use the international market to attract capital for a long period of time.

I believe that if China had not launched the "cultural revolution" and prepared for war in the decade between 1966 and 1976 but had instead made full use of its available industrial and technical foundation, fully tapped its resources and taken advantage of the popular sentiment to actively explore the world market, the opportunity for rapid economic development in the Asian-Pacific region would have not fallen into the hands of the four small dragons. Even the question of which country was to be the strongest

economically might have had a different answer. I'm afraid this period might have been our most serious political mistakes since 1949. We missed a decade of golden opportunities for China's economic advance because it was just in this decade that the economies of Japan and the four small dragons took off.

**S:** You're right.

**He:** Contemporary history proves that industrialization and modernization need huge amounts of funds. Such funds are not accumulated through the domestic market alone.

Consider, for example, that during the industrial revolution in the 19th century, Britain and France accumulated enormous funds by relying on colonial plunder. Germany, after its victory during the Prussian-French War in 1870, used French reparations to accelerate the development of its industry in the following three decades.

Japan's economic rise after the Meiji Reformation also took advantage of the reparations it won following the Sino-Japanese War of 1894-95 and the Japanese-Russian War. American industrial development in the late 19th and early 20th century also drew upon the resources of its takeover and plunder of the Pacific and South American Caribbean region and former Spanish colonies. The industrialization of capitalist countries, therefore, all relied on exploiting the resources of other countries.

The socialist road to industrialization, however, is different. Both the Soviet Union and China relied chiefly on their domestic markets, primarily because of the imperialist economic blockade, to accumulate the funds required for industrialization and the development of science and technology.

Moreover, despite their own shortage of funds, the Soviet Union and China bore the brunt

of the burden of providing assistance to other developing countries.

This reliance on the domestic market to accumulate funds required hard work, frugality and sacrifice from our peoples, a situation which created some social problems. At the same time, it brought about a public sentiment for quick results.

China's modernization, therefore, requires that the nation continue its open policy.

S: That's right.

## 20. Giving Scope to China's Advantages

**He:** In my view, China paid too much attention to introduction in the past opening up. In the future, China must strive to push its industry into the world market. Accumulating funds for modernization solely from the domestic market is not sufficient, while only limited foreign funds can be absorbed. Excessive borrowing in the international monetary markets at a high interest rate will lead to economic suicide. The only feasibility is to export more manufactured goods.

China's overall industrial foundation and technical strength are in a better position in certain sectors than the four small dragons in the Asian-Pacific region. Since this is the case, I often wonder why China is not entering their industrial market. Why, instead, does China expect them to control its own market?

S: well, as you just said, the current world trade situation is not favourable to developing countries.

**He:** You're right. But if China can fully tap its current industrial potential, making full use of and renovating its existing equipment, and then enter the markets first of the countries in the Pacific rim and then of countries in

Asia, Africa and Latin America, the nation's effort to revitalize its industry will gain a fresh and forceful momentum.

S: This idea is shared by small and medium-sized enterprises in Japan, Taiwan and South Korea, who are making efforts towards a similar end.

**He:** On this economic battlefield, China lacks the advantage of capital and technology but boasts the advantage of abundant labour resources and relatively cheap wages, although the second advantage seems to have been artistically beaten by the transnational companies operating in China over the last few years.

The view that China provides low wages is true in terms of the currency comparison. The average annual wage of Chinese workers is about US\$400-500. However, when it is converted into consumer goods based on China's commodity price, and then the value of these consumer goods is converted into US dollars based on the consumption price on the Japanese and American markets, the average annual wage of Chinese workers presents a different picture. In terms of in-kind income and purchasing power, China hardly compares with the developed countries in wages. China's wages are anything but low, however, when compared with the wage level in developing countries. As a matter of fact, among the developing countries and in absolute terms, the Chinese standard of living is not low, not to say the lowest. Ordinary people in many developing countries would envy the food, clothing, housing and transportation enjoyed by a Chinese farmer or family in the middle income bracket. For example, people once ridiculed China by saying that it was not a nation on wheel but on bicycles. They saw the popularization of bicycles in

China, nearly every adult in the countryside and towns owns a bicycle. Don't they see that there are few countries in the world where family ownership of cars has been popularized? Even in Japan, an automobile producing country, not every family owns a car. There are many underdeveloped countries in the world where rural villages are not linked by roads and have no access to any mechanical means by which one can ride instead of walk. Instead, people travel either on foot or on donkeys.

This is a typical example of the many unfounded comments on the level of China's development. Some people always take to comparing China's level of social consumption and welfare with that of the United States. But these people seemingly forget that, first, there is only one United States on earth, a country in an economically and politically unfair-for-the-others superior and hegemonic position and, second, the United States is on the decline. At a time when world history is undergoing important changes, how long will the United States be able to continue its lifestyle of luxury and dissipation? The is a question being asked all over the world.

S: Oh, you are too critical!

**He:** In the last few years, some people have tried to introduce the developed countries' method of high commodity price and high wages to China. If the level of the Chinese workers' actual wages were indeed raised to the level of the developed countries, it would be impossible for Chinese commodities to compete on the international market. This problem was not anticipated when China moved to introduce foreign capital.

Although there are difficulties in correcting this deviation now, it is still not too late. I think if China's policy of opening up can shift to the above train of

thought, and if the Chinese can again foster the will to struggle hard, just as you Japanese did by tightening up their belts, diligent work and expanding exports in the 1950s and 1960s, China's economic development will certainly enter the stage where "a village appears and the shade of willows and riotous flowers be-  
ckon."

## 21. A "Third Wave" Ahead?

**S:** Mr He, how do you evaluate China's economic reform in the ten years between 1978 and 1988?

**He:** This is an important question I am still pondering and studying. I haven't thought this one through.

The decade-long reform between 1978 and 1988 can be divided into two stages. The first stage ended in 1984, during which China's economy derived its vitality from successful agricultural reform. Economic reform during this period was crowned with solid achievements. Between 1979 and 1983, China's economy registered an average annual growth of about 8 percent, commodity prices were stable and the market supply was good.

During the second stage, the focus of the reform shifted to the cities; the problem became more complicated. In those years, China's economy achieved very high growth, the outlook of the urban and rural areas underwent dramatic changes and the standard of living greatly improved.

At the end of 1984, however, three waves emerged in China's urban economy.

One was the wave of business start-ups. The rise of this wave is connected with the so-called "third wave," a theory which belongs to American optimistic futurism and maintains that social wealth can be created by relying on the process of circulation. In-

fluenced by this theory, the whole Party, government, army, masses and students moved to enter into the "tertiary industry."

However, the tertiary industry in the American economy converges in international financial, credit, high-tech and high-tech patent and other fields. It is fundamentally different from the tertiary industry of China where the industry is mainly in such daily services as retail sale commerce and hairdressing.

When I read a book on the contemporary economic history of Latin America, I noticed that in the 1940s the tertiary industry made up 51 percent of the GNP of the Latin American region, highlighting the fact that there existed an unwieldy, overstaffed non-material production department (see *Latin American Economy*, p. 29, People's Publishing House). That shows the economy there was extremely backward.

On the other hand, it is questionable whether an "information society" or an "information era" will replace the manufacturing industry in the future. Recently I read a book by Mr Morita Akifu (chairman of the board of directors of the Japanese Sony Corp.). He refutes the idea of such an era and warns Americans that if they give up the development of the manufacturing industry and devote efforts exclusively to international financial speculation and other activities, the American economy will become an empty shell. He believes this is one of the main reasons for the decline of American economy.

**S:** Do you mean the book *The Japan That Can Say No*?

**He:** Yes. After the business craze, there was a wave of high-value consumption, most notably in the field of high-grade household electrical appliances.

It was said that not only the developing countries but also Eastern Europe, the Soviet

Union, Spain and other moderately industrialized countries could hardly reach the Chinese level in popularizing the luxury household electrical appliances in cities and part of the countryside.

Meanwhile, the American culture of cowboys, Hippies and yuppies spread to China through literature and art and fashion along with the wave of high-value consumption. For a while, the American culture became the main current and major tone of literature. This was very bad development for China, a developing country confronted as it was with the arduous task of developing its economy and science and technology, and whose people are required to undergo a protracted struggle and hard working.

**S:** That's right.

**He:** The third wave was large-scale construction in various localities, characterized by the building of luxury tourist hotels.

In a sense, the construction of these facilities involves investment in equipment. The various localities, however, consider the investment as a kind of productive force which can help promote tourism and make foreign exchange earnings.

Here, an old problem crops up: the subjective need does not mean an actual need. When the localities made huge investments in the construction of tourist hotels, they did so out of an estimated, subjective material need. But they didn't seriously calculate how large the local tourist market actually would be. The upshot is that large numbers of up-scale hotels mushroomed in many localities but that their utilization rate is generally low. Hotels are thus reduced into frozen architectural capital. This is the first stage of sluggish market, stockpiling of goods and freezing of capital; people didn't realize this at the time when they

decided to build the hotels.

The excessive investment in the construction of auditoriums, hotels and other buildings and the expansion of capital construction have eaten up a large amount of state funds. Moreover, after they are built, there are too many and their occupancy rate is low. Capital could not be repaid to the investor, in this case the state. However, a considerable proportion of this investment comes from various loans. Repayment in principal and interest must be made at due time no matter whether the investment is successful. This places an enormous pressure on state finance and is one reason why central and local finance has suffered from deficits in the last few years.

In the summer of 1988, the economic tension resulting from prolonged and excessive investment suddenly broke out in the form of the shortage of consumer goods, energy and raw materials, the structural imbalance of investments and galloping inflation. This revealed serious economic problems and is the reason why there was disproportionate economic development in 1988-89.

Superficially, the problem was created by demand outstripping supply, with the result that materials, resources and capital all were in short supply. However, I think, the problem was essentially the result of the excessive investment in productive forces that surpassed the holding capacity of the market. Equipment thus lay idle and products were overstocked. This created excessive pressure on the state finance and resources and prevented prompt economic returns for the state because there was no payment of bills due.

The state introduction of the policy of improving the economic environment and rectifying the economic order in 1988 was

aimed at correcting this deviation and, now, the effort has yielded rather good results. The ten years of economic reform, in any event, has allowed China to build up its strongest industrial and agricultural basis, and a powerful contingent of scientific and technical force. So long as China can maintain its political stability, China will be able to further develop its economy. I am fully convinced that China's modernization goal will be attained.

