

A CHINESE WEEKLY OF NEWS AND VIEWS

Beijing Review

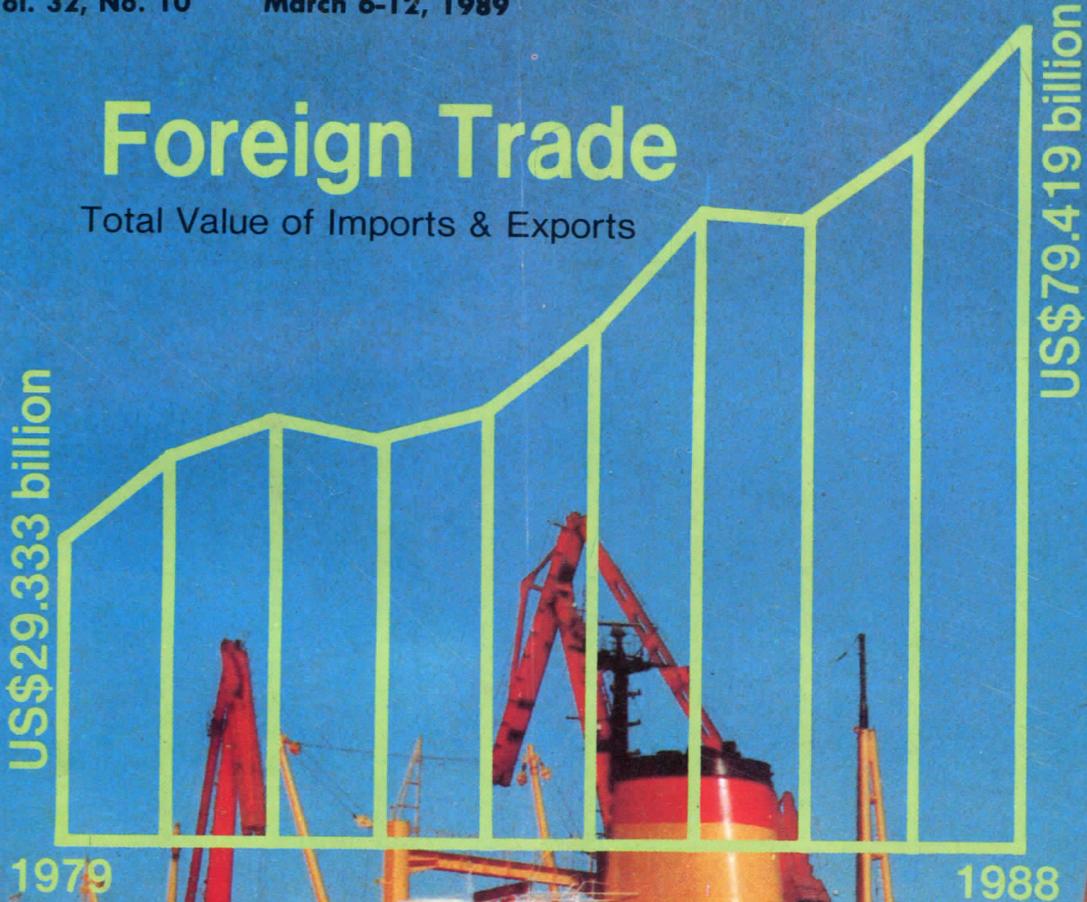
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Total Value of Imports & Exports



China's Foreign Trade: Progress & Problems

Policy Towards the Dalai Lama

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LUO HAIBO

Foreign Economic Relations & Trade: 88-89

□ China's imports and exports both grew substantially in 1988, as did investment and borrowing from abroad, and contracts for overseas projects and labour services. For 1989, China plans to continue to seek foreign capital, especially for transport and communications, telecommunications and the development of its energy and raw material resources (p. 16). Also printed is a review of the way China has been using foreign capital during the last ten years (p. 22).

The Economic slowdown and Overseas Investment

□ The current initiative to cut China's economic growth rate will not affect foreign investment: the country remains fully committed to its open door policy. Government strategy, however, aims at redirecting funds from non-productive sectors to weak points in industry and infrastructure (p. 4).

China's Policy Towards the Dalai Lama

□ In our third instalment from "100 Questions About Tibet," recently published by Beijing Review Press, the diverging views of the Chinese government and the Dalai Lama are scrutinized. His "New Proposal," outlined last year in Strasbourg, and the notion of a "greater Tibetan autonomous region" are also analysed (p. 26).

Japan's "War Responsibility Phobia" Analysed

□ China has responded strongly to the recent statements by Japanese Prime Minister Takeshita refusing to recognize the aggressive nature of the last world war (p. 12). *Beijing Review*, Japanese edition, published an article analysing the chronic political disease—"War responsibility phobia"—that has been prevalent among many Japanese politicians (p. 7).

