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**CONTRACT
SYSTEM
IMPROVES
RAILWAY
OPERATION**



Xinjiang-style noodles on a street corner.

Bi Yunpeng (primary school pupil)

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COVER: The Shenzhen North Station (left). Duan Xiaosheng, head of the Guangzhou-Jiujiang passenger transport section (right). The Guangzhou Railway Station (lower).

HIGHLIGHTS OF THE WEEK

Li Peng Reports to Seventh NPC

■ In his report to the Seventh National People's Congress, Acting Premier Li Peng sets out the principles, aims and tasks of economic development and reform for the next five years. He calls for speeding up and extending the reform so that China's gross national product can reach 1,550 billion yuan by 1992 (p. 5).

CPPCC Committee in Session

■ Highlighting the opening meeting of the first session of the new committee, Vice-Chairman of the Chinese People's Political Consultative Conference Qian Xuesen's work report summarized the achievements of the Sixth CPPCC National Committee over the past five years (p. 7).

Food Subsidies to Offset Price Rises

■ Confirming its determination to pursue price reforms which consider the interests of both producers and consumers, the Chinese government has decided to offer subsidies for food to urban dwellers in an effort to offset local price rises (p. 4).

China's Tibetan Demographic Changes

■ Demographic changes disqualify accusations against China's Tibetan population policy and expose as wild exaggerations the claim by the Dalai Lama clique that there are more than 6 million Tibetans in Tibet (p. 21).

The Contract System on the Rails

■ The contract system granting more responsibility to local railway bureaus and linking remuneration with performance has been linked with China's railways for two years now. One of its success stories is the Guangzhou Railway Bureau (p. 14).

Food Subsidies to Float With Price Index

by Ling Bin

Rising prices have raised great concern among the general public in recent years. In his report to the Seventh National People's Congress delivered on March 25, Li Peng discussed policies related to this issue. He said that the government will continue to reform the irrational pricing system and readjust the prices of agricultural and sideline products to promote the development of production. At the same time, he continued, urban dwellers will be subsidized for the rationed part of principal foodstuffs to offset local price rises.

The government is obviously not wavering in its determination to pursue price reforms while taking into account the interests of both producers and consumers.

Since 1979, China has gradually relaxed government controls over the prices of agricultural and sideline products and of primary products from mining and other industries, which have been remained relatively low for a long time. This has, directly or indirectly, resulted in a series of price rises for foodstuffs and processed goods as well as labour services. In the three years from 1985 to 1987, in particular, the national price index rose by 8.8 percent, 6 percent and 7.3 percent respectively, with more rapid price increases in the cities. During the process of reform, a certain rise in prices is inevitable and is indispensable for promoting the development of a commodity economy. But, China has experienced too rapid price rises in the past few years.

At present, the crux of China's price problem is the price of food products. According to statistics provided by the State Statistics Bureau, in 1987 food prices rose

by 10.1 percent. The price of meat, poultry and eggs went up by 16.5 percent; that of vegetables, 17.7 percent; and that of aquatic products, 17 percent. Of the 7.3 percent rise in the retail price index, price hikes on food products accounted for 65 percent, indicating a serious discrepancy between the supply and demand of agricultural and sideline products. Consumer demands for variety and quality has increased too rapidly and cannot possibly be met. As a result, many cities have been compelled to reintroduce the rationing of pork, eggs and other food products.

The problem of food supply shortages cannot be tackled by simply returning to the old system of state monopolized purchasing and marketing. It can only be done by adopting appropriate pricing measures, developing agricultural production, stimulating commodity circulation and controlling excessive consumer demand. Pricing is the most important factor here since it is closely linked to the interests of both producers and consumers. The most feasible approach to the problem is to gradually raise the prices of agricultural and sideline products so that farmers can make a profit, and to provide urban dwellers with subsidies for rationed part of principal foodstuffs adjusted to changes in the general price index.

Several conditions lie behind the reasoning in this approach. First, China has large population but insufficient cultivated land. No dramatic changes in people's diet are likely in the near future, and no real increases in the output of meat products are expected. So subsidies should be issued to urban residents on rationed food products.

Second, the prices of agricul-

tural and sideline products are still too low compared to those of processed goods, and they will continue to rise. Offering some compensation to urban residents for higher prices will reduce resistance to the ongoing price reforms.

Third, of the total expenditure of urban dwellers, about 60 percent goes to food products. Offering subsidies to cover price rises for basic food products is conducive to social stability, and will provide some protection against declining living standards in families with lower incomes.

Subsidies will be granted for six basic food products—grain, oil, meat (including beef, mutton and pork), common vegetables, fresh eggs and sugar. Of these, grain and oil have been rationed at low prices for quite some time. This policy will remain unchanged. Price controls on the other four items will be lifted and appropriate subsidies issued on rations. The subsidies will be extended to urban workers and office staff and their families, retired people, servicemen and women, and students, but not to those who find temporary employment in the cities.

Of course, even after the introduction of the policy, the government will still have to improve the production and supply of agricultural and sideline goods, to keep the growth of the retail price index within the reach of the community, and to strengthen market control and supervision. With the rapid development of commodity production in the countryside, officials at various levels must learn the importance of the law of value, and co-operate with farmers in line with the principle of exchange of equal value. ■

Li Peng Reports to Seventh NPC

Acting Premier Li Peng has stressed the importance of stepping up agricultural production, developing basic industries and infrastructure, and speedily implementing a strategy of economic development for coastal regions.

In his report on the work of the government to the first session of the Seventh National People's Congress (NPC), which opened on March 25 in Beijing, Li included these objectives among the 10 major tasks to be accomplished in the next five years.

He told about 3,000 deputies at the Great Hall of the People that the coming five years would be "the most important period" for China in replacing its old political and economic structure. It would see the completion of the second step of the strategic plan for national economic development.

By 1992—the second year of the Eighth Five-Year Plan period, Li predicted gross national product (GNP) will reach 1,500 billion yuan at an average annual growth rate of 7.5 percent, which is almost the same as the rate set in the Seventh Five-Year Plan.

When this goal is attained China's GNP will be 1.7 times that of 1980, near the start of the country's reform programme and open policy.

In his comprehensive report, Li summed up the achievements and problems of the past five years of construction and reform; set out the principles, aims and tasks of economic development and reform for the next five years; and outlined China's foreign policy and its view of the international situation.

Focusing on agriculture as the pace-setter, he said the steady growth of agricultural production, especially grain production, "is

the foundation for sustained economic development of the country."

Investment in agriculture must be increased and efforts should be made to improve the physical and technological standards of farm production to provide the basis for further development.

He set a production target for grain of 500 million tons by the end of the century, which means

an average annual increase of 8 million tons.

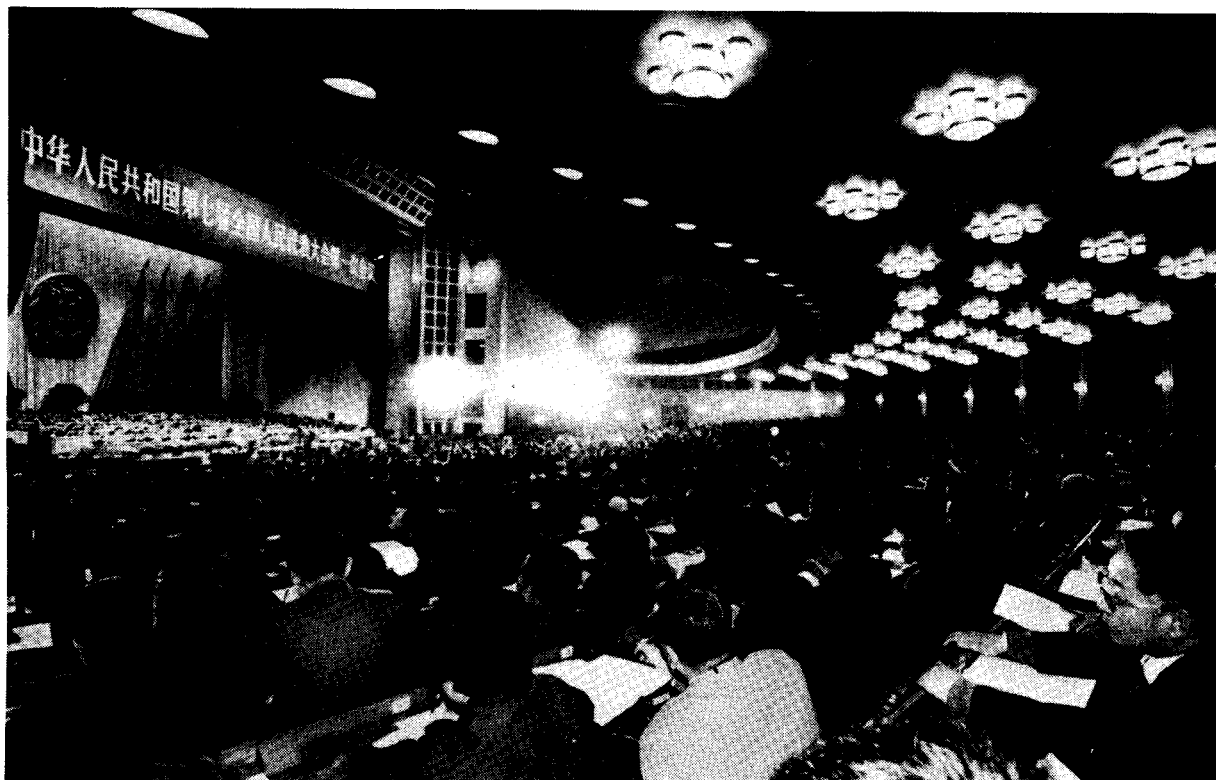
The keys to strengthening basic industries and infrastructure—the weak links of the national economy—are technological transformation, renovation and expansion, the improvement of management, full use of resources and funds and maximizing productivity, Li said.

The development of the productive forces, the improvement of economic results and the progress of the whole society depend on the development of science, technology and education, he added.

Li Peng reports on government work.

XUE CHAO





The first session of the Seventh NPC.

by XUE CHAO

Turning to the reform of the economic structure, Li said the core of the overall structural reform is the revitalization of enterprises—especially large and medium-sized state enterprises—through in-depth reform.

Li said China will open wider to the rest of the world, speed up the growth of an export-oriented economy in the coastal regions and take an active part in world commerce and competition.

On the question of the reunification of the nation, he reiterated that the general and specific policies of the Chinese government relating to Hong Kong and Macao will not change. The mainland welcomes more Taiwan visitors, business people and entrepreneurs, he said.

On foreign affairs, Li said China has opened up new prospects in foreign relations thanks to "important achievements" in the past five years. "All

our foreign policies serve peace and development, the acting premier said.

The next day, Vice-Premier Yao Yilin delivered a report on China's draft plan for national economic and social development for 1988 to the session.

Yao, who is also the minister in charge of the State Planning Commission, said China scored fresh achievements in both construction and reforms in 1987 and its economic situation is generally good.

"We should analyse the useful experience and new characteristics in economic development and reforms," he told the session.

But he added that there still exist unstable factors and problems in the economy. "The outstanding one is the excessive rise in commodity prices."

He said the basic principle for the country's economic work in 1988 is to further emancipate

people's minds, stabilize the economy, extend the reform and put it at the centre of all undertakings.

Yao stressed the need to increase and improve the supply of goods by expanding and accelerating reform and to ensure a sustained growth of the national economy at a relatively quick pace on the basis of improved economic performance.

Deputies also heard a report by State Councillor and Finance Minister Wang Bingqian on the implementation of the state budget for 1987 and on the draft state budget for 1988.

Wang said the 1988 draft state budget estimates revenue at 255.45 billion yuan and expenditure at 263.45 billion yuan, leaving a deficit of 8 billion yuan.

He called for further efforts to increase production, cut costs, raise revenue, reduce and control expenditure and improve enterpr-

ises economic efficiency.

It is also imperative to cut back group purchasing power and keep expenditures within the country's financial capacity, Wang said. ■

CPPCC Committee Opens First Session

The first session of the Seventh National Committee of the Chinese People's Political Consultative Conference (CPPCC) opened in Beijing on March 24.

The meeting is scheduled to elect the chairman, vice-chairmen, secretary-general and standing committee members of the National Committee. Delegates were also invited to attend, as non-voting participants, the first session of the Seventh National People's Congress (NPC), which opened one day after the CPPCC session.

In his work report on behalf of the Sixth National Committee, CPPCC Vice-Chairman Qian Xuesen said that the CPPCC—with its 7,661 proposals to the government on political, economic and social affairs in the past five years—is playing an indispensable role in the country's development.

Its many working committees and groups have worked with CPPCC members and people from all walks of life, getting them involved in state affairs and problems concerning people's livelihood.

The CPPCC has maintained contact with government institutions and carried out investigations. These activities have yielded suggestions and proposals dealing with all aspects of the country's life, including postal service, environmental protection, the exploitation of mineral resources and education.

Making proposals is an important way for CPPCC members to



LI SHENG'NAN
Li Xiannian presides at the opening ceremony of the first session of the Seventh National Committee of CPPCC.

participate in and supervise government decision-making procedures. The proposals have drawn attention from many concerned government institutions, the National Committee work report said.

A CPPCC Proposal Handling Committee has worked closely with the office of the Standing Committee of the NPC (China's parliament) and the General Office of the State Council, Qian said.