## 22. Japan's Choice for Future

**S:** Mr He, what would you say about the future relations between China and Japan?

**He:** There has been an intricate, complicated and age-old relationship between China and Japan. The geographic and cultural ties and also the increasingly important position held by Japan in the world economy require that these ties become even stronger.

As Japan-US relations are undergoing a change along with the global change, Japan is currently confronted with an important choice in its readjustment of its global strategy. Japan now seems to face four choices: militarism, imperialism characterized by economic expansion, closer economic and political alliance with the United States, and close economic co-operation with China and the Asian-Pacific region at large.

I noticed these four choices are being discussed by political and economic think tanks in Japan, and people there are ready to make their suggestions.

**S:** That's true. But what's your opinion?

**He:** With its economic, scientific and technological strength, Japan today has the ability to embark on the militarist road again. But it is a road which the country should not take. Frankly speaking, such a choice would be probably suicidal for Japan. On

one hand, all of Asia and the world would go on the alert. If all other countries were to collectively impose economic sanctions against Japan, the cost would be unbearable for Japan's economy which is almost 100 percent dependent on the world market. On the other, in this nuclear age, the Japanese islands are under the deterrent of the Soviet and Chinese nuclear forces. I don't think that the two big powers will allow Japan to revive its arms expansion because that would constitute an enormous latent threat to China's mainland and the Soviet Far East.

From the American press I see that some people are egging the Japanese on to expand their military activity. I suggest that the Japanese seriously consider whether the suggestion arises out of good intentions or ulterior motive.

The second choice, taking the imperialist road to engage in endless economic expansion and seeking hegemony and redivision of the world with other big powers. Japan is the most probable rival to the United States and the EC economically, and may eventually go its own way to contend for the hegemonist position.

There are symptoms of a movement to take this road in Japan but it would be crisis-ridden and dangerous.

The third choice is to seek alliance with the United States. I recently read an essay representative of this point of view, *The Third Century* written jointly by a Japanese and an American. I also saw a cartoon in a Japanese newspaper with a satirical caption indicating that "Japan is the United States' concubine."

**S:** There is such self-mockery among the Japanese because a concubine is always in control of the money.

**He:** But I don't think Americans are willing to turn financial power over to the Japanese.

Due to geographical and cultural reasons, Europe and America may decide on a concerted action to cope with Japan, which now finds itself in an isolated position among the developed countries.

S: Oh, yes?

### 23. The East Pacific Regional Economic Rim

**He:** One way out is for Japan to gradually strengthen its economic co-operation with China, integrating its capital and advanced technology with China's manpower, industry and resources. China and Japan can jointly found and build up an East Pacific Regional Economic Rim. If China and Japan can establish comparatively stable economic co-operative ties, it would be favourable for China's modernization and, for Japan, it would be able to finally rid itself of its position as an isolated island country and win strategic support from the continent. It would become a powerful supporter for sustained economic stability and development in the Asian-Pacific region.

I wonder whether the Japanese side, the Japanese economists, have similar ideas.

**S:** Of course, they hope for such developments. Recently, Japanese financiers proposed the establishment of an economic rim embracing the Sea of Japan, China's mainland, the Korean Peninsula and the Soviet Far East.

**He:** At the same time, if there are still people from Japanese political circles who want to touch the scar left over from Sino-Japanese relations 50 years ago, or wag their fingers at Chinese politics and social system, I am afraid no such economic rim will be built.

**S:** Aren't you concerned that your idea of "the East Pacific Regional Economic Rim" will be

looked at as a reproduction of the "Greater East Asia Co-prosperity Sphere"?

**He:** The "Greater East Asia Co-prosperity Sphere" was the guiding theory of Japan in attempting to conquer the Asian-Pacific region. Today, however, the situation in China and the Asian-Pacific region is fundamentally different, the most outstanding of which is that a politically unified, economically flourishing and militarily strong China stands on the continent opposite Japan across the sea. This will be a long-term, not short-term, situation. I don't know if the Japanese politicians and strategists have made sufficient estimation about this.

**S:** Will China be able to maintain sustained stability after experiencing the 1989 event?

**He:** In policy making, China has drawn enough lessons from the decade-long reform and last year's event. China's current internal and external policies are quite wise. I am convinced that although China is currently confronted with some difficulties, long-term stability shall be out of question.

**S:** I am afraid we still have to wait and see.

**He:** China and Japan are very closely and deeply related geographically, historically and culturally. China is a giant in Asia, whom no one can by-pass.

In the future, without China's co-operation, there will be no meaningful economic rim in the Asian-Pacific region. China will not seek regional hegemonism for itself nor will it tolerate the formation of a new hegemonic centre in the region.

China has become and will remain a big power with a leverage role to play in the Asian-Pacific region's economic, political and military arena. No country which wants to conduct activities in this region can overlook and bypass this situation. China boasts powerful strength and a

boundless latent power.

In recent years, unfortunately, some Chinese have ignored this fact. If some foreign politicians also underestimate China's capacity, they will commit a historic mistake. In 1989, as I see it, some politicians in the West made this mistake. They believed that China's current system could be easily toppled by a few, politically naive intellectuals who worshipped the Western values and knew nothing at all about economics. As a result, they did not make a wise political choice.

### 24. The Question of Patriotism

**S:** Please allow me to raise a question concerning yourself. You are not a Communist, then what are you?

**He:** First and foremost, I am a staunch patriot. As a scholar, I believe in Marxism, the most effective method for observing and analysing complicated social problems.

**S:** Today, when the contemporary world is moving gradually towards integration and transnationalization, is there any real significance for patriotism?

**He:** The world is moving towards integration. The problem, however, lies in who is to play the chief role? Who is to benefit? Whose interest is central? These are the most substantial and most national questions. This question is very important and very complicated. Perhaps in the future, I may undertake a special analysis of this. The supreme aim of all of my academic activities, however, is for the interest of my motherland and nation. Isn't it the same for you as well?

**S:** It has been a great honour to meet with you. You are an intellectual with unique characteristics. You seem to want nothing but the truth. Thank you for the opportunity to have this talk with you. ■

## Burgeoning Patent Industry in China

by Our Staff Reporter Huang Wei

*China has ranked among the major patent-accepting countries in the world. Sixty-four countries and regions have tendered their patent applications to China. China is fully capable of making scientific, just and timely examination and judgement on patent applications from both home and abroad.*

Since April 1, 1985, when China began to implement the Patent Law, patent applications have increased at a yearly rate of 33 percent. By July 1990, China had more than 140,000 patents, edging into the world's major patent-accepting countries.

### Legislation

In 1979, China began to formulate a law on patent. During the five years of drafting, the law-makers took into consideration China's specific conditions and the experiences of other countries. The State Council and the Standing Committee of the National People's Congress made 24 revisions to the original draft. The law was finally approved in March 1984 at the Fourth Session of the Sixth NPC Standing Committee and became effective April 1, 1985. On that day, a total of 3,455 applications were received from both home and abroad. As Dr. Arpad Bogsch, director-general of the World Intellectual Property Organization, stated, this "absolutely" confirms a world record in patent history.

According to Dr. Gao Lulin, director of the China Patent Office, the establishment of the intellectual property system, along with the rapid development of a socialist commodity economy, is a major reform to

the old economic structure that will enable intellectual property to participate in economic activities as an invisible commodity.

The law, according to Gao, aims to "protect patent rights, encourage inventions and creations, promote the spread of science and technology while supporting the drive for socialist modernization."

Over the past few years, China has formulated many relevant laws and regulations, including provisional regulations on examinations, patent registration, and ways to arbitrate patent disputes. The Supreme People's Court has also mapped out specific measures to deal with patent problems.

To create a better international environment for implementing the patent laws, China joined the World Intellectual Property Organization in January 1980 and in March 1985, the Paris Convention for the Protection of Industrial Property, becoming the agreement's 96th member country.

### Applications

By the end of July 1990, China had processed 147,922 patent applications, of which 49,173 were patents for inventions, 89,658 utility models and 9,090 for designs. In terms of the applicants' nationality, 120,116, or 81.2 percent of the applications



Dr. Arpad Bogsch presents a medal to a Chinese inventor.

HUANG GONG

were from China. The China Patent Office had granted 52,171 patents, of which 47,439 were from China.

All China's provinces, municipalities and autonomous regions have made patent applications and Beijing has the largest volume of applications. There has also been an increase in applications from China's Taiwan Province, which numbered 403 last year and 492 in the first seven months this year. By the end of July 1990, applications from Taiwan totalled 1,078, with 228 granted.

Statistics show that by July 1990, 64 countries and regions have tendered patent applications to China. Among them, applications from the United States numbered 8,271; Japan, 7,105; the Federal Republic of Germany 2,538; France, 1,347, the Netherlands 1,266; Britain, 1,250 and Spain, 75. Many of the applications were submitted by world-famous corporations, such as the E.I. Du Pont De Nemours & Co. and Westinghouse Electric Corp. of the United States, Mitsui Petrochemical Industries Ltd. of Japan and

N.N. Philips Gloeilampenfabrieken of the Netherlands.

According to Shen Yaozeng, deputy director of the China Patent Office, patent work over the past five years has been proceeding smoothly, with applications for the three types of patent becoming increasingly proportioned and their distribution in various areas balanced. He predicted that the annual volume of applications in the next few years will remain at the current level.

### Examination System

Patent systems vary from country to country with regard to the examination of patent applications. But they basically fall into two categories: examination and non-examination systems. China has adopted an examination system.

Last November, when addressing the World Symposium on International Patent System in the 21st Century held in Beijing, Shen Yaozeng said China adopted the examination system on the grounds that patent system functions as a protective in-

strument and information and that only when patents have been approved through the legal procedures as substantial examination and reexamination can their higher level and stable quality be guaranteed. Facts have proven China's capability in performing fair, scientific and immediate examination and judgement of the domestic applications and those from abroad.

China's Patent Law stipulates that applications for patents for inventions will initially be published and examined later. Accordingly, the patent office only performs a formal examination when an application is presented and publishes the application within 18 months. The applicant may request a substantive examination within three years after the application is presented. Otherwise, the application will be considered withdrawn. This system provides the applicant enough time to determine whether or not to request a substantive examination. Those who are not confident with their applications or those whose patents have lower technological or commercial value, may abandon the application for substantive examination. In this way, the applicant avoids the fees of substantive examination and being rejected, and the Patent Office's examination workload can be reduced. Until now, some 48.5 percent of applications for patents for inventions have applied for substantive examination within three years.