As the country's largest advisory body, with representatives from all political parties, people's organizations and religious groups, as well as prominent individuals, the CPPCC's advisory and supervisory role has taken root in the country, he added.

With a membership of 350,000, the CPPCC has been expanding its local organizations at city and county levels. About 94 percent of the country's cities, counties and districts under municipalities have CPPCC branches. About 64 percent of the CPPCC's members are members of non-Communist parties or people with no party affiliations.

The CPPCC has also extended its contacts with people in Taiwan,

Hong Kong and Macao, as well as with overseas Chinese. It maintains friendly ties with political organizations in more than 20 countries in Asia, Europe, Africa and Oceania.

The opening of the CPPCC session was presided over by President Li Xiannian. General Secretary Zhao Ziyang of the Chinese Communist Party Central Committee, Acting Premier Li Peng and Chairman Peng Zhen of the NPC Standing Committee were in attendance, and diplomatic envoys of various countries were present as guests. ■

Scientific Work Must Get Priority

Scientific and technological work must be given top priority in China's economic development strategy, Acting Premier Li Peng said at the closing ceremony of the national science and technology work conference.

More than 400 scientists and officials attended the conference, which was held March 8-11 in Beijing. The meeting discussed the major tasks for scientific and technological work for the next 10

or more years.

In a speech to the conference, Song Jian, state councillor and minister in charge of the State Science and Technology Commission, said that the reform of the research management system is the most important task facing research workers today. Only through reforms can scientific research work be promoted and industry encouraged to apply new and sophisticated technology.

Song said the recently approved economic development strategy for coastal areas is a significant policy for the country's overall economic development and urged scientists to use their talents to help develop an export-oriented economy. This is one of the major tasks for scientists in the near future, he said.

Research institutes and institutions of higher learning should organize scientists in a systematic way to run enterprises in coastal areas, or get them to start co-operative projects with local enterprises to develop products which are in demand abroad.

He said scientists willing to contract township enterprises or to run non-governmental scientific research institutes in coastal areas should be encouraged.

Major inland cities and military industrial departments should also organize their staff scientists to co-operate with coastal enterprises in developing an export-oriented economy, Song said.

The minister reviewed the progress in the reform of the research management system, which began in 1985. The reforms, which involve commercializing and marketing technology and revamping the system of allocating funds, have brought about improvements, he said.

In recent years, business volume at technology fairs has grown rapidly. In 1987 the figure reached 3.35 billion yuan (about US\$900 million). Some of the technology

has entered the world market.

There are currently more than 1,100 technological development and exchange centres across the country, Song said. By last year, 100 research institutes had closely integrated their work with that of enterprises.

The reforms have also increased the mobility of scientific personnel as well as the flow of technical knowledge, he added. Last year, 360,000 technicians took leaves of absence from their research institutes or colleges to work in enterprises or rural areas.

Still, many problems remain to be solved. Acting Premier Li warned in his speech that China will fall further behind developed countries if it fails to appreciate the full importance of scientific advances and to catch up with them. We should have a sense of great urgency about this, Li said.

Also speaking at the conference, State Councillor Fang Yi said that China has 8.86 million natural science researchers but the old management system still hampers initiative.

Scientists should be encouraged to participate in enterprise management and organize research programmes, Fang said. They should also be allowed to hold two or more posts at the same time and earn extra pay for their labour.

A contract responsibility system will be introduced into research institutes engaged in technological development and applications, Song said. The responsibility system will link the interests of research institutes and scientists with their contributions to economic development. Contracting, leasing or transferring property rights will be allowed between research institutes and enterprises.

Institutes which are poorly managed or operating at low efficiency will be able to replace managers through open compe-

titions, or merge with more successful institutes. Research institutes should become more independent and competitive, Song said.

Other major tasks facing scientists in the coming years include updating traditional industries with new technology, speeding up the development of high technology and further developing the "spark plan" to popularize science and technology in China's rural areas.

A basic plan for the development of science and technology for the next 10 years is being worked out by the State Science and Technology Commission and other departments concerned. The programme, which will be submitted for approval to the Party Central Committee and the State Council, is expected to serve as a guideline for scientific policies and legislation. ■

China Moves to Wipe Out Leprosy

China aims to eliminate leprosy by 1997, the centenary of the first International Leprosy Meeting, says Dr. Ma Haide (George Hatem), president of the China Leprosy Association and Foundation.

Speaking on February 15, at a gathering held after China's first Leprosy Day, Ma said the number of patients suffering from the disease has declined to about 70,000 from 500,000 in the early 1950s. Some 85 percent of the sufferers have been cured.

Leprosy has existed in China for more than 2,000 years. After the founding of the People's Republic, the government launched a large-scale struggle against the disease. A national network for the prevention and cure of Leprosy has been set up by the Ministry of Public Health, with the participation of every province, auto-

mous region and county. Hundreds of thousand of specialists have devoted their efforts to the cause.

In 1985 the China Leprosy Association and Foundation was set up to carry out technical training and spread knowledge about the prevention and treatment of the dread disease.

Recent years have seen remarkable advances in leprosy therapy. Outpatient treatment has replaced treatment in isolation. The use of three kinds of medicine as advocated by the World Health Organization (WHO) has replaced single-medicine therapy all over the country. And rehabilitation treatment is bringing new hope to 130,000 deformed and crippled people who have been cured of the disease.

Last year, the association decided to set aside the last Sunday of January, International Leprosy Day, as Leprosy Day in China. Party and state Leaders Hu Qili, Chen Muhua, Huang Hua and Zhou Peiyuan attended the gathering held to discuss China's efforts in the field.

Chen Muhua told the gathering that the prevention and cure of leprosy is not only a medical problem but also a social problem. She urged all of society to support the association's work.

Participants praised Dr. Ma for his contributions to the country's efforts in the leprosy field. Ma, who came to China in 1933 from the United States and became a Chinese citizen in 1949, has devoted himself to preventing and curing leprosy since the mid-1950s. He has conducted investigations all over China and has treated patients himself.

Ma described leprosy as a sign of ignorance and backwardness. He thinks that with the perfection of China's medical and public health network and a system to continuously monitor the disease, China will be able to eliminate leprosy. ■

Weekly Chronicle (March 21-27)

POLITICAL

March 23

■ At a meeting in Beijing with Vasil Bilak, a member of the presidium of the Central Committee of the Czechoslovak Communist Party, Zhao Ziyang, general secretary of the Central Committee of the Communist Party of China, says that since we have successfully established a socialist system in China, our next task is to eliminate poverty.

China should adopt all policies and measures conducive to the elimination of poverty and backwardness, Zhao says.

■ An official of the State Council's legal bureau says the council plans to work on drafts of 37 laws and 176 sets of administrative regulations this year.

The draft laws involve the inspection of import and export commodities, taxation of foreign investment enterprises, maritime disputes, standardization of weights and measures, and city planning.

ECONOMIC

March 23

■ China's industrial output has posted an average annual increase of 15.3 percent during the past five years.

The State Statistics Bureau reports that output value totalled 1,378 billion yuan (about US\$370 billion) last year, with light and heavy industry sharing similar rates of growth.

March 24

■ The Sino-Italian friendship emergency ward, equipped with medical instruments donated by the Italian government, opens in Beijing's general hospital of the Chinese People's Liberation

Army. The equipment has a total value of about US\$4.6 million.

Similar emergency wards in other hospitals in Beijing and Chongqing will also be equipped with instruments donated by the Italian government.

CULTURAL

March 22

■ A national association for newspaper management is founded in Beijing.

The association, which aims to modernize the management and administration of the nation's 1,500 newspapers, has accepted 126 newspapers as founding members.

SOCIAL

March 23

■ According to the Ministry of Civil Affairs, the marriage rate in China in 1987 was 17.2 per thousand people. The divorce rate was 1.1 per thousand, up 0.1 per thousand over the previous year.

About 1 million couples applied for divorces last year and 581,000 couples obtained them.

Marriages decided by the couple themselves accounted for 20 percent of marriages last year while those arranged by a go-between accounted for 70 percent and those by parents for 10 percent.

March 25

■ The death toll in the serious head-on train crash which occurred in Jiading County on the outskirts of Shanghai at 2:20 pm on March 24 reaches 28, including one Chinese and 27 Japanese tourists.

The trains were the No. 311 from Nanjing to Hangzhou and the No. 208 from Changsha to Shanghai.

About 100 passengers aboard the trains were injured in the accident, the cause of which is under investigation.

ITALY

Government's Resignation Accepted

President Francesco Cossiga has accepted the resignation of the coalition government after a bitter dispute between ruling Christian Democrats and their Socialist partners.

Italian Prime Minister Giovanni Gorla submitted the resignation of his coalition government on March 11. President Francesco Cossiga accepted the resignation with "reservation."

It was the third time in less than eight months that Gorla had tried to resign. His previous bids—one last November and the other in February—were rejected by President Cossiga on the grounds that the 1988 finance bill and state budget had not yet passed in Parliament.

This time the Christian Democrat prime minister decided to resign after a bitter debate in Parliament over nuclear energy policy. The Socialist Party, one of the five in the government coalition, condemned Gorla for forcing a majority of the cabinet to go along with a decision to complete the construction of a nuclear power plant. Controversy over Gorla's action threatened to lose him the majority in Parliament.

But observers say the resignation was actually caused by the increasingly sharp contradictions within the Christian Democrat Party, the largest in the coalition, and the intensifying power struggle among the coalition partners—Social Democrats, Republicans and Liberals plus Christian Democrats and Socialists. The parties are collaborators in action rather than political allies, and the coalition was widely regarded as a "government of programme" with a weak foundation.

Gorla had to deal with many knotty issues since he took office last July. The decision to dispatch warships to the Persian Gulf, the dispute over religious education in the schools, the question of referendums on nuclear power stations, the controversy over judicial responsibilities, and especially the parliamentary debate on the 1988 finance and budget bills—have all caused rows among the coalition parties and become obstacles to continuing co-operation.

As the Christian Democrat Party conference approaches, the power struggle within the party has intensified. One of the factions was trying to replace Gorla as prime minister with Ciriaco de Mita, the party secretary. Several Christian Democrat members of Parliament secretly voted against the finance and budget bills.

Postwar Italy is unique in the frequency of its changes of government. The reasons lie in the country's political system. There are many parties and factions in Italy, which has a population of only 50 million. As many as 13 parties have seats in Parliament but none enjoys the majority.

Since Italian law says a party must have a parliamentary majority to form a government, all postwar Italian governments have been coalitions of several parties. Generally the divergent interests of the coalition parties eventually lead to the dissolution of the government. As the Christian Democrats and Communists have declined in influence, and the

Socialist Party has grown stronger, inter-party conflicts have intensified. The larger parties are forced into actions aimed at gaining the co-operation of the smaller ones.

One of the characteristics of Italy's political system is that the government's power is severely limited by Parliament. All governmental policies, foreign as well as domestic, must be approved by Parliament, which can put motions on policy to the government.

Because governmental power is shared by the coalition parties, all government policies have to be collectively discussed and decided in cabinet meetings. This system limits the power of prime minister, whose suggested policies can be aborted if they are rejected by any one of the several parties in the coalition.

The complexity of Italy's parliamentary procedure also prevents the government from implementing policies. The Senate and Chamber of Deputies, whose internal structures are similar, have a total of 965 members. A proposed law can wait for months or even years before it can be pushed through. For example, the 1988 budget, which provoked the Gorla government's previous attempts to resign, took five months to gain approval because the various coalition parties suggested more than 1,000 amendments. In addition, because Italy's Parliament permits both open and secret voting, proposals approved in open voting are often vetoed in a secret ballot because of conflicts among different parties.

However, it is noteworthy that the frequent changes of Italian governments have not led to serious policy misfortunes or economic losses in the country. Instead, it is in the context of the frequent changes that Italy has shed its economic backwardness to become the fifth largest economic power among the

Western countries, surpassing Britain in gross domestic product. Italians seem to be used to the situation, calling it "stability in

instability." Some do not even regard government resignations as a crisis.

by Yan Lin and Ke Dong

AFRICA

OAU Group Discusses Debt Conference

The Organization of African Unity contact group recently met to discuss a proposed international conference on African debt. But the group may have a tough job persuading the continent's creditors of the need for the conference.

The 12-member contact group of the Organization of African Unity (OAU) held its first meeting in Lusaka on March 20-22 with the aim of preparing for a proposed international conference by working out a framework for dialogue with Africa's major creditors.

Algeria, Congo, Tanzania, Nigeria, Mali, Sudan, Senegal, Madagascar, Egypt, Zambia, Zimbabwe and Zaire each sent their foreign affairs or finance minister to the meeting. The ministers suggested that the international conference should seek commitments for immediate debt relief measures.

But analysts agree that the OAU will be hard put to get the creditor nations to take part in such a conference.

African countries have already made their position clear. It includes calls for a suspension of external debt servicing for 10 years starting this year, new concessional loans with 50-year maturities and 10-year grace periods, and limits on debt service to a bearable percentage of a nation's export earnings. This position was adopted last November at a special OAU summit in Addis Ababa.

Analysts say the objectives of the international conference and

Africa's common position on the debt crisis are understandable because the continent's debt situation is turning from bad to worse.

Official statistics show that Africa's debt increased from US\$169 billion at the end of 1985 to about US\$200 billion by the end of 1986. That amounted to 44 percent of the continent's gross domestic product and was nearly double its total export earnings.

Based on the current trend, economists project that Africa's total debt will increase to US\$360 billion by 1990 and US\$550 billion by the year 2000 if comprehensive measures are not taken to deal with the crisis.

Analysing the seriousness of the crisis, Zambian President and OAU Chairman Kenneth Kaunda warned at the recent meeting that Africa is facing a debt crisis which urgently needs to be addressed. Otherwise, he said, the continent will be engulfed in political upheavals, the effects of which developed nations will not be able to escape.

The international community, and the developed countries in particular, are well aware of the seriousness of the crisis, but they have responded poorly to Africa's call for an international confer-

ence because they favour different solutions to the problem.

Because of the economic interdependence of debtor and creditor nations, the OAU believes that the solutions of the debt problem should be based on international co-operation, continuous dialogue and flexibility.

The OAU contact group sees the projected international conference as a forum for dialogue and negotiations between African debtors and their creditors from the developed world. The group proposed that various interest groups also be encouraged to join in free and frank talks on the debt crisis.

But analysts say there are two major factors working against the OAU's conference proposal.

First, many creditor countries maintain that there is no need for an international conference on Africa's debt crisis—debt problems should be considered on a case-by-case basis. They argue for case-by-case solutions because African countries have differing debt profiles and structure.

Second, some creditor countries are against a debt conference exclusively for Africa. They say any conference should include debtor nations from around the world.

These two factors will make it tough for the OAU to persuade the creditor nations to rally to its conference call. Observers say the OAU contact group plans to meet the World Bank and other international financial agencies, the European Community and other developed nations, the Group of 77 developing countries and debtor countries outside of Africa to win support for the conference.

OAU officials hope these efforts will build on the groundwork they set for the conference at the contact group meeting.

by Chen Hegao

MAURITIUS

Tiny Country Makes Economic Strides

In the 20 years since its independence, Mauritius has gradually shaken off economic backwardness and diversified its economy. Today it is one of the most developed countries of Africa.

When Mauritius became independent within the Commonwealth on March 12, 1968, it had a weak, single-product economy. The 2,000-square-kilometre island country in the Indian Ocean, east of Madagascar, today has a population of 1 million people. Its economy has suffered from its small domestic market, shortages of natural resources and funds, and backward technology.

But statistics for last year show that total output value averaged US\$1,600 per capita. The inflation rate dropped to 1 percent and the average monthly wage rose to US\$220. The economy grew at an annual rate of 6-7 percent for the past two years.

Mauritius currently boasts a stable domestic market. Its foreign trade balance has improved, as has its international balance of payments. Its deficit has been reduced and foreign exchange reserves have risen. Overall investment has grown.

These successes can be attributed to a rapid and decisive adjustment of the economy and to measures that were taken to reduce and control expenditure. By developing better ways to exploit its sugar-cane resources and improving cane yields, Mauritius has kept up the output and export earnings of its traditional sugar-cane industry while transferring cane fields to other crops. To get away from a single-product economy, many

former cane fields now are used to grow maize, potatoes, vegetables and fruits. These farm products have not only satisfied domestic needs but have also brought about great economic benefits. Some of the products have replaced imports, thus saving foreign exchange, while others are exported to earn foreign income. The government also encourages private investment in animal husbandry to boost the production of cattle, sheep and pigs. In 1987, Mauritius produced 12 percent of its meat and dairy requirements.

Mauritius has also benefited greatly from the development of an export processing industry. In 1987, 530 factories with 90,000 employees were engaged in export processing, earning 6.7 billion rupees (about US\$515 million). Net income from export process-

ing has surpassed the total earnings from sugar exports.

The Mauritian government has taken advantage of the country's natural attractions—the sea, sunshine and sandy beaches—to develop the tourism industry. The government encourages investment in tourist facilities by offering investors preferential loan and tax treatment. The country has also improved tourist services and increased air service by adding new planes and opening new air routes.

Last year, Mauritius held its first international sea festival. Tourist earnings reached a record high of 1.6 billion rupees and 213,000 tourists visited the country.

The government is currently investing 850 million rupees to expand the international airport. The Chinese government, which has developed economic co-operation with Mauritius, provided funds to help in the construction of a 15,150-square-metre airport terminal, which is now in use.

The economic development of Mauritius shows that small country with inadequate resources can prosper through its own persistent efforts and an appropriate economic strategy.

by Du Hui & Xu Zhi

THAILAND

Investment, Exports: Key to Success

In recent years, the Thai economy has developed rapidly and steadily. Some people predict that Thailand may become Asia's fifth economic "dragon" after South Korea, Taiwan, Hong Kong and Singapore.

Thailand boasts a healthy economy. From 1981 to 1985, the Thai economy grew at an average annual rate of 5.3 percent. In 1986, a year when many countries' economies contracted, the Thai economy grew 3.6

percent. And last year it expanded 5.6 percent, compared with the world average of 2.8 percent.

Industrial development has been particularly strong, with the building materials, transport equipment and export sectors

growing most rapidly. Industry expanded at a rate of 9.7 percent last year.

Industrial growth offset the harmful economic effects of last year's drought. Crop output was reduced by 3 percent and forestry production by 1.2 percent. But fishery output increased 5.9 percent and animal husbandry 5.1 percent.

Exports are growing. The gross value of Thai exports last year reached 285 billion baht (about US\$11.4 billion), up 23.1 percent over the year before. But the value of imports also increased. Gross import value in the first 10 months of 1987 totalled 268.7 billion baht, a rise of 32.9 percent from the corresponding period a year earlier.

Foreign exchange reserves totalled US\$5.2 billion, up US\$1.4 billion from 1986. Prices remain basically stable, with an inflation rate of 2.2 percent.

There are many reasons for the rapid development of the Thai economy, but two are considered to be the primary ones.

First, the government has been making continuous efforts to attract foreign investment. The favourable global investment situation and Thailand's own advantages have helped in this endeavour.

Thailand can be seen as an ideal place for investment. It has many cheap but skilled workers, excellent services and infrastructure, and has been developing steadily in the political, economic and social spheres.

A law passed in 1983 encourages foreign investment in projects which will benefit Thailand's international balance of payments, exploit natural resources or increase employment opportunities. The law also encourages projects which could result in energy savings and those which produce substitutes for imported energy, as well as

projects in the interior of the country.

At the same, the government pledged that it would not nationalize any project that had received approval. It also said it would not set up competing state-owned enterprises or restrain the sale of the goods within the country, and it would introduce preferential tariffs on the equipment, raw materials and other supplies necessary for the projects.

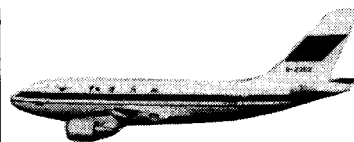
In the past two years, as the United States, Japan and other developed countries have sought to adjust their industrial structure, and investors have been trying to shift their money abroad, the Thai government has speeded up the procedures for examining and approving foreign investment proposals. Last year, the government approved 596 foreign investment projects, with a total registered capital of US\$2.6 billion, most of it from Japan and Taiwan.

The second major reason for Thailand's rapid economic development is the government's strategy of promoting an export-oriented economy. Thailand is basically an agricultural country. Its exports used to consist mainly of primary agricultural and mine products, which were sold at low prices and brought in little foreign exchange.

In the early 1970s the government began to adjust its economic and industrial structures and to vigorously develop the export sector. This effort has paid off. In 1961, industrial products accounted for only 4 percent of Thailand's gross export value. Last year the figure was 37.9 percent. For the past three years the export value of industrial products has exceeded that of agricultural products. The idea of increasing exports and gaining more foreign exchange has taken hold among the Thai people.

by Xiao Wei

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The Contract System on the Rails

The Chinese railways employ 3.2 million people and have fixed assets worth 100 billion yuan. This huge industry has been implementing an overall contract system for two years, and the results are becoming clear. The delegation of managerial powers to lower levels and adjusting the relationship between the state, the collective and the individual have breathed new life into the railways.

by Our Correspondent Li Rongxia

There are 52,611 km of railways in China, including 11,186 km of double-tracked lines, carrying 71 percent of China's freight and 56 percent of its passengers. The new contract system, which was set on its railway track in March 1986, dispenses with the old-fashioned state monopoly which centralized management and revenues, and seeks to make the railway departments independent economic entities.

Although the contract system has been widely practised in large state-owned enterprises, the railways are pioneering a very large-scale implementation of the overall contract system. The railway networks in China are inter-related and operate under a unified plan and timetable, hence the scale of the experiment. The railways are vital to China and in need of more dynamism: hence the contract system.

It works something like this. Working on the principle of putting power where the interests and responsibilities lie, the Ministry of Railways makes a contract with the State Council; the targets are then the goals of the 12 railway bureaus and 56 sub-bureaus, the railway sections, stations and workers. Rewards and penalties are built in.

The Contract System

Carriage. The Seventh Five-Year Plan (1986-90) envisages a 6.4

billion passenger count, 23 percent more than during the Sixth Five-Year Plan period (1981-85), and a freight volume of 7.1 billion tons, an increase of 22.4 percent from the previous five-year plan period.

A total of 2.2 billion passengers and 2.692 billion tons of goods were carried in 1986 and 1987, an annual average increase of 88 billion tons/km, or 28 percent, over the Sixth Five-Year Plan period. Of the new freight volume, 80 percent was carried on the busy trunk lines in east and northeast China. The number of freight trains loaded every day rose from 60,000 in 1985 to 70,000, easing some of the pressure on the railways.

Locomotive building. The Ministry of Railways has 34 rolling stock plants. It is envisaged that during the Seventh Five-Year Plan period, 2,260 diesel and 830 electric locomotives, 116,000 freight and 10,860 passenger carriages will be built. In the last two years, manufacture of these four categories of stock has risen by an annual average of 29, 32, 14 and 9 percent respectively.

Extra capacity. New railway lines covering 10,156 km, including double-track and electrified lines, will be built during the Seventh Five-Year Plan period, reaching 1,400 billion tons/km. In the past two years, a total of 1,181 km of railway track were laid, 892 km of

Vice-Premier Wan Li (left) chatting with Director Yang Qihua (centre) on an inspection tour of the Guangzhou Railway Bureau.

LUO JINSUI





The chief conductor of the No. 15 Beijing-Guangzhou train attends to passengers. XUE CHAO

double-tracked and 490 km of electrified on contract. The rate of railway construction was higher in the last two years than the average for the previous five years. Double-tracking was 23.5 percent higher. Efficiency also increased. Last year, 649 more freight and 57 more passenger trains than in 1985 ran on China's railroads every day.

Capital construction and re-vamping. During the period of the Seventh Five-Year plan, a total of 43.265 billion yuan will be raised for capital construction and for the purchase of locomotives from after-tax profits as required by the overall contract system. In 1986 and 1987 a total of 18.33 billion yuan was invested in capital construction, 24.1 percent more than in 1984 and 1985. The funds have been utilized efficiently. Last year, estimated costs for the six major capital construction projects fell from 6 billion to 4.5 billion yuan.

Distribution of profits. Formerly, 85 percent profits were handed over to the state treasury and all construction funds allocated by the state. Since the introduction of the new system, a proportional tax

has been levied, and all extra profits are retained by the railway departments. Most of the profits retained are used for production and the rest for collective welfare projects, wage increases and bonuses. In 1985, before the contract system was instituted, railway departments earned 21.4 billion yuan, of which 8.12 billion yuan were turned over to the state as tax and the state, in return, allocated 8.04 billion yuan to the railway departments for railway

construction. But in 1986 and 1987 the railway departments earned 50.05 billion yuan and the state netted 3.1 billion yuan in tax.

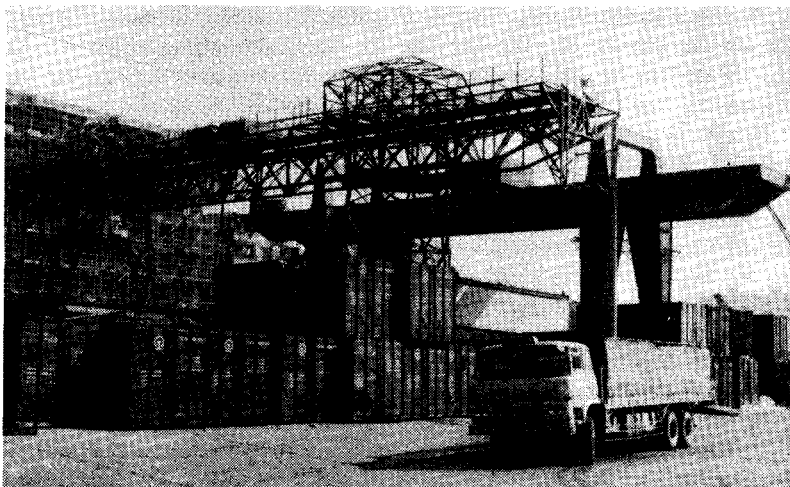
Safety. In the past two years, railway accidents dropped. However, three serious accidents occurred in quick succession in January this year, killing 140 people. The investigation team organized by the state confirmed that the most serious of these accidents, where a train was derailed and overturned, was due to negligence. The accident led to the resignation of the Minister of Railways Ding Guangen.

The contract system has brought tangible benefits to railway workers. In 1987 the average per-capita wage of railway personnel was 1,867 yuan, a 27.1 percent increase over 1985. In the past two years, a total of 1.87 billion yuan was spent on building housing for railway workers. Houses of 8.59 million square metres have been completed, improving the living conditions of the workers.