According to the Patent Law, the patent office only performs formal examinations for applications for patents for utility models and designs, because these patents are simple compared to invention patents in terms of technology. These kinds of applications will be published and approved quick-

ly, with low processing fees. Thus, utility or new products can obtain quick patent protection.

In order to improve examination quality, the patent office established a system to check the quality. However, the speed of China's examination falls behind developed countries because of poor working conditions and examiners' lack of experience.

In recent years, the examination speed has accelerated. In 1985 only 66 cases were concluded, while the number increased to 330 in 1986, 1,539 in 1987 and 3,654 in 1988.

Currently, the patent applications for utility models require eight months to examine, and applications for patents for designs six months and applications for patents for inventions 21 months.

The patent office has also begun the work of patent reexamination and invalidation. Presently, 91 applications have been reexamined, making up 47.6 percent of reexamination cases, and 45 cases for invalidation have been processed, 33.8 percent of the total.

### Collection of Documents

When Dr. Bogsch saw the numerous boxes filled with documents in China Patent Office, he said humorously, "Oh, Chinese shoe boxes!" Early this century, the clerks of the patent offices of some countries called the paper box containing the documents "shoe box" because it resembles a shoe box. China Patent Office has 60,000 such boxes.

The Patent Library, covering 1,800 square metres south of China Patent Office headquarters, primarily gathers, processes and provides information. It exchanges patent documents with

14 countries and two international organizations. Until now, it has stored the specifications of 20 million patents from 23 countries, including China, the United States, the Soviet Union, Japan, Britain, Germany, France and Canada, as well as two international organizations—European Patent Convention and Patent Co-operation Treaty. In addition, it has stored the scientific and technological achievements of New China, 450 Chinese science magazines, as well as 500 foreign science periodicals.

In 1986, the office established a micro-film workshop to put China's patent documents onto the film and duplicated micro-film documents from six coun-

a data centre to store foreign patent information. It is expected to connect with a dozen computers across the country this year and plans to co-operate with foreign data centres.

### Protection of Patent Right

Only a few years ago, Gao Xueren, who works at Shenyang No. 9 Leather Shoes Plant, was helpless as his invention of "chemical-fibre-net leather shoes" was being imitated by others. Today, he has submitted patent application to the Patent Office of the People's Republic of China and has brought suits against those who copied his products in order to make exorbitant profits.



Dr. Haousser of Germany visits the library of the China Patent Office.

tries and two international organizations. Currently the Patent Library stores 2.73 million patent specifications.

From 1986, the office has translated titles and abstracts of China's patent applications into English and input them on computer disks to serve foreign consumers.

The office is also establishing

So many patent applications and practices unavoidably cause disputes. China's Patent Law protects patentees' rights in two ways: to ask patent administrative organizations to deal with violations or to legally sue the infringing party.

In recent years, 51 patent administrative organizations and many intermediate people's

**Table A: Statistics on Patent Dispute Cases Accepted by Patent Administrative Organizations and Courts**

department	accepted cases		invention		utility model		designs		service		non-service	
				%		%		%		%		%
administrative organ	625		108	17.3	479	76.6	38	6.1	262	41.9	363	58.1
court	141		14	13.3	89	84.8	2	1.9	30	28.3	76	71.7
		encroachment dispute		fees dispute		application right dispute		licence contract dispute		transferring contract dispute		other dispute
		%		%		%		%		%		%
administrative organ	253	40.5	27	4.3	207	33.1	102	16.3	13	12.5	36	5.8
court	63	60.6	2	1.9	6	5.8	16	15.4			4	3.8

**Table B: Conditions of Resolved Patent Dispute Cases**

department	resolved	mediated		adjudicated		withdrawn	
			%		%		%
administrative organ	429	241	56.2	102	23.8	86	20.0
court	53	17	38.6	13	30.2	14	32.6

courts in 19 provinces, municipalities and autonomous regions as well as open cities and special economic zones have accepted and heard patent cases. The two tables here reveal the conditions mediated and cases they heard.

Among the above cases that patent administrative organizations accepted and heard, three involved foreign nationals. As for the case which occurred in Tianjin, the Reexamination Board of China Patent Office has declared the encroachment on patent invalid, the case in Nanjing has been withdrawn and the one in Guangzhou is being tried according to law.

By the end of May 1989, the board has accepted and heard 82 cases that litigators request of invalid patents, 69 concerning utility models, five concerning invention and eight concerning design. Now, 28 among them have been resolved.

According to the Patent Law, if parties refuse to accept judge-

ment, they can sue in the courts. Presently, Beijing Intermediate People's Court has accepted seven such cases. Two have been resolved, others are under the trial. Until now, China's Patent Office and its Reexamination Board have not lost any lawsuits.

### Patent Agents

Like most countries in the world that have patent systems, China, while establishing its own patent system, also built a patent agent system. This will not only be profitable to patent applicants but will also raise the efficiency of patent examination organizations. According to statistics, 66.7 percent of applications for patents were submitted to China Patent Office through agents. China's patent agent organizations also act as agents for foreign applicants.

There are two kinds of patent agencies in China, dealing res-

pectively with Chinese patents and foreign patents.

China has about 500 patent agencies dealing with domestic patents. They are primarily of two types: The first are patent agent offices established by approval of State Council's responsible departments and the patent management authorities of the people's governments of provinces, autonomous regions, municipalities, open cities as well as special economic zones, and the second are lawyers' offices engaged in patent agent affairs. These offices are officially validated by the Ministry of Justice.

In addition, there are also several patent offices of collective ownership. Presently, no private patent offices are allowed to do business in China.

There are four patent agencies appointed by the State Council to deal with foreign patent affairs. They are: Patent Office of China Council for the promotion of International Trade, China's Patent Agent Company, (HK) Ltd, Shanghai Patent Office, and Yongxin Patent Agent Company.

China's patent agents have increased to 4,800. Of them 1,500 are professionals and 240 are patent agents dealing with foreign

patents.

The training of China's patent agents dealing with foreign patents began earlier than that of agents dealing with domestic patent applications. Beginning in 1979, China has sent more than 100 persons abroad who have a technological background or legal experiences and are proficient in foreign languages to receive training in patent laws and patent agent practices. The countries that educated China's patent agents include the United States, Germany, Canada and Britain. Now these patent agents trained abroad have become the backbone of China's foreign patent agent team.

Jin Jimin, secretary-general of All China Association of Patent Agents, told the reporter that in order to guarantee the quality of patent agent work and to perfect the patent agent system, the State Council in 1985 issued the Temporary Regulations on Patent Agents, establishing stipulations on patent agents' business scope, conditions, qualifications and duties. This is China's most basic law on patent agents.

### Patent Implementation

The vigour and vitality of the patent system depends upon the practice of patent, for inventions and creations can produce economic and social benefits only through implementation. In some Western countries, the implementation of patent technology is completely regulated by markets, while in China, patent management organizations and patent services at all levels have adopted various measures to promote the implementation of patent technologies, such as, establishing and fostering patent technology development organizations and patent development funds, holding exhibitions of patent technologies, sponsoring patent information releases, obtaining loans from state banks and opening technology markets.

Besides, the State Science Commission also stipulates that new products awarded Chinese or foreign patents for inventions and those patented products for utility models and designs have the priority to be brought into line with the state trial-

production plans, enjoying preferential treatments in taxation, prices, loaning and supply of goods. The Patent Management Administration of Hunan Province annually recommends to departments concerned with a number of patented projects. Up to now 56 of patented technologies have been listed in the "Spark Programme" which aims at developing rural economy, 80 have been brought into line with the province's trial-production plan of key new products, and 15 have been listed in the scientific results popularization plan of the province's science commission.

Presently a large number of patented technologies have been comprehensively utilized in China, producing significant economic benefits. According to a sample survey of the patent applications submitted before June 1989, which have been awarded patent rights or are being examined, the implementation rate of patented technology is 30 percent. According to statistics, the 11,900 patented projects have added 1,293 billion yuan to their original value and raised and profit tax by 234 million yuan.

In order to encourage invention and creation and promote the implementation of patents, in 1989 the China Patent Office and the World Intellectual Property Organization jointly chose 10 projects and awarded them the Gold Medal for Patented Inventions-Creations in China. Another 43 projects were awarded Certificates of Merit for Patented Inventions-Creations in China. These awarded projects not only reach a high technological level, but have also achieved remarkable economic and social benefits. They have also promoted industrial and agricultural production. ■

**Applicants are lining for patent registration.**

WANG WENYANG



## Consolidated Tax in Shenzhen

by Our Staff Reporter Han Guojian

Shao Mingjun, director of the Tax Bureau of the city of Shenzhen, and his colleagues are deliberating how to integrate existing income tax rules for six types of enterprises (state-owned, collective and individual enterprises, Chinese-foreign joint ventures, Chinese-foreign co-operative enterprises and foreign-owned enterprises) into one tax system, that is, the Shenzhen Special Economic Zone Consolidated Enterprise Income Tax. Shao said that as early as 1985 Shenzhen already unified the income tax rate for the above six enterprises at 15 percent and that the consolidated income tax is being deliberated on the basis of the previous reform. He estimated that by the end of this year the final draft would be submitted to the central government for approval. In other parts of China, however, the above six kinds of enterprises still pay income tax at different rates.

Shenzhen has seen a rapid economic growth since it became China's first special economic zone in 1980. The number of Shenzhen's industrial and commercial enterprises has increased from 940 in 1979 to 36,000 and that of foreign-invested enterprises from none to 2,400. The city's total industrial output value in 1989 was 11.647 billion yuan, an increase of 11.586 billion yuan over 1979. The value of export products in 1989 was 6.8 billion yuan, accounting for 58 percent of the total industrial

output value. The city's tax revenue increased from 16 million yuan in 1979 to 1.7 billion yuan in 1989.

The reasonable use of the means of taxation, said economists, has played a positive role in accelerating the development of an export-oriented economy in the special economic zone.