Guangzhou Railway Bureau

Staffed by 150,000 people, the Guangzhou Railway Bureau was the first to implement the overall

The loading and unloading capacity of Guangzhou's Nanzhan Railway Station is 15,000 tons a day. The picture shows the container-handling area. XUE CHAO





XUE CHAO

An attendant serving passengers on the train from Guangzhou to Jiulong (Kowloon).

contract system, and remarkable successes have been scored.

Yang Qihua, director of the Guangzhou Railway Bureau, is a good manager. He deploys his workforce well, and is very enterprising. People nickname him "Yang the Bold."

Energy shortages have plagued Guangdong's growth while north China's coal was piling up en route. Engineer Zhao Langu was experienced and able in drafting schedules and management. However, he was working in a low post for a long time under the old cadre system. Then he was found and promoted to chief engineer by Director Yang. Zhao improved the trains' routes and redesigned them to increase their efficiency so that the freight transported by each train could rise from 2,000 to 3,000 tons, equivalent to an extra capacity of 15,125 trains each day; and the number of coaches drawn by each locomotive could go up from 14 to 20. Thus, 25 extra coaches could be added to the route between Changsha and Guangzhou; that represents 580,000 more passengers annually. After examining his proposals, the bureau's technical department deemed them all feasible.

In 1987, the Guangzhou Railway Bureau had a total income of 1.98 billion yuan; this was 14 percent more than 1986 and in excess of its target. The bureau handed taxes to the state and accumulated funds to the Ministry of Railways to tallying 366 million yuan and retained 557 million yuan for its own construction. The average income of its employees was 8.3 percent more than the year before.

A Good Example

In introducing the contract system, the Guangzhou Railway Bureau was inspired by the successful reform of the Guangzhou-Shenzhen Railway Co. (GSRC). In January 1984, GSRC was set up as an independently managed business. It was a great success.

I took a GSRC train to Shenzhen on Christmas. The train, air-conditioned and non-smoking, had soft comfortable seats. Compared with trains in the rest of China, this one was much more spacious and cosy, and the attendants were very efficient. According to the chief conductor Lu Ximai, 30, after the introduc-

tion of the contract responsibility system, her train began increasing its service, hoping to attract more passengers. "We are doing a good job, and hence getting more bonuses," she said.

The contract system has also boosted the technical upgrading of the railways. The Guangzhou-Shenzhen Railway runs all the way to the Luohu Bridge before linking up with the Hong Kong railway. The Hong Kong railway was double-tracked and electrified in 1983. To promote the modernization of the Guangzhou-Shenzhen Railway, the State Council approved the establishment of GSRC and its new system in January 1984.

The system dictates that GSRC will pay taxes and, with its 1983 payment to the state (20 million yuan) as the base, deliver profits to the state at progressive increases of 2.32 percent a year. All the rest of the profits are retained.

In the four years from 1984 to 1987, GSRC completed the electrification and double-tracking of the Guangzhou-Shenzhen Railway. In the meantime, the state allowed GSRC to charge a freight rate 50 percent higher than the national rate.

The contract system introduced by GSRC in 1984 paid off quickly. The company's cash income was 35 percent higher in 1984 than the year before; in 1985 it rose by 93 percent, and in 1986 it rose by a staggering 135 percent. In 1985, GSRC's per-km freight income was 4.3 times higher than the national average; the cash income earned by its staff was 8.5 times the national average.

It was the successful experience of GSRC that prompted China's railway industry to extend the contract system in 1986.

Changes in Freight Station

The Nanzhan Railway Station in Guangzhou covers 200,000

square metres and is the largest rail-freight station in south China. It used to be notorious for the backlog of cargo which piled up there. In 1985 the station introduced the contract system. Now, everything is kept in order and work is done very efficiently.

Station head Zhu Mingchu said that the state used to be in charge of the station budget before, and gave all the workers automatic, fixed payments. "Now our station is responsible for its performance, and that is reflected in the remuneration of our employees," Zhu said.

For the fulfilment of the contracted targets, Nanzhan adopted new loading, unloading and storing systems. For example, each carriage is now loaded with 29 tons of cargo compared to 22 tons before. This produces a saving of 1,000 carriages a year. The turnover rate in the warehouse has been shortened from three days to two.

Railway Construction

The contract system has also brought benefits to railway construction. The project to double-track the 526.6-km Hengyang-Guangzhou section of the 2,313-km Beijing-Guangzhou Railway, a transport artery running across China north and south, began in 1978. Due to lack of investment, only 55.1 km of the railway had been double-tracked in the eight years up to 1985.

When the contract system was introduced into China's railway industry in 1986, the project was contracted out to the Guangzhou Railway Bureau. In the last two years, over 233 km were double-tracked, with the remaining 243 km scheduled to be double-tracked before the end of this year.

In 1987 the Guangzhou Railway Bureau set up the Hainan Railway Co., which enjoys even more preferential terms. These



A corner stall in Guangzhou Railway Station market.

XUE CHAO

include a 5.3 percent tax rate, with all the rest of the profits being retained totally for the construction of railways in Hainan Island.

The Hainan Railway Co. will contract to build the 188.2-km Chahe-Haikou Railway, which will link five major ports and 11 cities and counties in the western part of the island. The railway will link up through rail-ferry services with Zhanjiang, Guangdong Province, thus integrating Hainan's railway with the rest of China. Estimated investment totals 340 million yuan.

Tertiary Industry

With more decision-making powers, railway departments are improving the services provided by their business. That side alone netted the Guangzhou Railway Bureau 63.95 million yuan in profits last year, 59.2 percent more than in 1986.

Without leaving the station, passengers now are able to eat, spend the night, shop and be entertained.

The four-storey restaurant in the station caters to about 10,000 diners a day. "The quality of food we serve is excellent," said He Liying, manager of the restaurant.

"Diners not only include passengers but also people wanting a good meal out. Many hold farewell feasts here for their Hong Kong and Macao friends."

The railway station also runs a hotel with 204 luxury and medium-priced beds and 200 cheaper beds. The station-run stores sell more than 1,200 kinds of goods including electrical appliances, garments, medicines, cigarettes and wines. Some of the stores also help with delivery of larger goods such as refrigerators and bicycles.

In the entertainment centre at the station, transit passengers can dance, watch video-tapes and listen to music while sipping tea.

After their trip in Guangzhou last September, two Taiwanese journalists said that the Guangzhou Railway Station is backward in many ways, but the range of its services is not matched anywhere in Taiwan.

The business purview of the Shenzhen Railway Station is wider still. In addition to commercial business, it co-operates with local tourist companies in sponsoring tours, and with road-transport companies in organizing train-truck transport. These services are spreading to many parts of Guangdong. ■

DISCUSSIONS

Contract System in China's Enterprises

The contract responsibility system granting more decision-making power to enterprises and linking remuneration with performance has been successfully adopted in many factories. But opposition to the system still remains.

by Zhou Xiaochuan*

The contract system of responsibility has been widely adopted by enterprises vital to the country's national economy. Carried out at various levels, it has been related to what is called "administrative decentralization." Under the system, an administrative body defines specific tasks or responsibilities for subordinate administrative bodies or enterprises under it, whilst granting them more managerial rights.

Enterprises using the contract system must bear the responsibility for meeting production quotas, taxation and profit targets. The higher administrative body on the other hand is responsible for ensuring that the market environment and other production conditions remain basically stable in subsequent years.

The government admits that differences will exist between enterprises in terms of economic results and this factor will be considered when drawing up the contract requirements. All enterprises are allowed to select or create a contract form suitable to their own circumstances.

In the later phase of the first round of industry decentralization, some decision-making power granted to enterprises was actually recentralized, because no

corresponding reforms were imposed on administrative organizations. Now, in a new attempt to implement the contract system and grant more decision-making power to enterprises, people expect to see significant micro-economic results and effective decentralization.

To safeguard against myopic behaviour on the part of enterprises, the terms of a contract usually extend over 3 to 5 years, giving both sides ample time to meet their promises. But economists still differ on the efficacy of the contract system.

Arguments for the System

(1) It separates management from ownership, thus giving more decision-making power to enterprises.

(2) It stimulates enterprise and promotes production growth, which, in turn, increases supply and solves (or eases) the problem of an imbalance between supply and demand, creating a more favourable environment for reforms to the other aspects of the economic structure.

(3) It ensures benefits for enterprises and safeguards them against strong social reactions or political risks that price and tax reforms may incur. (This also implies that all potential benefits to enterprises lie in their economic success.)

(4) As China is a big country and enterprises operate with such

varying economic results, no unified price rules and tax rates can be applied to all enterprises. Therefore, contracts between administrative bodies and their subordinate enterprises are the only form practical.

(5) Competent managers can be selected on the basis of bids for contract targets.

Opposing Views

(1) The contract system does not really lead to the separation of ownership from management. On the contrary, administrative intervention may become even more closely linked with enterprise operations.

(2) It could allow some inefficient enterprises to continue to operate at a low standard which would obstruct the rational restructuring of enterprises and render it impossible to make economic results coincide with the pace of reform.

(3) With the distorted system of pricing and taxation, improvements to an enterprise's economic results does not necessarily bring about a more rational allocation of resources. The idea that imbalances in the macro-economy can be corrected through the contract system is unrealistic. If the central government does not strengthen its control over total demand, it is unlikely that there will be any real improvement in the conditions needed for the reform of the economic structure.

* The author is a member of the State Commission for Restructuring the Economic System.

Minority Areas in Sichuan

Sichuan Province in southwest China is inhabited by 4.2 million people of a dozen or so ethnic groups including the Yi, the Tibetan, the Qiang and the Lisu, which together account for 4.2 percent of the province's total population. These minority people live in a 320,000-sq km area, half the province, which boasts extensive pastures and dense forests and is rich in resources.

In Songpan and Nanping counties in northwest Sichuan, Huanglong and Jiuzhaigou are well-known scenic spots and are attracting domestic and foreign tourists with their unique beauty.

The special traditions and ancient culture of the Tibetan, Yi and Qiang minority villages enchant the visitor.

(by our staff writer and photographer Xue Chao)



A Tibetan girl.

Changhai Lake at the Jiuzhaigou scenic centre.





An audio-visual classroom at the Kangding Normal School built with the aid of UNICEF.

A quiet moment.



A ground satellite station in Dechang County, a Yi area.



A Lisu minority reed pipe dance.



A bumper corn harvest.



Lacquer ware, a traditional Yi craft. (Insert) Lacquer dinner set is the winner of a national first prize for souvenirs.





Leisure area at the Paoma Mountain scenic area.

A Qiang mother and child.



Young people of the Yi nationality.



(4) Since supply and demand are constantly changing, the elimination of intervention by administrative bodies is impossible. Such intervention leads to endless amendments to the contract demands, over which both parties will haggle, and harbours bureaucracy and corruption.

(5) Competent managers are not so easily selected through the bidding system. Since target bidding is based on an uncertain forecast of future world and domestic markets and government regulations, appraisal of a manager can be made only on the basis of his or her performance in competition.

(6) Attempts to decrease future uncertainty through the convenience of contracts and target bidding may create a tendency to accept old methods of mandatory planning, fixed prices, fixed interest rates and fixed exchange rates in direct contradiction to hopes for further development of market mechanisms and indirect regulation by the government.

(7) Enterprises will still display myopic behaviour when their contracts approach expiry. Extending of the terms of the contract does not provide a solution to the problem, but

simply delays the outcome. Many contracts recently signed in China are due to expire in 1990, and there exists considerable pressure to extend the contracts, which will mean vital reform programmes will have to wait.

Improving the System

■ Pricing reform is urgent and inevitable in the current economic reform. Short-term reform measures for enterprises should not become obstacles to future pricing reforms. Enterprises should seek market input and set prices for their own products. The freedom to do so is very important to the decision-making rights of enterprises.

■ If political considerations require delays or postponements to pricing reforms, the taxation system should be more active in industrial policies to adjust distorted prices.

■ The government should adopt a policy of progressive subsidy withdrawal from inefficient enterprises within a set period. This will stimulate enterprises to improve their performance and provide a check against further low standard operations. Deceptive signals stemming from

tax and tariff protection should be guarded against.

■ Enterprise management and ownership should be separated from government administration. State ownership of enterprises could be visualized in terms of owning shares through financial institutions other than banks. These institutions could undertake responsibilities such as social security and social welfare, which are now borne by the enterprises and which have impaired rational behaviour on the part of enterprises.

■ Regulated by rational taxation, tariffs and progressively reduced subsidies, Chinese enterprises should have more autonomy to restructure their internal organization and management. The government does not need to involve itself too much in reforms at the enterprise level, nor does it need to worry too much that the deepening reform in enterprises may affect state revenue.

■ The key problem in China's enterprise reform is to create a competitive environment. To achieve this, the problem of pricing should be solved, a sound market mechanism developed, the mode of administrative decentralization changed, and progress towards foreign trade reforms should be stressed. ■

New Trend in Enterprise Reform

by Li Dewei, Jiang Jinyong and Gai Jianling from the Policy Research Office of the State Economic Commission

Since the publication of a theory on share economics by American economist Weitzman in 1984, many enterprises in America and Great Britain adopted a new system of sharing profits which produced good results. The idea basically represented reforms to the capitalist distribution system.

Several years later a new socialist enterprise system—a system of combined production element management—incorporating all the advantages of the contracting, leasing and sharing systems was implemented in China's Hunan Province. Under this system, all production elements, including

the means of production, the labour force and techniques, take on the value of shares and draw dividends.

Under this system, shareholders elect a board of directors in charge of policy making and appointing the enterprise directors or managers. The director responsibility

system is adhered to under the leadership of the board of directors.

Under this system, income from labour means labour shares (V_0) and labour dividends (L), labour shares being the basic wages earned by workers according to their particular jobs. The labour shares (L) are equal to $P'\partial V_0$ (P' is the actual rate of profits and ∂ the regulating coefficient). If the enterprise runs at a loss, both the workers and the owners of the means of production are responsible.

The system of combined management of production elements is based on a new economic theory of pluralistic production functions. According to this theory, the national economy can be viewed in a new light as a system made up of all production elements in a continuous process

of expanded reproduction. The balanced development of the national economy requires that the production elements invested in a certain period and the results these factors give rise to are suitable to the following period; there will be no waste or supply shortages. Consumption is not seen as the final stage of production, but an important aspect of reproduction, the reproduction of the labour force.

But in the past the means of production was always regarded as the main factor governing the labour force in the processes of production, exchange, distribution and consumption. This is a monistic view of the economy in which production is directly related to willingness on the part of the owners of the means of production, rather than the labour force. Furthermore, the level of

the means of production directed into production varies according to profits, but the wages of workers are constant and unaffected by the success or failure of the enterprise. The contradiction between floating investment and set wages inevitably leads to an imbalance between production and consumption, supply and demand, and results unemployment, supply shortages and inflation.

The elimination of these contradictions requires that the owners of all production elements, including the owners of the means of production, labour and technique, invest equally according to actual social needs. The result will be a pluralistic production function economy, a system of combined production element management in a micro-economic form.



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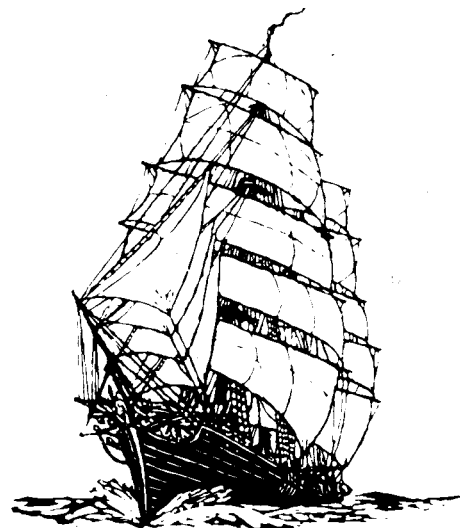
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TIBETAN-INHABITED AREAS

Demographic Changes

"Beijing Review" (No. 33, 1987) carried an article on population growth in the Tibet Autonomous Region. The following article will mainly deal with demographic changes in Tibet and other Tibetan-inhabited areas. — Ed.

by Ma Rong and Pan Naigu

Most of China's Tibetans inhabit the Tibet Autonomous Region. The rest are scattered throughout several other nearby provinces. We conducted a study of demographic changes in Tibetan-inhabited areas, the results of which disqualify accusations by the Dalai Lama and others against China's population policy on Tibetans.

Tibetan-inhabited Areas. Historically, the Tibetan Tubo Dynasty, which coexisted with the Tang Dynasty (618-907), included Tibet, Xikang and the southwest of Qinghai. These areas gradually developed into the three major parts of China inhabited by Tibetans. They are Tibet (including Anterior and Posterior Tibet and Ari in the present-day Tibet Autonomous Region), Kang (otherwise known as Kemu, including the two Tibetan Autonomous Prefectures in the west of Sichuan, the region of Qamdo Prefecture in Tibet, and Diqing Prefecture in Yunnan), and Ganqing (including south of Gansu Province and most of Qinghai Province) Tibetan areas. Each area has its own distinct Tibetan dialect — Weizang, Kang and Anduo.

From the 13th to early 20th centuries, both the Kang and Ganqing Tibetan areas were ruled

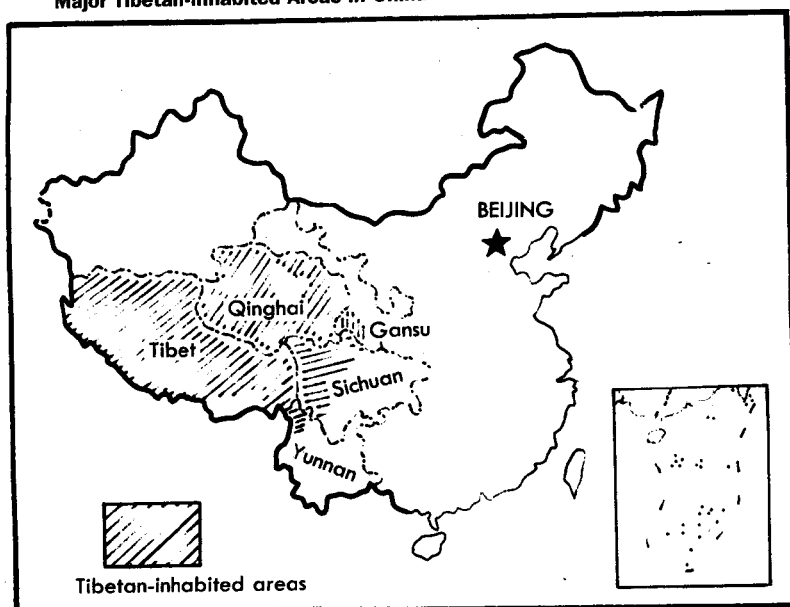


A Lhasa street.

XUE CHAO

The authors are researchers at the Institute of Sociology of Beijing University.

Major Tibetan-Inhabited Areas in China



by the central government under the *tusi* system. In Tibet, on the other hand, the central government appointed the local master preacher of Buddhism and Wangjue (as in the Ming Dynasty), conferred the title of Dalai Lama and Bainqen Lama and established the local *kasha* government (as in the Qing Dynasty). The three areas were also under the administration of central government commissioners based in Tibet, Sichuan and Xining (capital of Qinghai) respectively.

Statistics from the 1982 national census show that Tibetans are to be found in all the 29 provinces, municipalities and autonomous regions of China, although 99.8 percent of the country's Tibetans live in Tibet, Sichuan, Qinghai, Gansu and Yunnan. There are 10 Tibetan autonomous prefectures,¹ two Tibetan autonomous counties and one Tibetan autonomous township in these four provinces (See table).

Tibetan Population. According to statistics from the first national census in 1953, the total Tibetan population in China was 2.77

million. This increased to 3.87 million by 1982, according to the census at that time.

The Dalai Lama clique claims there are more than six million Tibetans. Even if all Tibetans in south Asia are counted this claim is still a wild exaggeration. An estimated one million Tibetans live in India, Nepal, Bhutan, Sikkim and Kashmir.

Since no population surveys were conducted in Tibet before 1960, accurate figures are unavailable and there is a lack of knowledge of the Tibetan popu-

lation. This largely accounts for the inaccurate population estimations. It is therefore groundless for foreign scholars and news agencies to refer to the Dalai Lama as the leader and spokesman of "six million Tibetans."

When the first national census was conducted in 1953, the Tibetan population in Tibet and Qamdo Prefecture could only be estimated. However, the census was conducted at the county level for other areas, so the figures were accurate. The total Tibetan population in the whole country was then 2.77 million strong, of whom about 1 million were in Tibet (not including the 274,000 Tibetans in Qamdo Prefecture). This figure was calculated on the basis of a report of the Tibet local government, which, at that time under the Dalai Lama, raised no objections to the statistics released after the census. It was not until 1962 that the Dalai Lama, in exile in India, claimed the Tibetan population totalled between seven and eight million.

Democratic reforms were carried out in the Tibet Autonomous Region in 1959 after the rebellion was quelled. The cruel slave system and backward productive forces existing before had greatly repressed population growth. A growth in population was natu-

Hans in Tibetan-Inhabited Areas

(unit: 10,000)

	1953	1964	1982
Tibet Autonomous Region (including Qamdo)	—	3.7	9.2
Six autonomous prefectures in Qinghai	4.0	30.6	50.4
Haixi Autonomous Prefecture	2.7	8.7	21.3
One autonomous prefecture and one autonomous county in Gansu	15.5	23.7	37.5
Two autonomous prefectures and one autonomous county in Sichuan	20.3	36.6	52.0
One autonomous prefecture in Yunnan	2.8	3.3	5.0
Total	42.6	97.9	154.1



University students of Tibetan nationality.

XUE CHAO

rally expected after the reform. But an increase from 2.77 million to 7 or 8 million within a few years is hardly feasible.

The Tibet Autonomous Region was covered by official registration during the national census in 1982. The total Tibetan population, according to the census figure, was 3.87 million. Of this number, 1,786,544 were in Tibet (including Qamdo), an increase of more than 510,000 persons compared with 1953 figures. The growth rate of the Tibetan population in other areas was even higher with an increase of more than 580,000.

The 1982 national census covered all 147 counties² and provided information on ethnic composition and population density in all Tibetan-inhabited areas. The average population density in China in 1982 was 105 people per square kilometre. Tibetan-inhabited areas have the lowest population density, with less than two persons per square kilometre.

Anyone with even the most limited understanding of demography will recognize that deaths from war, natural disasters

and other unforeseen events affect the age distribution of a population. Mass death within a certain age group would result in an obvious gap in the population spread. But age distribution in Tibet as indicated in the Chart does not reflect this. Quite the contrary, the age distribution of Hans is unusual: most Hans are in the 25-29 year-old bracket, and only a small number are under 14.

This indicates that a large number of Hans in the Tibet Autonomous Region are public servants, doctors, teachers and technicians who, after a few years of employment in Tibet, return to the inner provinces.

The evidence clearly shows that there has been no sharp decline in the Tibetan population since the peaceful liberation of Tibet in 1951. The accusation that "more than one million Tibetans have been massacred," made by the Dalai Lama in his Five-Point Statement to the United States Congress in September 1987 is totally unfounded. Yet, this statement was quoted as fact in the "Resolution on the Tibetan Question" approved by the American Senate on October 6, 1987.

Han Population in Tibet.

Several estimates have been made outside China for the number of Hans in Tibetan-inhabited areas. Some set the figure at more than 4.5 million; the Dalai Lama claims there are 7.5 million Hans in Tibet, and that Tibetans have become a minority. The facts refute all these claims.

A number of Hans and people of other ethnic groups were already living in Tibetan-

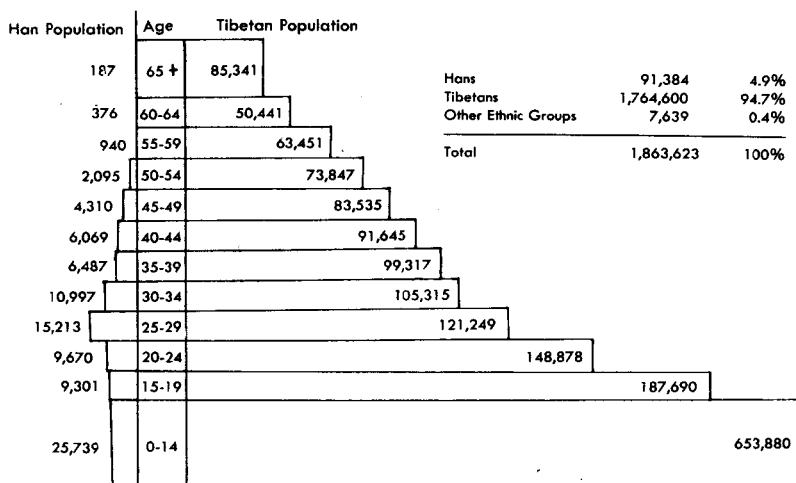


Table 1: Age Distribution of Hans and Tibetans in the Tibet Autonomous Region
(An additional 28,000 people were not included in the 1982 census, but were indirectly counted.)



Moving into a new building. The construction of this Tibetan-style building was funded by a district government in Lhasa.

inhabited areas in 1949 when the People's Republic was founded. The 1953 census showed that, in addition to the 1.5 million Tibetans, there were also more than 430,000 Hans and 220,000 Mongolians, Qiangs, Lis and people of other national minorities in the 10 autonomous prefectures in Qinghai, Gansu, Sichuan and Yunnan provinces.

Educated and technically trained people were encouraged by the government to work in Tibet to help develop the local economy and culture. Yet, due to the climate and high altitude, most of these people take turns to work

there. Usually they will return to their original provinces after a stay of only a few years.

The number of Hans in various Tibetan-inhabited areas increased from about 430,000 in 1953 to 1.54 million in 1982 (See Chart); while the number of Tibetans increased from 2.77 million to 3.87 million. In the Tibet Autonomous Region in particular, Tibetans made up 94.4 percent of the total population in 1982; Hans only accounted for 4.8 percent; and the remainder comprised other ethnic groups. Of the total population in the country's Tibetan-inhabited areas in 1982, Tibetans made up

67.1 percent, Hans 26.9 percent and other ethnic groups the remaining 6 percent. Obviously, the Dalai Lama's statement that "Tibetans have become a minority in Tibet" is a total fabrication (See chart).