In the 1980-85 period, Shenzhen adopted a series of preferential measures to attract foreign funds and advanced technologies: foreign-invested enterprises were to pay enterprise income tax at the rate of 15 percent; foreign businessmen who reinvested their share of profit in the special economic zone for a period of five years and more were to be refunded 40 percent of the income tax already paid

on the reinvested portion; machinery, equipment, spare parts, materials, transport tools and other capital goods imported by foreign-invested enterprises for production were exempt from the industrial and commercial consolidated tax; and houses newly built or purchased by foreign-invested enterprises were exempt from real estate tax for three years.

After 1985, in order to develop a horizontal economic cooperation and strengthen the ability of the special economic zone to absorb foreign funds, Shenzhen again formulated a preferential taxation system for domestically funded enterprises, that is, enterprise income tax was to be levied at the rate of 15 percent.

**The general assembling workshop of the Kangjia Electronics Co. Ltd., a Shenzhen-Hong Kong joint venture.**  
HUANG JIANQIU



In August 1988, Shenzhen began to levy taxes on all enterprises in the special economic zone. These taxes included a product tax, value-added tax, business tax and tax for city maintenance and construction. Proper readjustment was made for some specific tax items and tax rates of the business tax and city maintenance and construction tax. These steps solved the problem of a discrepancy in preferential treatment and the unbalanced tax burden on different businesses.

In the second half of 1988, Shenzhen sent a special group on an inspection tour to Hong Kong to learn from its tax law system. Shao Mingjun said that Shenzhen's tax reform needed to be in concord with international tax laws, Hong Kong's tax law in particular. He stressed the need to prevent an increase in tax ca-

tegories and reduce heavy tax burdens on enterprises. He added that the special economic zone should subject its economy to market regulation, levy taxes on enterprises as equals and let them compete on an equal footing.

Given this, the special economic zone's taxation system leaves much to be desired. First, there are too many tax categories for enterprises. Although the income tax rate for all enterprises has been unified, there is an unbalanced tax burden on different enterprises because they are subject to different income tax laws and different standards for cost accounting, expenditure, depreciation, and settlement of profits. Second, there is a discrepancy in tax burdens on Chinese and foreign-invested enterprises for imported goods. The industrial and

commercial consolidated tax levied on goods imported by foreign-invested enterprises, and the product tax and value-added tax levied on Chinese enterprises for imported goods resulted in different tax burdens for the same kinds of imported goods on Chinese and foreign-invested enterprises. The third is the difference in tax levied on Chinese and foreigners. Because of different tax rates, different exemption rates, different taxable items and the adoption of different methods in taxation, the tax burdens on Chinese and foreigners are different. The fourth is that there are too many special tax categories for domestically funded enterprises, making it difficult for them to keep going. All these problems need to be resolved in the tax reform. ■

Shekou industrial area of Shenzhen.

PAN JIAMIN



# Suzhou: A Tale of Two Cities

by Our Staff Reporter Li Ming

*An industrial city is rising beside Suzhou. The new development zone is part of a plan to preserve the south Chinese city's river-strung, pagoda-studded landscape while keeping pace with the country's modernization process.*

**S**uzhou, a city with a history of 2,500 years, is famous in China and abroad for its beautiful gardens and abundant relics of historical and cultural interests. Now, high-rises and modern factories are emerging from the western horizon to complement the older parts of this unique city.

According to a development plan, a new Suzhou is taking shape.

## Protecting the Old

Located in, southeast Jiangsu Province, Suzhou, first established in 514 BC, is well-known for its time-honoured civilization and exotic scenery. In the 13th century, Marco Polo praised Suzhou as the "Venice in the East." In the last decade, the city has attracted hundreds of thousands of foreign tourists annually.

During the last few years, the city has seen big changes in other

fields. For example, it has taken its place in the front rank among other large and medium-sized cities in the country in economic growth rate for several consecutive years and has ranked fourth among all Chinese cities in industrial output value for five years in a row, just behind Shanghai, Beijing and Tianjin.

Most of the industrial enterprises which made major contributions to the city's flourish are located amidst the ancient gardens and historical sites and this has led to the destruction of the city's beauty, environmental pollution and hampered future development. Suzhou is the only city in the country which has not

changed its location for 2,500 years and its many historical sites rank only behind Beijing and Xian. Thus, protecting the ancient city was the first priority as plans for development were drawn.

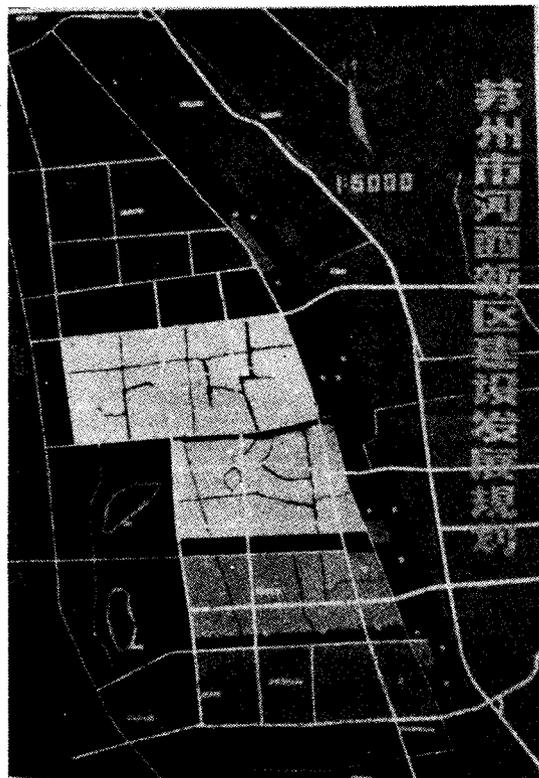
The best way to protect the historical sites, of course, is to relocate all the factories. The relocation of 100 factories, however, is problematic. To find an alternative, some people suggested building an industrial district outside the ancient city.

Beginning in the mid-1980s, the city planning department started to draw up plans. It studied the experience of other cities in the world which they gained in modernization and protecting ancient buildings, and agreed that the best solution was to build a new city area. In 1986, the plan was approved by the central government.

## Building the New

The new area in the west of the city sits astride the Beijing-Hangzhou Grand Canal. The area on the east bank of the canal encompasses 11.37 sq km of land and that on the west 15.11 sq km. In the last five years, a basic road system has been built in the new area. The infrastructure projects, such as the Suzhou Goods and Materials Trading Centre, a power supply project, the city's biggest hospital, a group of scientific research institutes and complete educational, cultural and recreational facilities, have been constructed to the east of the canal. Now the

LI MING  
The development plan for the area on the west bank of the Grand Canal.



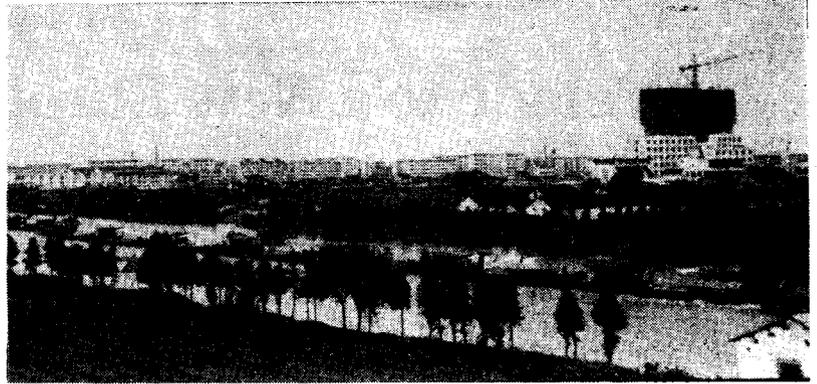
new area has 100,000 residents. With a good environment for foreign investment, the new area has established a number of Chinese-foreign joint ventures and cooperative enterprises, including the Suzhou Copper Co. Ltd., the Suzhou Schindler Co. Ltd. and the Aster Hotel, in addition to some domestic enterprises such as the Xiangxuehai Electrical Appliance Co. Other projects under construction are the Customs Building, the Commodity Inspection Building, the Post and Telecommunication Centre, the Sports Centre, the Youngsters Recreational Centre and the Industrial Exhibition Centre. The gas, water, power supply systems and other infrastructure facilities are now being built.

Zhang Xinsheng, mayor of Suzhou, said the capital construction to the east of the canal has been basically completed and the construction focus will now be on the west of the canal.

The area to the west will be even more attractive for development. It is 93 km away from Hongqiao Airport in Shanghai, 36 km from Shifang Airport and 97 km from the Zhangjiagang Harbour area. To the north, it connects with such economically developed areas as Shanghai, Hangzhou, Wuxi and Changzhou via the Beijing-Shanghai Railway. The Shanghai-Nanjing Expressway to be constructed will pass through the area. It is also close to the Baiyangwan goods yard, the largest in Jiangsu Province. The new area on the west bank is also close to the ancient Huqiu, Liuyuan and Xiyuan monasteries and not far from the mountain scenic spots of Lingyan, Tianping and Shizi. It will provide a comfortable working and living environment and be especially suitable for the development of new technology industries.

The west bank is the centre of the new area and will primarily host enterprises using foreign investment.

Lu Baoliang, director of the Suzhou City Planning Bureau,



The newly built area on the east bank of the Grand Canal.

LI MING

said the west area will be divided into five independent districts. Its northwest will be the industrial district; the south, the export goods processing district; and the centre, the comprehensive functional district and the newly developed technological industrial district and the residential district respectively. At present, a district at the east end covering one square kilometre is marked out as the first area to be developed. The new area is crisscrossed by rivers and roads and all functional districts will be connected by green belts.

In the first started district, roads and bridges have been constructed and other basic construction will begin.

The construction of the west bank of the canal has aroused the interest of foreign businessmen, many of whom came to inspect the area and ask for investment advice. Already, some 13 companies from Belgium, Japan and other countries have signed letters of intent to invest in factories.

### Inspiration

The State Council's decision taken this year to open and develop the Pudong area in Shanghai has accelerated the export-oriented economic development in the Changjiang (Yangtze) River Delta and will also speed up construction of Suzhou's new area since the city is close to Shanghai.

In order to attract foreign investment to the new area, the Suzhou local government has formulated various preferential policies and, Mayor Zhang noted, the first group of investors will enjoy more preferential treatment. For instance, they will pay the lowest fee possible for use of sites if they begin operations before the end of 1991 and will be exempt from development fees if they invest in new, high technology projects.