Of all the Tibetan-inhabited areas, the six autonomous prefectures in Qinghai registered the most rapid growth in the Han population (totalling 460,000). The population in the Haixi Mongolian-Tibetan Autonomous Prefecture in particular reached 200,000. Few people had ever been to the Qaidam Basin within the prefecture's territories, but after 1949, tens of thousands of Han workers travelled to the area to tap the natural resources of the Salt Lake and to open a lead and zinc mine. Thereafter, tens of thousands more workers came to build the Qinghai-Tibet Railway. In the city of Karmu alone there are 70,000 Hans. Some of them are miners whose work has greatly promoted the development of the local economy, and some are responsible for transporting hundreds of thousands of tons of goods, such as food, cloth, daily necessities and construction materials, into Tibet each year.

According to 1986 statistics, the total number of Tibetans in the Tibet Autonomous Region was 1.93 million. The Han population was only 73,000. Most of this number were sent to help develop the local economy and stimulate scientific, educational and cultural advancement. The Dalai Lama's accusation that more than seven million Hans have moved into Tibet is an unreasonable misrepresentation of the true situation. ■

¹ Including the Haixi Mongolian, Tibetan and Kazakh United Autonomous Prefecture.

² Including two county-level cities and three county-level districts.

Restructuring Maanshan's Government

by Yang Xiaobing & Cheng Gang

Maanshan, on the lower reaches of the Changjiang (Yangtze) River in east China's Anhui Province, is an industrial city developed in the 1950s as one of China's major iron and steel production centres. With a population of one million, the city has developed rapidly since the nationwide economic reform of the late 1970s. In the spring of 1986 the city became one of 16 chosen by the State Council to restructure their government bodies on a trial basis. The programme has begun.

"We believe reforms to the economic structure will inevitably lead to reforms in the political structure," said Zhou Yude, mayor of the city. "The ongoing restructuring of government bodies is one aspect of this reform. The main objective is to streamline administration, delegate more power to the lower levels and change the government's direct administrative control over enterprises into indirect economic and legal control. This has a profound effects on economic development."

Indirect Control

In the past under the highly centralized planned economy, the city, like many others in the country, maintained strict control over enterprises and basically assumed all managerial power in the areas of production planning, capital utilization, product allocation, material supplies and personnel organizations. This caused confusion over what responsibilities fell on the government and what on enterprises. As a result, the city government had to set up many administrative organs to control the thousands of enterprises.

The machine-building bureau is one example. It controlled all the city's machinery factories. It was administratively under the city government and financially under the leadership of the provincial machine-building department. It also received orders from the former Ministry of Machine-Building Industry, renamed the State Commission of the Machinery Industry in 1987. The bureau had to convey all directives from the organs above it to the enterprises under it. No body but the state was responsible for the profits and losses of these enterprises. All enterprises ate from the big pot of the state. These enterprises also had to cope with overlapping government administration, complicated procedures and low efficiency. It took one wool mill in the city six months, rushing from one administrative body to another to apply for a plot of land, and had to get 90 passes before the application was approved.

In the early 1980s China began reforms to develop a socialist commodity economy, systematically delegating more decision-making power to enterprises and introducing the factory manager/director responsibility system. These moves cut right through to the original administrative system. To meet the changes some administrative organs became companies. But in effect they still used the old administrative means to control enterprises and held back from delegating decision-making power to the enterprises.

In May 1986 the city government began to draw up a plan to restructure government bodies and reorganize government functions. It decided to abolish all administrative organs which exercise direct control over enterprises

and retain or strengthen those promoting indirect control over enterprises. The plan was revised several times and approved by provincial leaders in January last year. Its gradual implementation was started last March.

The city's number of government bodies was cut from 46 to 30 and employees from 1,127 (not including 156 temporary workers) to 1,028. The organizations retained are the planning commission, economic commission, structural reform commission, urban and rural construction and environmental protection commission, science and technology commission, educational commission, sports commission and family planning commission responsible for planning, policies and co-ordination; the financial bureau, taxation bureau, pricing bureau, personnel bureau and audit bureau responsible for regulating and overseeing economic activities; a foreign affairs office in charge of international exchanges; and an industrial and commercial bureau responsible for private economic activities.

The machine-building bureau, the light industry bureau and six other administrative groups—the electronics, textiles, metallurgy, chemical, building materials and foodstuff companies—were done away with. The economic commission took over the regulation and administration of enterprises under them. The commercial bureau, the cereals and oils bureau, and the supply and marketing general co-operative have been replaced by the commercial and trade commission while the agricultural and forestry bureau, the water conservancy and power bureau and the rural enterprises bureau were replaced by the agricultural economic

commission.

In line with the principle of separating Party and government functions, the city Party committee has also restructured its organizations.

"The restructuring of government organs has progressed very quickly," Mayor Zhou said. "New organizations have already started normal work. We thought the reform might lead to a temporary drop in production but in fact, the enterprises have increased their production levels."

Last year the city's total industrial output value rose by 14 percent and it handed over to the state 30 million extra yuan in taxes.

Personnel Organization

Reforms to the government structures involved reassigning duties for 720 people. Of this number, 47.1 percent were transferred to grass-roots units and enterprises; 26.1 percent were assigned to the newly established commissions; 4.3 percent were transferred to local governments in the city's four districts; 3 percent were sent to strengthen statistics, banking, audit, taxation and industrial and commercial administrative organs; and 5.5 percent were assigned to research or work in city government departments. About 14 percent were retired.

"In the past the city government streamlined its various units several times, but nothing was done about organizing their functions," said Wu Gang, an official with the city's structural reform commission. "As a result, the number of city government organizations was not reduced rather it swelled. This time the process involved changes to the functions of government units. It is a real streamlining."

Before reassigning duties to the

720 government employees, the city government conducted numerous studies and made recommendations to the units on the professions and capabilities of these people. The majority of them are satisfied with their new jobs. A survey of the 400 reassigned staff in the industrial and communications units indicated that 95 percent were happy in their new jobs and were accepted well by their new units. The first group of five people transferred to the industrial and commercial bureau were on average 51 years of age and distinguished themselves in market management skills.

Situation Changed

"Great changes have taken place since the reforms were implemented," Mayor Zhou said. "In the past, the city government exercised direct control over enterprises. As soon as the government offices opened for work in the morning, people started coming in for rolled steel and other things. We were kept busy every day just trying to deal with them and were constantly faced with a myriad contradictions. Since the introduction of indirect control we have learnt to administer through economic and legal means which saves us a lot of effort. Enterprises can now go directly to the markets for rolled steel and approach banks for loans. Of course, some inefficient directors are still coming to us for help. But the biggest problem is that provincial organizations still need to be reformed. New organs will have trouble dealing with provincial organs."

Luo Xixian, deputy head of the city's economic commission, said his commission now has no power to organize personnel or allocate materials. Its main task is to offer better services to enterprises, to make them responsible for their

own profits and losses and to give them management autonomy. In the past enterprises had to acquire the approval of responsible bureaus to co-operate with enterprises in other places. This is now unnecessary. Some trans-regional companies, such as the Taibai Wine and Drinks Company, have already been established in the city.

Minimized administrative interference and the reduced number of administrative bodies have greatly contributed to attaining managerial independence in enterprises and improved their efficiency. Wu Dongyuan, director of the Magnetic Materials Factory, said his workers were pleased with the move to close down the electronics industry company above it, because it ended the duplication of many procedures. In the past the factory needed approval from above for any technological upgrading using its own capital. Last year the factory used 10,000 yuan on updating a set of gas kilns and cut its energy consumption by 32.7 percent, saving 250,000 yuan a year. Now that the factory has management autonomy and is responsible for its own profits and losses, its employees are concerned about how to protect this autonomy by legal means. "The greatest problem we face now is finding an ideal legal adviser," said the director.

Chen Xuechun, director of the Maanshan Instruments and Meters Factory, said that in the past his factory got raw materials from the former machine-building bureau and produced goods according to its directions.

"Since the bureau closed down, we have to do everything by ourselves," said Chen. "In the beginning, we were not used to this. But the factory needed to be developed, and this required a joint effort from the workers." ■

1987 Retail Price Index Rises 7.3%

by the State Statistical Bureau

Last year China's retail price index rose 7.3 percent. In 1986 it rose 6 percent and in 1985, 8.8 percent. That is a 23.6 percent increase in three years, an average annual rise of 7.3 percent. The increase in urban areas was higher than in rural areas: 9.1 percent and 6.3 percent respectively. The figure is still higher in larger cities and is over 10 percent in some.

A higher starting point. The retail price index in 1986 rose by 6 percent. In December it was 6.2 percent higher than in December 1985. The 1987 rise started from a high take-off point.

A wide spread. Last year many commodities' prices rose, especially foodstuffs.

—The retail price of food in 1987 rose 10.1 percent. The price of meat and eggs rose 16.5 percent; vegetables 17.7 percent; aquatic products 1.7 percent. Food price rises contributed 64 percent of the index's total.

—The retail price of clothes rose by 3.5 percent. That of high quality cloth and popular garments increased by big margins, pure knitting wool rose 18.1 percent, bengaline quilt cover 14.9 percent. Clothes price rises contributed 8.2 percent of the general rises.

—The retail price of household goods rose by 6.1 percent, affecting not only small articles of everyday use but also some daily necessities. The retail price of soap increased 9.2 percent, toilet paper 7.2 percent, iron pans 15.6 percent. The price rises for household goods contributed 9.6 percent to the general price index rise.

—The retail prices of other consumer goods also went up last year. The price of cultural and

recreational goods and services rose by 2.5 percent, newspapers and periodicals by 1.4 percent. The price of medicines and medical instruments and services went up by 4.6 percent and fuel by 3.6 percent.

—The retail price of agricultural means of production increased 7 percent. The price of diesel rose by 6.7 percent, small farming tools by 5.5 percent, and plastic sheeting by 22.6 percent. The prices of chemical fertilizers, insecticides and sprayers increased by different degrees.

Demand outstripped supply. In the last few years purchasing power has grown following an increase in industrial and agricultural production. By the end of 1987 the savings deposits of city and township residents amounted to 300 billion yuan, 80 billion yuan (30 percent) more than at the end of 1986. Some non-staple foods and household goods were in short supply. The supply of pork, sugar and eggs has been rationed again in the state stores of the big and medium-sized cities.

Rise in the purchasing prices of farm and sideline products. In 1987 various localities raised the contracted purchasing prices for grain, cotton, oil-bearing crops and other agricultural products, especially pigs, and increased the proportion of purchases made at negotiated prices. The purchasing prices of farm and sideline products increased 12 percent last year. All this increased farmers' income, their purchasing power and their demand for industrial goods.

Rise in the prices for key industrial raw and processed materials, fuel and power up. This, combined with the increase

in the prices of raw materials for farm and sideline products, caused a rise in industrial costs and the factory selling prices. A survey of the ex-factory prices of manufactured products showed that the price of means of production increased 7.8 percent and of means of subsistence 8.4 percent last year.

Market prices badly managed. The prices of goods brought in from elsewhere are always higher than local goods. Cheating also takes place: bad quality goods sold as good, short weighing and disguised price rises.

This year the government has adopted some powerful measures to control the rise of market prices:

1. Measures to control the increase in expenditure. As reforms are conducted in enterprises, efforts must be made to improve management in a scientific way, cut the consumption of raw materials and raise productivity in order to increase production and improve the supply of goods. At the same time it is necessary to control the growth of expenditure as production grows.

2. Measures to improve the supply of non-staple foods in big and medium-sized cities. Through the integration of urban and rural areas, of commerce and agriculture, and of industry and agriculture, a number of non-staple food production centres will be set up and existing ones will be consolidated and expanded in order to increase the supply of non-staple foods.

3. Measures to strengthen management of market prices. Disguised price rises and unplanned price rises should be controlled. ■

Service Industries Need Development

"LILUN XINXI BAO"

(Theoretical Information)

According to statistics collected by the World Bank, people employed in service industries accounted for 15 percent of the work force in low-income countries, 34 percent in medium-income countries and 56 percent in developed countries in 1980. But in China the service industries employed only 12 percent of the work force in 1984. The figure was lower than that for Laos, Bangladesh and Sudan; China, Kenya and Zaire tied for 107th place in the world. The contribution of China's service industries to gross national product (GNP) dropped to 18 percent in 1983 from 21 percent in 1978, 29 percent in 1957 and 28 percent in 1952.

China's State Statistical Bureau reported that the country's total social product (TSP) in 1986 was 1,877.4 billion yuan. Of this total, industry accounted for 1,115.7 billion yuan, or 59.5 percent; and agriculture for 394.7 billion yuan, or 19.5 percent of the total social product. The contribution of the service industries to the TSP in China was far less than 29 percent, the average for low-income countries. In developed countries, service industries were already accounting for about 60 percent of the total social product in the 1970s.

Underdeveloped service industries cause many difficulties for Chinese people when they try to buy goods, ride buses and find accommodation. Clothing shops have a limited selection of products, foodstuffs are manufactured in a rough and slipshod way, buses are crowded, especially during the rush hours, and traffic jams are frequent. As far as

housing problems go, urban residents pour out endless grievances.

According to statistics compiled in 1984, the number of retail shops, dining facilities and other service institutions dropped to about 1.26 million in 1978 from 55 million in 1952. The number of employees decreased by 37 percent. After great efforts, the number of retail and eating places and other service institutions rose to about 3.83 million in 1982 and 6.60 million in 1983.

According to 1982 statistics, the country needed 1.1 billion yuan a year to repair houses that are directly administered by government housing departments. But the departments can collect only 450 million yuan a year in rents. As a result, about half of the houses were in disrepair and 30 million square metres of housing are considered dangerous. Moreover, 1984 statistics show that since the founding of the People's Republic of China in 1949 the state had built urban housing totalling 1.1 billion square metres in floor space. If per-capita floor space in urban areas is to average 6 to 8 square metres, an additional 400 to 500 billion yuan of investment are needed in housing construction.

Medical experts have estimated that deaths among emergency and serious cases in the emergency wards of the country's hospitals represent about 50 percent of the country's total number of deaths in hospitals because of the shortage of beds. In the whole of China there are only 100,000 obstetrical beds, which can hold a maximum of 5.4 million women a year. Each year, however, more than 17 million babies are born and about 5 million women need birth-control operations. There are 1 million new cases of malignant tumours each year and

about 700,000 people died. But the country has only 11,000 beds for these patients.

At the end of 1986, China had only 0.5 telephones for every 100 people in the urban areas or a total of 2.5 million subscribers. This was far less than the world average of 14 telephones per 100 people.

The business volume of the post and telecommunications service increased 39 fold from 1949 to 1983. But the number of post offices less than doubled. Each post office serves about 20,000 people, compared with the global average of 3,000 to 4,000.

From 1949 to 1979 funds for cultural facilities accounted for only 0.4 percent of country's total expenditure, and investment in this field represented only 0.2 percent of state spending for capital construction. In the 1980s most areas have not increased the allocations for developing culture and cultural facilities. Some 80 percent of China's theatres were built before liberation or during the 1950s and have long been out of repair.

Because of obsolete equipment, China's publishing trade is far behind the times. Most typesetting and bookbinding are still done by hand and it takes a year or more to produce a book.

(January 18, 1988)

Diseases Insect Threaten Forests

"JINGJI CANKAO"

(Economic Reference)

The soul-stirring forest fire that occurred in northeast China's Heilongjiang Province last spring remains engraved on Chinese people's minds, arousing sharp vigilance. But, we must not lower our guard against tree diseases and

insect pests, which are doing great damage to Chinese forests.

According to statistics from China's Forestry Ministry, the forest area affected by tree diseases and insect pests has been increasing every year. Today one-quarter of China's afforested areas is affected. About 2.67 million hectares of pines are infested by pine moths. Poplars and kiris have also been seriously harmed by plant diseases and insect pests, with more than 330,000 hectares of them being destroyed in China every year, leading to a loss of 10 million cubic metres of wood. For many years, the area of forest affected by tree diseases and insect pests has been about three times the area damaged by forest fires.

To protect China's forestry reserves and the environment of forest plants and animals, and to rapidly develop the forest economy, experts have suggested:

—Strengthening quarantine measures for imports. Foreign tree diseases and insect pests are easily brought into China through imported timber and seeds, as well as wooden packing boxes used for imported products. Everyone must be aware of the importance of quarantine measures to protect China's forests, and the departments of forestry, communications, foreign trade and tourism should strengthen their work in this area. The quarantine departments must be told immediately if tree diseases and insect pests appear in places which are open to imports and foreign visitors.

—Isolating plant diseases and insect pests. Timber and tree seeds from forest zones that are seriously affected by tree diseases and insect pests must not be transported to non-affected zones. More nurseries for healthy young trees should be established.

—The authorities at all levels must pay careful attention to research on the prevention and control of forest diseases and the elimination of pests in order to

improve the quality of afforestation.

(February 3, 1988)

A Strange Couple Of Medicinal Plants

"RENMIN RIBAO"

(People's Daily, Overseas Edition)

A pair of tuber fleeceflowers, which look exactly like a human couple, were recently discovered in Yongshun County, Hunan Province.

The tuber fleeceflower (*Polygonum multiflorum*) is an important ingredient in Chinese medicine. In *Compendium of Materia Medica*, Li Shizhen (1518-93), a famous doctor of the Ming Dynasty, explained the use of the plant and called it "fairy grass."

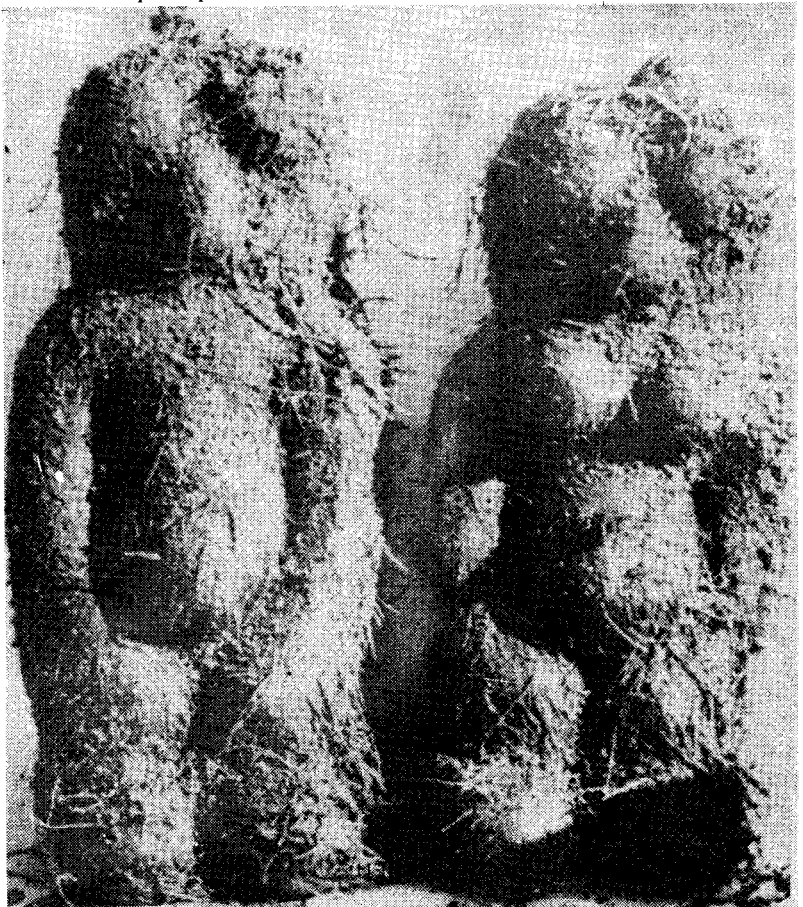
The unique pair of tuber

fleeceflowers was discovered by a 33-year-old farmer when he was building a road near an old temple. Later, the pair of plants was bought by a young worker.

The plants are standing up straight. Each of them has a head, four limbs, five sense organs, and soles on its feet, all of which are true to life. The "male" plant is 22 cm tall and weighs 0.6 kg. The "female" plant is 19 cm tall and weighs 0.55 kg. Their shoulders are 9 cm in width, the sole of the foot is 5.5 cm in length and the top of the head is 6 cm in width. Their bodies are covered with fibrous roots like fine hair on a human body. The difference between them is that the "female" plant has a pair of breasts that protrude 3 cm.

Many old people say it is the first time they have seen a pair of tuber fleeceflowers which bear such a strong resemblance to human beings.

(January 21, 1988)



China Reforms Foreign Trade System

In order to speed up the course of China's opening up and participating in the international economic arena, the Chinese government recently decided to reform its existing foreign trade system. The main reforms include:

—Implementing a system of foreign trade based on contract and management responsibilities. Provinces, autonomous regions and municipalities directly under the Central Government, and some large cities will contract quotas with the government for foreign exchange earnings to be handed over to the state. The import and export of a small number of commodities will still be contracted and managed by foreign trade and industrial, and commercial import and export corporations. Some industrial and commercial corporations will also implement the contract and management system.

—Reforming planned systems of foreign trade to further reduce the amount of export commodities under unified state control; a small number of commodities will be imported through import and export corporations, but most import and export goods will be managed by local foreign trade, industrial and commercial import and export companies, and production enterprises. Import and export commodities controlled by the state are limited by quotas or import or export licences.

—Reforming the foreign exchange control system to improve distribution. Since the beginning of this year, all localities, state- and collectively run enterprises and institutions, and foreign-funded enterprises have been allowed to make up one another's needs for foreign exchange through foreign exchange regulation centres.

The new system of foreign trade

aims to encourage local and foreign-oriented enterprises to compete on an international level, make full use of their labour resources to develop labour-intensive and labour- and knowledge-intensive businesses. It also encourages production using imported raw materials and the assembling of parts supplied by foreign businesses.

To safeguard the interests of foreign investors, the Chinese government has reaffirmed that local branches must strictly implement transfer agreements and contracts signed between foreign trade and industrial and commercial trade companies and import and export corporations and foreign clients.

Xian Makes Tails For US Boeing

The first batch of Boeing 737 vertical airplane tails made by China's Xian Aircraft Manufacturing Co. for the US Boeing Civil Aircraft Co. was delivered to the US side on March 11, and will be shipped to Seattle in June.

In April 1984 the Xian company signed a contract with the US Boeing Company for processing the product, with a total of 1,175 parts each, according to design with imported raw materials. The size of the orders has already doubled since last December, from 100 sets to 200 sets. The contract was valued at US\$29.9 million, accounting for 50 percent of the Xian company's total foreign contract value. According to the contract, all products will be completed and delivered by July 1992.

The Xian company is the first company in the world to produce vertical airplane tails for Boeing,

as well as being one of the most important aircraft manufacturers in China. In recent years, the company has concluded contracts with the United States, Canada, Italy and France for producing 13 spare parts for five types of aircraft with imported raw materials and supplied designs.

Another three Chinese factories are also producing standard spare parts for the Boeing company. Given China's production potential and technology, the US company is expected to allow China to produce the fuselage for 737 aircraft.

Police Attend Traffic Exhibition

Several thousand traffic policemen from over 200 large and medium-sized cities of China attended the 1988 Multinational Urban Traffic Conference and Exhibition (MUTRACONEX'88) in Beijing in mid-March.

The exhibition displayed the latest traffic technology and equipment from more than 30 businesses in France, Britain, Yugoslavia, the United States, Austria, Australia, Japan, the Soviet Union, Italy, Spain and Hong Kong. The equipment included traffic signals, telecommunications gear, monitoring systems, and vehicle testing and driver training equipment. Representatives of the Beijing Public Security Traffic Administration and Beijing Institute of Traffic Engineering were very interested in products and technology from these foreign businesses.

The display for Britain's Plessey took centre stage in the exhibition. The company with the Beijing Public Security Traffic Administration has set up a traffic signal control system in Beijing's eastern district. Put into operation last November, the system catered for

a 20 percent increase in the traffic capacity over a 15 square-kilometre area with 39 crossroads. Plessey's Walter Lo said his company is still conducting co-operative feasibility studies with other cities including Beijing (northern, southern and western districts), Shanghai and Shekou.

In central Beijing, a traffic control system covering 45 square kilometres with 53 crossroads was put into operation on March 19. The installation was the result of co-operation between the Chinese and Yugoslavian governments, with the main facilities supplied by ISKRA of Yugoslavia.

The Chinese government reportedly invested US\$3.88 million in the above two projects and is expected to invest 40 million yuan in traffic control systems to be set up in Beijing's western, northern and southern districts. The British government is showing an interest in this project and plans to offer some loans to fund it.

The exhibition, one of the largest of its kind in the world for the past few years, was sponsored by the China International Conference Centre for Science and Technology and Beijing Institute of Traffic Engineering. It has already won the approval of international authoritative organizations and is expected to be held once every two years in China.

Li Ning

China Exports Forklifts to USSR

An export contract for Chinese-made battery-operated forklifts to the Soviet Union was signed in Shenyang, capital of the northeastern province of Liaoning on March 12. The contract marks the first export of Chinese machine products to the Soviet Union since 1959.

Under the terms of the contract,

this batch of forklifts, to the value of 4.486 million yuan, is expected to be delivered before the end of this year.

Early this year, China provided the USSR with models of this kind of forklift and the warm response to the product allowed the two countries to conclude a preliminary agreement on technology and price.

The agreement was concluded through the Heilongjiang Foreign Trade Corp. Currently, Poland, Hungary and Bulgaria are also trying to enter into barter trade with China through the corporation. ■

Land-Use Rights Transfer Bids

China is expected to lease out its first piece of land through international bidding. At the bidding meeting on March 22, some 243 bids were issued and 78 have been taken by foreign businessmen from the United States, Japan, Australia and Hong Kong.

The 129-hectare plot in the No.26 base of the Shanghai Hongqiao Economic and Technological Development Zone has already been designated ready for lease.

The land is well suited for complexes such as office buildings, hotels and apartments. Bidders may buy the entire plot or subdivisions, but priority will be given to bidders for the whole plot. The lease is 50 years. After that point, extensions will be another 50 years.

At the close of last year, the Shanghai government issued procedures for the transfer and lease of land-use rights. In accordance with these procedures, the maximum lease is set at 20 to 50 years. After this point, except in special cases, extensions may be applied for.

On the completion of ground construction, land-use rights may be mortgaged, transferred, sold, sublet, and also inherited. After the full payment of land rents, land-use rights may also be mortgaged to Shanghai banks as bank loans.

The Shanghai Hongqiao Economic and Technological Development Zone is a new development zone established with a view to encouraging foreign trade. It covers 65.2 hectares and is located in the west of Shanghai, 5.5 kilometres from the international airport and 6.5 kilometres from the city centre. Planned construction is geared to overseas trade, tourism and function centres, and a residential centre is also on the drawing boards. At present, the work on roads, water supply, sewage, gas and telecommunications has been completed.