Ji Chongwei, a senior research fellow of the Development and Research Centre under the State Council and vice-president of the Chinese Foreign-Funded Enterprises Association, believes that in the 1990s and in the following three to four decades, Shanghai, as Pudong is opened and developed, will be transformed into an international economic city along the Pacific Ocean's western coast. Suzhou will also benefit. The city will make full use of Shanghai's international airport and harbour and, influenced by the development of Shanghai's finance, foreign trade, scientific research and industry, will be able to offer a foreign investment environment similar to Shanghai.

Suzhou, however, is better than Shanghai in terms of land and labour resources. Thus, the development of the Pudong area will do much to boost the construction of a new Suzhou. ■

# Prelude to a New European Order

by Hu Yumin

**H**eads of state or government of 32 European nations together with those from the United States and Canada, who gathered in Paris from November 19 to 21 at a summit meeting of the Conference on Security and Co-operation in Europe (CSCE), signed at the end of the meeting the Charter of Paris for a New Europe, a document which defines guidelines for the future of Europe and the new institutions designed to implement these principles.

Prior to the meeting, the 22 countries of the North Atlantic Treaty Organization and the Warsaw Pact also signed a Treaty on Conventional Forces in Europe (CFE) which placed ceilings on the numbers of tanks, artillery, armoured combat vehicles, helicopters and aircraft to be held by NATO and the War-

saw Pact countries. According to the treaty, each bloc is limited to possession of no more than 20,000 battle tanks, 30,000 armoured personnel carriers, 20,000 artillery pieces, 6,800 combat aircraft and 2,000 helicopters in Europe.

The results of the meeting indicated that the old order characterized by the division of Europe into two blocs and the dominance of European affairs by the two superpowers, the United States and the Soviet Union, has ended, while a new era of realignment of major European forces and competition has begun.

Europe is currently undergoing two transformations which have attracted worldwide attention. One is the economic structural change. According to the document reached by the mem-

ber states of the European Community (EC) in February 1986, an integrated European market will be established by the end of 1992 when capital, commodities, personnel and labour can flow freely among the EC countries. As a result, the EC will become the largest, most developed economic group in the world. The second is the security structural transformation. The unification of the two Germanies combined with the disintegration of the Warsaw Pact have led to the collapse of Yalta pattern of international relations in Europe. The processes of the disarmament in nuclear and conventional forces have sped up the formation of a new co-operative mechanism within the framework of the CSCE.

The characteristic of these transformations is a waning in-

**Soviet President Mikhail Gorbachev leaving the Elysee Palace after signing the conventional forces in Europe treaty.**

XU BU



**US President George Bush and Secretary of State James Baker at the CSCE summit.**

XU BU



fluence of the two superpowers on European affairs, especially that of the Soviet Union, which is declining, while the strength of West European countries, especially Germany, increases. Germany is obviously gaining an important position in Europe through these changes. Based on its strong economic strength, Germany is slowly and steadily bringing the economies of the EC and all the European countries into the "deutsche mark zone." Germany, as a unified and powerful country enjoying complete sovereignty, is to play the leading role in Europe. By contrast, the Soviet Union, which is bogged down in great political and economic troubles at home, has lost its domineering position in the Eastern bloc to rival the Western bloc though it continues to retain a huge armament stockpile. The Gulf crisis has shown the US influence in coordinating the security policies of Western countries and on the affairs of other countries has also been weakened. It should be noted that the primary area of competition among various forces in the world is shifting to economics. The strengths of major powers in Europe will change along with the development and interaction of the aforesaid transformations.

Prosperity and stability are the common desires of all Europeans. Early in the 1960s, Charles de Gaulle, former president of France, and other old European politicians promoted the principles of detente, understanding and co-operation in Europe ranging from the Atlantic Ocean to the Urals. However, opportunities for the establishment of an extensive co-operation among European countries will not appear unless the confrontations between the two blocs come to an end. Now, as the two blocs have declared no longer to be adversaries, the opportunity is coming. In face of the opportu-

ity, different forces in European arena hold different views on the future development of the EC, NATO and CSCE.

The EC has achieved great economic accomplishments since it was founded more than 30 years ago. It is the long-cherished desire of France to expand the function of the EC. However, the EC will not become the core of an extensive European co-operation unless it takes decisive steps towards a security union. Germany will be unwilling to play a role designed by others as its strength is growing daily. The British criticism of Germany's role in the EC has weakened the function of the EC with France and Germany as the traditional axis powers. What is more important is the limited and confined function the EC will have if the United States and the Soviet Union are not members. From their geopolitical strategy, the United States and Britain have made every effort to prevent the domination of Europe by any other country.

NATO, for the past 40 years, has been the base for the United States to implement its European strategy and maintain a leading position in the Western alliance. However, as the outside military pressures are reduced, the various interest and strategic conflicts among the allied countries have surfaced. As a result, the United States and Britain are managing to transform the function of NATO from a military to a political one, and redefine the organization's role in coordinating Western policies within the future European security framework.

Compared with the EC and NATO, however, the loose CSCE is considered a flexible organization that can better meet the demands of the changed times. Western countries are trying to use the CSCE's role in the military, economic and human rights

fields to bring the Soviet Union into line with Western policies.

On the part of the Soviet Union, it wants to strengthen the functions of the CSCE to guarantee the western sector of its borders defined after World War II and squeeze into the grand economic circulation of Western countries. However, most of the Western countries are hoping the CSCE will play a defusing role in the confrontations that may occur in the region from Balkan to Karelian Isthmus. The decision of the summit meeting to establish a number of standing institutions, such as a secretariat and a conflict-prevention centre, has shown that the extension of the CSCE's function is a choice which can be accepted by each side. In the complicated European arena, a new framework in which the collective security will replace the group security is looming.

However, various threats have not disappeared in Europe, although the world situation is relaxing. Under the conditions that the old order has been broken while a new one has not been established, the unbalanced economic development among the European countries will probably expand to the political and security areas and give rise to new confrontations. People hope the economic and security transformations in Europe develop in the right direction and become the turning point for Europe to escape from the circle of war and peace. The present conditions are different from those 40 years ago. The primary force promoting the above transformations is not the superpowers, but the European countries. If these countries can undertake the historical task of playing a dominant role in European affairs, the creation of a new order in Europe will be hopeful. ■

## Returnees Make the Grade

KEXUE YUREN  
(Science & Man)

**B**y the end of 1988 the number of returned Chinese students had reached 42,000, with 9,400 or 22 percent back prior to 1978 and 32,600 or 78 percent back after 1978.

About 4,300 students earned doctorates, 10.3 percent of the total; more than 3,500 obtained master's degrees, 8.5 percent of the total, another 1,800 earned bachelor degrees, which was 4.3 percent of the total. Approximately 32,300 students, or 76.9 percent, came back without degrees.

Of the total returnees, 12,500 or 29.8 percent returned from the United States, 9,500 or 22.6 percent from the Soviet Union (most of whom had studied there prior to the "cultural revolution"), 6,300 or 15.2 percent from Japan, 3,000 or 7.3 percent from Federal Germany, 2,800 or 6.7 percent from Britain, 1,900 or 4.7 percent from Canada, 1,200 or 7.8 percent from France, 600, 1.5 percent from Australia, and 3,900 or 9.4 percent from other countries.

A sample survey shows that 63 percent of returned students are working at senior professional posts as a new generation of pace-setters in scientific research. Among the four young scientists who received first prizes of the "Young Scientist Award" from the Chinese Academy of Sciences, three recently returned from abroad. Of the returned students, 30.3 percent hold mid-career professional posts bearing the brunt in scientific research, education and production.

Some 30 percent of the returnees have been promoted to leading posts, with 60 at the vice-ministerial levels and up, 1,260 at the bureau level and 11,400 at county levels.

Returned Chinese have obtained many honours and awards

because of their outstanding achievements. Of the 42,000 returnees, 21,700 were awarded for their scientific and technological accomplishments, with 270 winning 500 international awards, 3,100 winning 5,000 state awards, 11,500 acquiring 20,500 provincial and ministerial awards and 6,000 earning 33,000 other awards.

More than 1,500 returned students obtained 2,200 patents, 33,800 published 504,000 theses in accredited academic journals. At same time, 16,200 published 40,300 monographs and translated works.

(Issue No. 4, 1990)

## Conform with Law of Value

SHANGHAI GAIGE  
(Shanghai Reform)

**T**he law of value should be respected no matter in what form planning and market force are integrated, said China's economist Liu Guoguang in his article *On Two Important Issues of Current Economic Policy*. "This is a key problem," he said. "If it is not taken into consideration when plans are formulated, many things may go out of control."

In recent years, the construction of fixed assets projects, at the county level and above have been approved by planning organs; many types of production lines have all been ratified through planning organs or government departments, but problems continue to exist. The law of value should be taken into consideration and neither market force nor planning can be solely relied upon.

Generally speaking, people only pay attention to immediate benefits rather than long-term study of supply and demand. They ignore the effects of the law of value.

The theory put forward by economist Sun Yefang that "planning and statistics should be based

on the law of value" remains applicable. Only by adhering to this theory can we ensure a good combination between planning and market regulation and a sustained, steady and co-ordinated growth for the national economy.

(Issue No.10, 1990)

## New Ways for Rural Reform

LIAOWANG  
(Outlook Weekly, Overseas Edition)

**T**he upcoming rural reform is to be carried on in the following three areas.

First, continue to perfect the household contract systems that links remuneration with output, in other words, to adjust irrational areas upon the consensus of the majority. For example, farmers in some areas became less enthusiastic about farming when more job opportunities were open to them. Therefore, it is necessary to divide the farmland into two categories, one for production of rationed food and the other to be intensively cultivated under concentrated management.

Second, develop social services. This would be a focal point and orientation for future rural reform. The combination of social services and household contracts of farmland, with some areas of management to be put under the responsibility of the collective and others under the responsibility of households, would give full play to the superiority of a collective economy and boost household initiatives. The State Council, drawing on experience obtained in some areas, plans to standardize social services and provide preferential policies to encourage the development of such services in rural areas. Such policies are expected to be released at the end of this year or early next year.

Third, in some eligible areas, farmers will be encouraged to develop scale farming if conditions permit.

(Issue No. 43, Oct. 22, 1990)

## China Travel Fair Sets High Target

The "China Travel Fair '90," targeted at "China's enchanting and scenic beauty" and "joyous Shanghai," was held at the Shanghai Exhibition Centre from October 7 to 10. About 1,000 tourism trade personnel from 35 countries and regions including Japan, Singapore, the United States, Britain, France and Hong Kong attended the fair.