Nine Sino-foreign joint ventures, and co-operative and state-run projects have already been approved. The investment totalled US\$482 million, US\$210 million of which is foreign investment.

The bidding is scheduled for 10 am, July 2, 1988 in Shanghai. ■

News in Brief

■ According to customs statistics, in the first two months of this year, China's imports and exports amounted to US\$10.924 billion, an increase of 18 percent from the same period last year. Of this total, imports accounted for US\$5.513 billion, 11 percent more than the previous year.

■ The International Excellent Design Products Exhibition will be held in Beijing in June. On display will be more than 1,000 new products for daily use, including household electrical appliances, clocks and watches, recreational and sporting goods, arts and crafts and hardware, from European, North American and Asian countries.

Dance Drama Brings Legend to Life

Once upon a time, on the Erdus grassland of Inner Mongolia there lived a beautiful girl named Senjidema, the only daughter of the wealthy Deliger. One day when she went to the temple fair, Senjidema met and fell in love with Burigude, a young slave who won the wrestling competition. However, the lord's son and his mother were attracted to the beautiful Senjidema. Being a real snob, Deliger accepted their betrothal gifts and drove Burigude away. Senjidema ran away from his father to meet with her lover on the grasslands where they asked heaven and earth, the flowers and trees to witness their wedding. But they were later caught by men sent by the lord. Threatening to kill herself, Senjidema managed to obtain her lover's release but was forced to marry the lord's son. Senjidema went on a hunger strike to oppose the marriage, and Burigude returned too late to rescue her, arriving, only to have his love die in his arms.

This story is told in a narrative folk song very popular in the Erdus grasslands. It has been adapted into poems, a symphony, novel, modern drama, opera, film and other art forms, and recently

the Erdus Song and Dance Ensemble presented a new production, the dance drama *Senjidema*, in Beijing.

typical landscape of Inner Mongolia. The folk customs, the religion and culture of the region are all depicted in a uniquely



Zhao Xia as Senjidema.

XU XIANGJUN

The drama evokes a strong sense of the land. Picturesque images of rolling mountains, floating white clouds, the endless grasslands, the sheep and cattle and the yurts, all bring to mind the

aesthetic manner. The dances become a scroll unfolding before the audience, describing social life in the area. The "Wrestlers' Dance," the "Horse-Harnessing Dance" and "Wedding Dance"

Scenes from the dance-drama.

Photos by XUXIANGJUN



are all popular folk dances in the Erdus grasslands. By refining and developing the shoulder, hand, leg and waist movements, the choreographer raised the dances to a higher artistic level.

Other dances were created specially for the drama. For example, the solemn and imposing "Honour Guard Dance" in the first act gives an idea of the supremacy of the lord; the "Sarina Dance" in act three conveys the universe's joy for the couple when they exchange wedding vows on the grassland.

Audiences were most impressed by the many pas de deux in the drama. One such piece in act two gives a passionate portrayal of the lovers' feelings. The piece in act three and the dance sequence in act five have a dreamlike quality which heightens the emotional scenes of the "field wedding" and the death of the heroine. These dances, incorporating Mongolian dance styles with swirling, leaping and lifting, present both the sweetness of love and the resentment the lovers felt for all who stood in the way of that love.

The music for the drama also has its origins in traditional song. The theme song is to the tune of the original folk song, and other folk and religious musical pieces add to the national flavour of the drama. The music for the solo dance by Senjidema, though also from a traditional folk song, has a special, revived quality while the music for the "Devine Lantern Dance" has strong religious overtones. The solo piece in act three which heightens the loneliness and resentment of the hero is accompanied by the melody of a Mongolian folk song—"Seeing the Bride Off."

Jia Zuoguang, renowned expert on Mongolian dance and vice-chairman of the Chinese Dancers' Association, said that people were most struck by the strong emotion evoked by the drama. Many other

experts also acclaimed the performance as a highly artistic production.

The Erdus Song and Dance Ensemble was founded in 1951. For the past 30 years and more, artists from the troupe have devoted themselves to the exploration and development of folk music and dance. Many of their productions have won nationwide awards. Although the troupe is made up of less than 100 performers, most of them of the Mongolian nationality, it is warmly received by people of all nationalities.

by Hong Lanxing

Bamboo Root Sculpture

In 1986, when Tang Dequan, an associate professor at the Sichuan Academy of Fine Arts was sketching in a bamboo forest, he found a root of bamboo with tassels which looked like a knitted cap. It aroused his imagination. Using the bamboo root, he carved two children with caps and named them *Dongwa* (*Winter Children*). The piece was exhibited at the China In-Door Decoration Exhibition and was well received by visitors.

Since then, Tang began to enjoy sculpting with bamboo. Before his sculpting had been with marble from which he had carved some statues.

Tang's statues are ingeniously conceived. When Liu Kaiqu a famous Chinese sculptor visited the exhibition held last October, he praised Tang's work: "It combines natural beauty and human skill."

Tang spends much of his time carving bamboo statues. Once he found a bamboo root with many tassels in the mud. Its diameter was about 80 centimetre. The root made him think of Zhong Kui, a hero in China's ancient legends with the power to catch ghosts. In



Bamboo root sculpture—Sisters—carved by Tang Dequan.

order to express the hero's anger, Tang turned the bamboo root upside down and used the upper part of its tassels to shape the hero's stiff hair and the lower part his sword-like beard. He first carved the eyes in the likeness of common people, but the result was that the figure appeared listless. On his second attempt he carved much larger empty eye sockets which made the image look powerful.

In his carving of the figure of Don Quixote, he used artistic exaggeration to capture the character who indulged in fantasy and met with troubles wherever he went. Tang carved a long face, a curved beard, large round eyes and empty mouth on a root of bamboo. The U-shaped tassels formed his helmet.

Tang Dequan has now created more than a hundred works of art from the roots of bamboo. These pieces have been exhibited three times in Beijing in less than one year.

27 Million Tourists Come to See China

About 26,902,000 tourists came to China in 1987, an increase of 17.9 percent over 1986. Of the total, 1,728,000 were foreigners, an increase of 16.6 percent; 87,000 were overseas Chinese, up 27.9 percent; and 25,087,000 were compatriots from Hong Kong, Macao and Taiwan, a rise of 17.9 percent.

The visitors came to China from 169 countries and regions. About 893,000 came from Asia, an increase of 18.2 percent over 1986; 387,000 came from the Americas, up 11.2 percent; 367,000 from Europe, a rise of 27 percent; and 70,000 from Oceania, a drop of 13.6 percent.

The largest number of tourists came from Asia. Of these, 578,000 or almost two-thirds came from Japan, an increase of 19.4 percent.

The number of tourists from Singapore, the Federal Republic of Germany, Thailand, France, Italy, Switzerland and Sweden all increased by more than 20 percent.

There were 315,000 visitors from the United States, a gain of 7.9 percent over 1986, and 52,000 from Canada, a rise of 26.8 percent.

About 25,000 tourists came from the Soviet Union, an increase of 31.6 percent while the number of visitors from Australia dropped by about 20 percent from the previous year.

Tourists' Composition

The proportion of female foreign tourists has risen steadily in recent years. The number of female visitors increased to 39.3 percent of the total in 1987, up from 35.4 percent in 1985 and 37.2 percent in 1986.

Of the foreign tourists, 8.4 percent were 20 years old or under;

62.6 percent were 21-50; 16.9 percent were 51-60; and 12.2 percent were over 60. Compared with 1986, the percentage of tourists 20 years old and under dropped; the percentage of those over 60 remained the same; and the percentage between 21 and 60 increased.

The proportion of foreign visitors who came purely for holidays dropped slightly to 43 percent. The remaining 57 percent came to work, do business or participate in sports or other activities and then went travelling.

New Tourist Resources

China's major cities are developing and expanding their tourism resources.

The Beijing tourism department has opened the Tiananmen Rostrum to foreign tourists and recently feted the one millionth foreign tourist to visit the legendary home of the dragon—China. Beijing received more than 1.07 million foreign tourists last year, an increase of 8.9 percent over 1986.

To add attraction for its tourists, the Hangzhou tourism department arranged activities including dragon boat cruises in the moonlight, dragon lantern festivals and striking the bell at the Jingsi Temple. Last year 292,000 overseas tourists came to Hangzhou, an increase of 9.7 percent over the previous year.

To welcome China's Sixth National Games, the Guangzhou tourism department expanded its Guangzhou Delicious Food Festival which was already an attraction to many tourists. Guangzhou welcomed 1.85 million overseas tourists in 1987.

The tourism department in Shaanxi Province restored the Mausoleum of Huang Di (Yellow Emperor) and expanded the world-famous Qin (221-206 BC) Terra-Cotta Warriors and Horses Museum. The Buddha's fingers and other cultural relics of the Tang Dynasty (618-907) discovered from the Famen Temple will be put on display this year.

Many tourists visited these attractions last year. Xian received 301,000 foreign visitors, an increase of 17.6 percent over 1986.

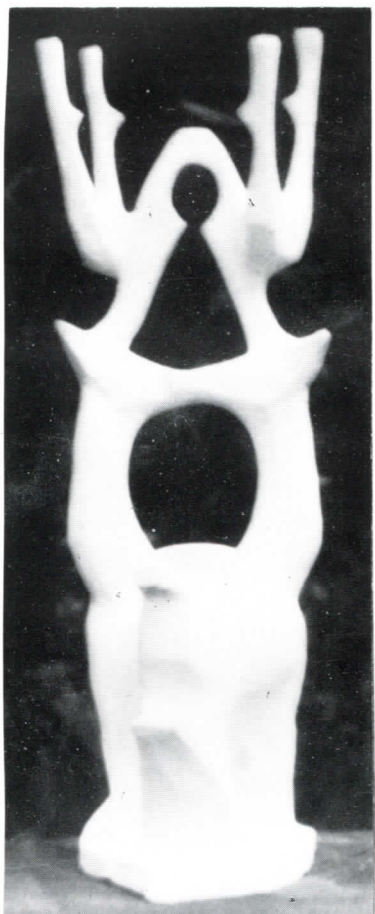
Tourist Briefs

■ The Holiday Inn Lido Beijing Administration Company jointly operated by the China Travel Service and the Hong Kong Yick Ho Ltd. has opened for business. Using the Lido Hotel as its base, the company provides administrative services, and trains administrative staff for the China Travel Service, hotels and offices, and apartment buildings.

■ Twelve 3,000-year-old cliff frescoes have been discovered in Zhangzhou, Fujian Province. The paintings have been ground, chiselled and carved out. They reflect the characteristics of the primitive Minyue matriarchal tribes. Surprisingly, the paintings are similar to frescoes discovered in Bingdong County, Taiwan Province.

■ Tourists have started to take rafting tours along the Wujian River. The 50-km-long tour route, in northern Guangdong Province, is the first of its kind in China.





Double deers.



Chen Jiageng
(Tan Kah Kee),
a famous patriotic
overseas Chinese.

ART PAGE

Sculptures by Sun Xilin

Sun Xilin, born in Beijing in 1935, now works at Xiamen University. He specializes in figure sculpture and traditional Chinese paintings.

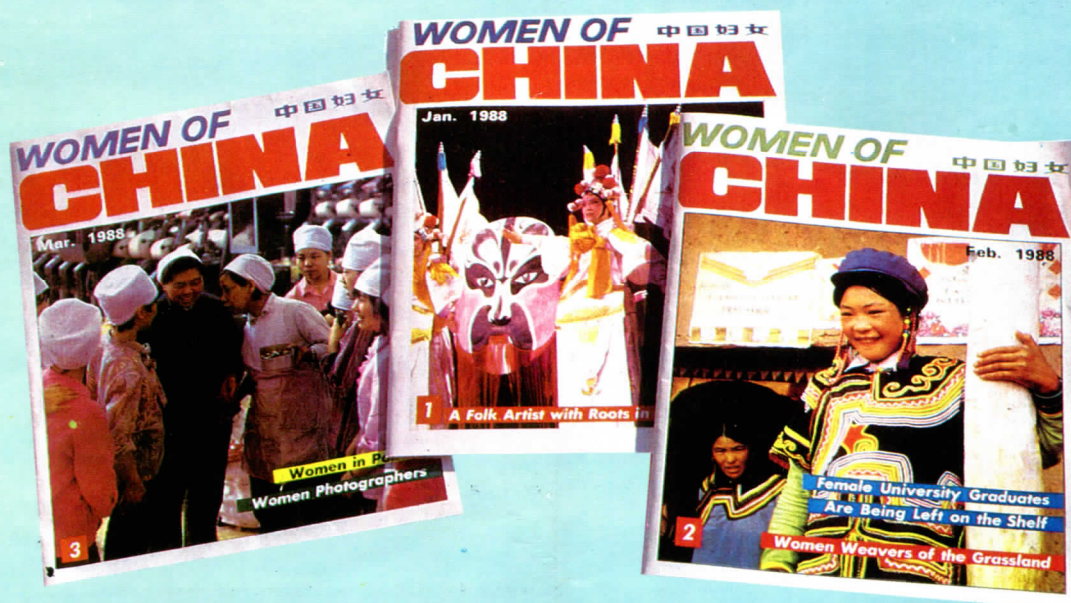


The monument to Luo Yangcai, a revolutionary martyr.

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