At the fair which was jointly sponsored by China's 30 provinces, municipalities and autonomous regions, 13 major travel services, seven airline companies and 11 Sino-foreign hotels and groups, some special travel tours were newly announced, including a "tour in the footmarks of the emperors," "land of water tour in the south of the Changjiang River," "pilgrimage," "vast desert," "local conditions and customs of southwest China," "the sights of ice and snow" and other specialities. In addition, each province and some travel services have put forward their own tour package such as "Sino-Korean, Sino-Soviet international travel," "local conditions and customs of Guizhou people" and "Pudong development business travel" and so on. All of the tour packages are aimed at attracting overseas travellers.

China's tourist trade which had been developing rapidly over the past ten years was affected by the political turmoil last June. The total number of tourists coming to China between January and August this year reached 18.119 million, an increase of 8 percent over the same period last year. Foreign exchange income from tourism was US\$1.3 billion. However, these are not record high num-

bers. Tourist industry personnel believe that wealth of tour possibilities put forward at the fair demonstrate China's rich tourist resources and the industry's recovery from last year's setbacks.

According to the China Travel Service, China will draw up a programme to develop tourism in 1991-95. The target is to make China's tourist trade rank the 20th worldwide and 4th in Asia by the year 1995, striving to be among the ten top tourism foreign exchange earners and the first Asia by the year 2000. The fair lay a foundation for realizing this goal.

China is drawing up the "Law of the People's Republic of China Concerning Tourist Industry," completing relevant management regulations, in addition to continually improving tourist transportation, restaurant and health services for tourists, in order to accomplish the goal. Beginning next year, China's tourist itinerary will be a two-level system (state and local), so as to integrate design, development, construction and management and fixed tourist products will be produced so as to meet the needs of tourists from different countries and regions and raise the name recognition of Chinese products.

by Yao Jianguo

## China-USSR Co-operation

In a banquet hall of the newly built Ramada Asia Hotel Beijing, 60 or so Soviet guests tasted China's Vodka specially prepared by them. They were representatives to the 1990 Beijing International Symposium sponsored by the Comfort Travel Head Office and had respectively from more than 20

travel services of the Soviet Union including those from Moscow, Leningrad, Minsk and Odessa.

The symposium mainly discussed prospects for tourist co-operation between China and the Soviet Union, east European countries, Mongolia and Korea. Participants also analysed tourist markets, account patterns, visa, air transportation and tourist insurance.

Due to the obstacles inherent in foreign exchange accounting, there are only a few tourist contacts between China and the Soviet Union. Although matters have improved in recent years, tourism is mainly limited to the border areas. The Soviet travel bureaus which came to Beijing for the symposium will no doubt play a key role in the promotion of tourism between the two countries in the future. Many people in charge of travel bureaus said that they did not know much about China in the past; they did not expect China's hotels to be so beautiful, its restaurants so flourishing and its tourist markets so large.

Alexander S. Kozhouhor, deputy general director of the Moscow International Youth Travel Bureau (Sputnik), said that young people in the Soviet Union wanted very much to know about the life of Chinese youth and ordinary people. In developing a co-operative tourist industry, Mr. Kozhouhor said he and his Chinese counterparts have much to co-operate.

The symposium ended on November 1. During the meeting, China's Comfort Travel Head Office reached a letter of intent with the Soviet Union's major travel service and other state travel services attending the meeting.

by Han Baocheng

## The Footprints of a Great Man

The English edition of the *Selected Works of Zhou Enlai* (Vol. II), edited and translated by the Central Translation Bureau, an organ of the Central Committee of the Communist Party of China (CPC), has recently been published by the Foreign Languages Press and is to be distributed domestically and internationally by the China International Book Trading Corp., Beijing.

The late Premier Zhou Enlai (1898-76) was a great Marxist, a proletarian revolutionary and an outstanding leader of the CPC and the People's Republic of China. He analyzed and spoke out on many of China's fundamental issues: politics, economy, ideology, science and technology, culture, education and foreign policy. The *Selected Works of Zhou Enlai* (Vol. II) is a collection of the important talks and speeches he made during 1949-75 and reflects his activities and contributions at that time.

Zhou Enlai was also an outstanding diplomat. Addressing the opening negotiating session between delegations representing the Chinese and Indian governments, held in Beijing from December 31, 1953 to April 29, 1954 and focusing on the issue of Tibet, he put forward, for the first time, his famous Five Principles of Peaceful Coexistence—mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence. At the Plenary Session of the Asian-African Conference convened in April 1955 he clearly explained these principles. "All countries, big or small, strong or weak, should enjoy equal rights in international relations. Their territorial integrity and sovereignty

should be respected and remain inviolate. The people of all dependent countries should enjoy the right to national self-determination and be free of persecution and slaughter. All people, irrespective of race or colour, should enjoy fundamental human rights and not be subjected to any maltreatment or discrimination," he explained. "By following the principle of mutual respect for sovereignty and territorial integrity, non-aggression, non-interference in each other's internal affairs, equality and mutual benefits," he added, "it is possible for countries with different social systems to achieve peaceful coexistence. So long as these principles are implemented, there is no reason why international disputes cannot be settled through negotiation."

In addition, Zhou Enlai put forward the famous foreign policy of "seeking common ground while recognizing differences." In 1972 he applied this policy and the Five Principles to normalizing relations between China and the United States. In his toast at the banquet given in honour of Richard M. Nixon, president of the United States, on February 21, 1972, Zhou Enlai said, "The social systems of China and the United States are fundamentally different, and there are great differences between the governments of the two countries. However, these differences should not hinder us from establishing normal state relations on the basis of the Five Principle of Peaceful Coexistence."

Facts have proven Zhou Enlai's diplomatic principles to be correct.

As a leader of the People's Republic, Zhou Enlai also took charge of united-front work. The book includes, for example, his

talks with Pu Yi, China's last emperor, Pu Jie and his Japanese wife Hiro Saga, analyses of new developments in the Chinese people's democratic united front and directives stating that leaders of democratic political parties should not be subject to criticism and denunciation.

When Hiro Saga was on a tour in China, Zhou Enlai met her, Pu Jie and Pu Yi on June 10, 1961. "After the victory of the Chinese revolution," Zhou told them, "the people across the nation have become equal." "The problem at present is to restore the Manchus (Pu Jie and Pu Yi are Manchus as were all other emperors of the Qing Dynasty) to their proper status."

In his speech at the Third Plenary Session of the Third National Committee of the Chinese People's Political Consultative Conference (CPPCC) held on April 18, 1962, Zhou pointed out that the united front had been a success. He also noted, however, that it should try to incorporate as many forces as possible and mobilize their participation in socialist construction. In 1969 when the so-called revolutionary rebels criticized and denounced leading members of the democratic parties, Zhou Enlai promptly issued directives to protect them. *The Selected Works of Zhou Enlai* (Vol. II) includes the many documents he wrote to protect cadres between 1966 and 1974.

Zhou Enlai always attached great importance to education and intellectuals, always pointing out that it was necessary to unite with intellectuals and make full use of their expertise in the socialist construction.

In sum, *the Selected Works of Zhou Enlai* (Vol. II) provides readers with a better understanding of China and a great Chinese man.

by Tong Xiaohua

## Improved Investment Climate

During the Seventh Five-Year Plan period (1986-90), China gave priority to the development of open coastal areas, concentrating forces to strengthen the construction of basic facilities. Therefore, a favourable investment climate has been created and a solid foundation laid for further economic development.

An official of the State Statistical Bureau stated recently that in the first four years of the Seventh Five-Year Plan, China invested 13.58 billion yuan in 22 coastal cities whose areas account for 1.6 percent of the country's total area. The money was used in the construction of basic facilities involving energy supply systems, communications and transportation, water supply and drainage systems, and post and telecommunications. The investment for these projects accounted for 34.7 percent of the country's total investment.

Even during the period of economic retrenchment, the construction of coastal cities still enjoys the status of priority development. According to statistics in the first nine months of this year, the investment in Tianjin's capital construction increased by 4.2 percent over the same period last year, Hainan increased by 25.6 percent and Fujian by 2.3 percent.

At the same time, a total of 88 large and medium-sized basic facilities projects in the coastal cities were completed and put into operation, and outstanding achievements made. These achievements include:

- Energy supply capacity improved dramatically. During the Seventh Five-Year Plan period, a batch of large and medium-sized modern power plants were

completed. They include the Shenzhen Shatoujiao Power Plant, the Ningbo Power Plant and the Hainan Macun Power Plant, which have helped ease the shortage of power supply in these areas.

By the end of 1989, an annual electricity supply capacity amounted to more than 73 billion kwh for the 22 cities; an increase of 43 percent over 1985 with an average annual growth rate of 9.4 percent.

- Transport capacity increased greatly. During the same period, major investment projects for communications already completed and put into operation included the Shenyang-Dalian, the Guangzhou-Shenzhen and the Beijing-Tianjin-Tangshan expressways, the Ningbo Beilun Harbour, the Qinhuangdao coal wharf, Dalian-Qinhuangdao Railway and the Ningbo and Wenzhou airports. These projects now form a land-sea-air transport network.

- City traffic facilities improved greatly. All the coastal cities invested heavily to extend urban roads. In the first four years of the Seventh Five-Year Plan, a total of more than 60 million square metres were built, while the number of roads in the five cities such as Ningbo and Lianyungang increased more than three times.

- Water supply and drainage capacity was strengthened. By late 1989, water supply pipelines totalled 19,300 kilometres, an increase of 26 percent over 1985; the top water supply capacity reached 23.34 million tons per day, up 6.82 million tons; and the sewers in the cities amounted to 10,000 kilometres in length, a rise of 58 percent.

- Post and telecommunications facilities further improved. In late 1989, there were 2,263,000 telephones in coastal

cities, more than double that of 1985. Long-distance telephone capacity increased by nearly three times. Shenzhen and several other cities used advanced satellite communications technology to open international long-distance automatic telephone dial business. ■

## Much Headway in Oil Exploration

Zhou Shan, in charge of the Foreign Liaison Department of the China Offshore Oil Corp. (COOC), said recently that two new Sino-foreign co-operative offshore oilfields began operation this year. They are a Sino-Japanese co-operative Bozhong 34-2/4 oilfield that went into operation in June 1990 and another Sino-ACT Group (Italy's Agip and the United States Chevron Texaco) Huizhou 21-1 oilfield put into operation in September this year. Altogether, five Sino-foreign co-operative offshore oilfields have gone into operation. China's offshore oil output exceeded 1 million tons in the first eleven months of this year.

At present, five offshore oilfields are under construction, Zhou said. Of these, there are two Sino-foreign co-operative oilfields (Sino-ACT Group co-operative Huizhou 26-1 oilfield which plans to go into operation in August 1991 and Sino-Japanese Lufeng 13-1 oilfield.) From 1991 to 1993, new offshore oilfields are expected to begin operation annually.

Since 1979, China has co-operated in the exploration of its offshore oil with foreign companies. In the same year, China signed eight agreements with foreign companies on offshore

geophysical exploration and investigation in the South China Sea and the south part of the Yellow Sea.

Since 1982, the COOC has conducted three rounds of bidding for this purpose. By October 1990, it had signed 58 contracts and agreements with 48 companies in 12 countries. The foreign funds to be used are expected to reach more than US\$2.9 billion by 1990.

Initial achievements have been made in co-operation with foreign countries for the exploration and development of offshore oil. To date, China has completed seismic survey lines in 430,000 kilometres, drilled 176 wells and examined and appraised 84 wells. Of the 178 drilling formations, a batch of oil and gas fields have been found. For example, the verified geological reserves of Liuhua 11-1 oilfield found by the United States Amoco in the 29/04 contract area at the estuary of the Pearl River, South China Sea, surpassed 100 million tons, and the Ya 13-1 big gas field with the reserves of 100 billion cubic metres was discovered by the United States Arco in the Yinggehai basin, South China Sea. In addition, ACT Group has made many important archaeological finds in the Huizhou 26-1 formation of the 16/08 district, South China Sea. The No.1 well is expected to produce more than 26,000 barrels of oil per day. This is now the best medium-sized offshore oilfield with high-yield and quality oil in China.

In order to increase profits and reduce risks, the COOC is making efforts to expand new fields of oil refining and petrochemicals. At present, the COOC and four other Chinese companies plan to build a joint petrochemical project in Huizhou, Guangdong Province with

the Shell Co. The project includes the establishment of a refinery with an annual processing capacity of 5 million tons of crude oil and an annual output of 450,000 tons of ethylene. The total investment is expected to exceed US\$2 billion.

by Li Ping

## Agency Network for Foreign Ships

China's shipping agency business has developed rapidly over recent years in order to compete in the international shipping market. Currently, complete agency networks for foreign ships are taking shape along coastal areas and in the inland river areas.

Statistics indicate that from 1988 to 1989, the China Ocean Shipping Agency factored for 88,800 foreign ships with a cargo volume of 320 million tons from more than 100 countries and regions such as Japan, the United States and Britain.

Passenger ships to China are increasing rapidly in number. From January to September this year, the China Ocean Shipping Agency received 33 foreign travel ships and 13,000 foreign tourists.

As the mainland develops trade relationship with Taiwan, the China Ocean Shipping Agency has received more and more ships from Taiwan. Since 1988, it has factored for 158 Taiwan ships, received 1,600 Taiwan crews and transported 732,000 tons in cargo.

Currently, the China Ocean Shipping Agency has 48 branches, 51 offices and business spots from Heilongjiang Province in the north, Zhoushan of Zhejiang Province in the east,

Chongqing of Sichuan Province in the west and Sanya, Hainan Province and Fangchen, Guangxi Zhuang Autonomous Region in the south.

by Li Ming

## China's Fashion Show in Hong Kong

China's largest clothing and fashion exhibition, co-sponsored by the China National Textiles Import & Export Corp. and the China National Silk Import & Export Corp., will be held in Hong Kong from January 15-19, 1991.

The exhibition hall and negotiation rooms cover more than 1,300 square metres. The central exhibition stage of 360 square metres will be the major exhibition area. Currently, preparations for the exhibition by China's most famous designers and some large clothing research institutes is under way. In the exhibition hall, there will be a special design stage for China's newly designed prints and a special room for Chinese traditional paintings. The red palace lanterns and columns entwined with dragons at the entrance highlight the exhibition's Chinese characteristics and the country's outstanding national style.

More than 30 companies of China's textile industry will attend the exhibition. The commodities on display include fashionable shuttle weaving clothing, knitwear or cotton clothing, all kinds of silk costumes and clothing of silk-synthetic fibre blendings and other traditional commodities.

Fifteen fashion shows will be performed by China's famous models during the exhibition.

Hong Kong is an important market for clothing exports and entrepot trade in the world. In 1989 alone, the export value of clothing and auxiliary materials reached US\$9.3 billion, entrepot clothing and auxiliary materials US\$4,776 million, and imports US\$5.7 billion. In addition, Hong Kong has an important position in world fashion design and manufacturing. China's fashion exhibition, to be held during Hong Kong's Fashion Festival, will help China's clothing industry enter the world market.

by Li Ming

## Fuzhou's Focus of Development

The city of Fuzhou, Fujian Province, will focus on the development of the Minjiang River outlet in the next five years so as to further attract investment from Hong Kong, Macao and Taiwan as well as foreign countries.

Soon after it was designated as one of China's 14 open coastal cities by the State Council in 1984, Fuzhou has established an economic and technological development zone in Mawei in the Minjiang River outlet area. The Minjiang River outlet area stretches from Gushan Township in the eastern suburbs of Fuzhou to the coastline, including Langqi Island. It has a total area of more than 2,100 square kilometres. Fuzhou plans to select 6 spots to build small industrial zones in the near future:

- Fuxin Industrial Zone in Gushan Township: With a total area of 4 square kilometres, the zone mainly develops light industry which saves energy and reduces pollution.

- Kuaian Industrial Zone:

Located between Gushan and Mawei, the zone has a total area of 5.66 square kilometres, two square kilometres of which are for the purpose of industry. The zone mainly develops light industry, plastics, electronics, hardware, instruments and meters and food processing industry.

- Changan Industrial Zone: Situated in the northeastern part of the Mawei Development Zone and the outlet of the main course of the Minjiang River, the zone has good conditions for building 30,000- to 50,000-ton-class deep-water wharves and for marine chemicals production, shipbuilding, metal building materials and fish breeding.

- Langqi Island: Of the total area, land area makes up 55 square kilometres while the beach occupies 37 square kilometres. At present, it is Fuzhou's important non-staple food production base and can be used to develop agriculture, fishery and animal husbandry.

- Choudong Industrial Zone: Covering 3.5 square kilometres, the area is planned to be built into a comprehensive industrial and export trade zone specializing in energy, paper-making, metallurgy, building materials.

- Futao Development Zone: With a total area of 6 square kilometres, the zone now has garments, food, electronics, glass, plastic and artificial leather sectors.

A Fuzhou government official said that businessmen who come to invest in these small industrial zones can enjoy preferential treatment in enterprise income tax, the same individual income tax, tariffs, and industrial and commercial consolidated tax and land-use fees stipulated as for open cities or economic development zones. ■

## News in Brief

- The Tongling Synthetic Fibre Factory of Anhui Province is holding trade talks with businessmen from Germany, Japan and Switzerland on the import of complete sets of manufacturing equipment for silk-like fine denier filament with an annual output of 2,000 tons. Order contracts are expected to be signed within the year. The equipment, worth nearly US\$9 million, will be put into operation in 1992.

- China's first passenger train after-sales service centre will be established in the Philippines next year. Under the sponsorship of the China Passenger Train Export Conglomerate, the establishment of the centre was negotiated and decided on by six factories for the manufacture and export of passenger trains to the Philippines and some foreign trade companies.

Since 1987, China has exported more than 500 large passenger trains to over 10 countries, including the Philippines, Sri Lanka, Viet Nam, Tanzania, Kenya and Peru. About 250 were exported to the Philippines.

- As of November 20, 1990, China readjusted the import tax rate for eight kinds of vegetable oils.

The lowest, ordinary import tax rate of soya-bean oil will be increased to 20 and 30 percent from six and 11 percent; peanut oil to 15 and 20 percent from six and 11 percent; sesame oil to 15 and 20 percent from nine and 14 percent; rape oil to 25 and 35 percent from nine and 14 percent; linseed oil to 20 and 30 percent from 50 and 70 percent; palm oil, shelled palm oil and coconut oil to 30 and 40 percent from 20 and 30 percent respectively.

by Yao Jianguo

## Match-Making by TV a Hit

**A** 25-year-old young male graduate of the Foreign Languages Institute strolls leisurely by the riverside followed by a TV cameraman doing his utmost to capture the appearance and nature of his subject. Then this young chap, perfectly at ease, tells the audience his requirements for a suitable marriage partner: he would like her to be pretty, diligent, to have housing...etc. This is a scene from the new TV programme "Tonight We Acquaint Ourselves," a first for Chinese television viewers who turned in in record-setting numbers. The boldness of partner-seekers and the idea of such candidness has sparked heated debates on the subject. Nevertheless, it has prompted tens of thousands of singles to come forward and take a try.

This new trial programme, which took six months for the Social Relations and Education Department of the Beijing TV Station to produce, made its premiere on September 14 this year. It will be shown twice a month with each programme running for about 10 minutes. To date, six programmes have been televised in which 30 hopeful singles have introduced themselves.

Programme hosts, Miss Yang Guang and Mr Chen Zhifeng, said that having their clients appear on television gives a much more realistic impression than one can get from a simple flat photo. The sequences are filmed in the home or outdoors and show the audience and potential respondents the actual family life, work, study and hobbies of the client.

Within about one and a half minutes, marriage-seekers give a

general account of their education, profession, economic background, character, hobbies and family background. One old worker, for example, mentions that he has eight rooms. Another

sequence shows a retired cadre's home beautified by his flower-growing hobby.

The most praise-worthy aspect of the programme is that it provides a forum for spouse-seekers to express their viewpoints. Through this service they not only state what they are seeking in a partner but also disclose their inner thoughts, experiences, ideas and opinions about



CHENG MING

Hostess of the TV programme "Tonight We Acquaint Ourselves" being interviewed.



LIU JIANJUN

Besides organizing the programme "Tonight We Acquaint Ourselves," the Beijing TV station also holds dance parties for single men and women to give them more opportunity to get to know each other better.

life, love, marriage and relationships. For instance, Ren Li, a reporter for *Chinese Women News*, spoke frankly about her views on the foundations of marriage and the roles of men and women in family life, causing mixed reactions among viewers.

To put new spark to the programme, the producer hopes to present a variety of people with different lifestyles and values in order to appeal to a wider range of viewers.

The government supports this non-commercial programme, considering it to be in the public interest to have such an opportunity to meet people with common views and interests. The fee is only 60 yuan RMB, equal to one-third of a worker's monthly wage.

Miss Yang said those who wish to appear on the programme come from various professions such as workers, government functionaries, officers, doctors, nurses, reporters and university students. Over 80 percent have received higher education. The applicants range in age from over 60 years old to 24.

What these people all have in common, however, is their open-mindedness and strong will to choose their own lifestyle.

One high-ranking client, a retired deputy army-commander said, "Everyone, whether man, woman, old or young, has the right to search for love; and the aged have an even greater need for the warmth of a family."

Ren Li explained why she chose to use this service. "I decided to appear on the TV programme after I had reviewed the past years of my life. I don't care what others might say or think because I am not living for others. Seek happiness and you shall find it, and this needs courage. Therefore, I am not afraid of anything."

A student who has been studying abroad for four years ex-

pressed clearly that he was not interested in foreign girls. Living in a foreign country made him more admire Chinese girls and he hoped that he would be able to find an ideal companion through this new dating service.

After the programme was televised, viewers responded with enthusiasm. A flood of letters, applications and telephone calls were received by the TV station. A university lecturer commented, "This is not simply seeking a partner, but a challenge to traditional ideas." An applicant said in his letter, "It is with great excitement that I am applying because I sincerely admire those 'brave ones.'" A citizen who had previously rejected this idea of seeking partners through the care of TV commented, "This programme has changed my former views on this sensitive question. Marriage-seekers are not those 'difficult cases' who have some sort of defect or are considered to be 'losers,' but rather tend to be intelligent, introspective and attractive people with a lot to offer."

Those who have appeared on this programme have received many replies from respondents, in some cases over 100. Most of them have met someone as a result of their television appearance, and some have found ideal companions. For example, Miss Ren Li chose her boy friend from among many respondents, including foreigners.

"Tonight We Acquaint Ourselves" will be regularly televised next year. In addition to their television appearance, clients will also be able to participate in dances, special subject forums and outdoor activities. More frequent episodes of longer duration will be televised to meet the steadily increasing demand of people seeking partners.

by Liu Jianjun

## Buddhist Ruins Discovered in Xian

In recent years, Chinese archaeologists have unearthed the ruins of two ancient Buddhist temples—the Qinglong Temple and the Siming Temple—in Xian, the ancient Chinese capital and present capital city of Shaanxi Province.

Buddhism was introduced to China from India, reaching its zenith during the Tang Dynasty (618-907AD) when numerous temples were built throughout the country. At that time, Changan (Xian), the Tang Dynasty capital, alone boasted 109 Buddhist Temples and was the cradle for eight of the ten big sects of Chinese Buddhism.

The Qinglong Temple, the birthplace of the Mizong Sect, was located in southeastern Changan, north of the Tielumiao Village in present-day Xian. The three digs carried out by Chinese archaeologists in the 1970s and 1980s resulted in the discovery of two temple yards which included the foundations of a pagoda, a Buddhist hall, a corridor and a 6-metre-wide temple gate in the middle of the ruins. Also unearthed were a number of building materials, Buddhist statues and a lampstand carved with Buddhist scriptures.

The Qinglong Temple, built in the second year (582 AD) of the reign of the first emperor of the Sui Dynasty (581-618), had an influence on many foreign countries. During Tang Dynasty Buddhist monks from Japan, Java and Korea came to the temple to study Buddhist scriptures. Kukai (Kobo Daishi) of Japan studied in the temple under a renowned Chinese monk named Huiguo and created the Shingon Sect (Mantrayana) after he returned to Japan. So Qinglong Temple is considered the cradle of the Shingon Sect in Japanese

Buddhist circles and each year many Buddhist believers come to the temple to pay homage. Chinese and Japanese Buddhist circles jointly built several memorials such as the Monument to Kukai, the Huiguo Memorial Hall and the Kukai Memorial Hall and held many grand Buddhist ceremonies there.

The Ximing Temple was located in western Changan. Today, the area is called Baimiao Village on the southern outskirts of Xian. The temple was first built in the first year (656 AD) of the reign of Emperor Gao Zong of the Tang Dynasty. According to historical records, it was the largest Buddhist temple in Changan, comprising ten courtyards, more than 4,000 rooms, and a lecture platform as high as 33 metres. The temple lost its glory and was destroyed in the last years of the Tang Dynasty. In 1985, Chinese archaeologists began excavations in the eastern part of the temple ruins and discovered the remains of a Buddhist hall, a corridor and a well. Also discovered were over 100 Buddhist relics including bronze Buddhist statues and many instruments of daily use. Among the relics there was a rare stone roller for grinding tea inscribed with six Chinese characters—*Xi Ming Si Shi Cha Nian* (meaning "stone tea roller of Ximing Temple").

As a major Buddhist temple, the Ximing Temple was the residence of many established monks of Tang Dynasty. Emperor Gao Zong (649-683) of the Tang Dynasty wrote an imperial edict welcoming Xuanzhuang (602-683) to reside in the Ximing Temple after Xuanzhuang returned from his trip to India with the Buddhist scriptures. Also, Shidaoxuan, the creator of the Luzong Sect lived in the temple and completed many well-known Buddhist writings.

by Cui Lili



## Beijing Qigong and Martial Arts Hall

The Oriental Qigong and Martial Art Hall founded by the Beijing Federation of Returned Overseas Chinese opened in Beijing in December. Yuan Xiyin, director of the hall, is the fourth generation disciple of Master Haiqiu who went to Japan at the turn of the century. Yuan's grandfather and father are all well-known masters of the

martial arts from Cangzhou, hometown of Chinese martial art. Fan Keping, vice-director of the hall, is a scholar on Qigong and martial arts studies and the author of 38 works. Many young people including those from the United States and Singapore study at the hall. In the picture, Yuan Xiyin gives a lecture. ■

## Skull of Wild Boar Discovered

The fossilized skull of a prehistoric wild boar has been discovered in the Ningxia Hui Autonomous Region of northwestern China.

*Kubanochoerus lantienensis* lived 10 million to 20 million years ago. Fossilized remains were first discovered in Gansu Province in 1928 and later at Lantian in Shaanxi Province. The latest discovery in Tongxin County, however, was the first in China and just the third in the world of a skull.

Experts from the Institute of

Vertebrate Paleontology and Paleoanthropology of the Chinese Academy of Sciences and local researchers who studied the fossil said it was the best preserved yet found and will help experts determine the boar's evolution and classification.

In prehistoric times, currently arid Tongxin had a humid, tropical climate with lakes and forests where many species thrived. To date, dozens of fossils have been found in the area. ■

## Chinese Paintings by Tian Donghui

Tian Donghui, born in Anhui Province in 1953, now is an art editor with the China Light Industry Publishing House. He is skilled in Chinese landscape, flower, bird and figure painting.



Orchids.



Mountain and River.

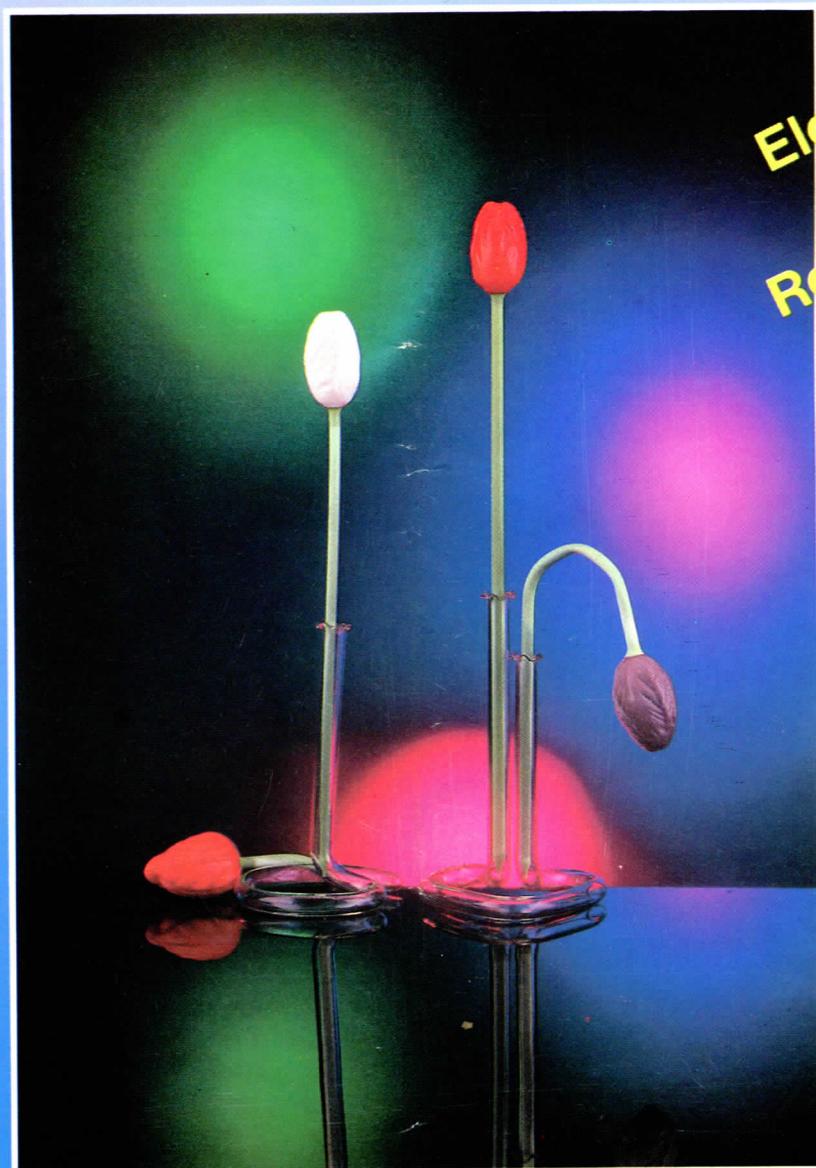
**ART PAGE**



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