Peace Hopes Rise in Central America

□ The recent summit meeting of five Central American countries broke the deadlock in the region's peace process with an agreement on the realization of internal peace in Nicaragua, the central point in the region's conflicts (p. 10).

Unless written by Beijing Review staff, the opinions expressed in signed articles do not necessarily reflect the view of the Beijing Review editorial board.

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Will Economic Curbs Hit Overseas Investment?

by Yao Jianguo

Currently China is striving to scale down its overheated economy, improve its economic environment and rectify its economic order. Chinese leaders have reiterated: These efforts will not affect China's open policy. While China curtails its economic growth, its doors remain open to foreign investment. Simultaneously, it will strictly uphold and protect contracts for foreign-funded projects, including those already in operation.

In the rational readjustment of the investment structure, priority and guarantees of funds, manpower and materials will be given to projects filling China's urgent needs. In China, this restructuring of foreign investment policy is called "leaving one side of the net open."

Under the principle of improving the economic environment, China will also restructure priorities on how foreign capital is used. The reasons for this are understandable: In the past few years, office buildings, hotels and guesthouses have attracted large amounts of foreign capital. There are now more than enough of these kind of projects and no further large-scale construction is needed. Present efforts to scale down capital construction are targeted on reducing investment in this field.

In the future, foreign businesses will encounter difficulties in securing partners and approval for investment in hotels, guesthouses and residential or office buildings in major tourist cities. In addition, foreign investment will generally not be accepted for projects manufacturing goods with export quotas or licence control (such as clothing and textiles), household electrical appliances and automobiles to be sold on the domestic market requiring long-term supplies of imported components.

Will this mean foreign investment in China will become more difficult? No. Although China is overhauling its economy, many areas still require foreign capital.

First, China's efforts to curtail investment in fixed assets are being combined with a rational readjustment of its industrial structure. Instead of investment being curbed, it will be redirected: Pruned severely in some sectors, and guaranteed and increased in others. At present, the weak links in China's economy are energy, transport and communications, and telecommunications, and the iron and steel, chemicals, machine-building and electronic industries dependent on

imported raw materials. Foreign businesses, therefore, are encouraged to invest in these areas.

Second, at present, China particularly welcomes overseas businessmen to establish more exclusively foreign-funded enterprises, especially ones that are export-oriented and technologically advanced. In recent years, thanks to the gradual improvement in China's investment environment, this form of enterprise has multiplied in China. In 1988 alone, 410 were set up.

Third, most of China's 1.2 million enterprises are poorly equipped, giving foreign companies ample scope to find an investment target suited to their needs. Modernized with foreign funds, they can quickly yield economic returns. In recent years, China has given investment priority to the technological transformation of light industry, machine-building, electronics and the development of intensive processing and new products.

For investment in the above three fields, foreign investors do not have to worry about supplementary funds from China. Wang Deyan, president of the Bank of China, declared recently that although China is slowing down its economy, loans for foreign-invested enterprises will be guaranteed and more funds will be available than in 1988. Last year, the bank lent US\$2.246 billion in foreign exchange and 3.88 billion yuan to foreign-funded enterprises.

With favourable geographical conditions, ample labour power, stronger economic foundations and improving transport and communications, China's coastal areas are well suited to the development of compensatory trade and processing imported materials to supplied designs. These forms of economic co-operation, which combine overseas inputs and markets with comparatively cheap Chinese labour, can yield reasonably large economic returns over a short period of time. They are an ideal area for foreign investment.

Overall, China's current policy of curbing its economic growth rate will not detrimentally affect foreign investment. The government's readjustments are aimed at redirecting funds from one set of channels to another, and the country's doors remain wide open to the world. As an instance of this, in the first half of this year, the State Planning Commission and various provinces, municipalities and autonomous regions will publicize a series of projects requiring foreign backing to help overseas companies select suitable areas for investment in China. □



The Bushes mingle with the Chinese people in front of Tiananmen (the Gate of Heavenly Peace), Beijing.

QI TIEYAN

Bush Visits China & Friends

In February, 17 years ago, President Richard Nixon completed his historic trip to China, which finally led to the normalization of relations between China and the United States. Now, newly elected President George Bush has wrapped up a 39-hour working visit to Beijing, which was des-

cribed by Chinese leader Deng Xiaoping as being a journey of greater importance than an official one.

Different feelings the two had. China was a strange and mystical land to Nixon before his visit. For Bush, however, the familiar city of Beijing seems to be his second home.

He has many old friends here whom he knew when he was the head of the US Liaison Office in 1974-75, as well as those he met during the previous four trips. It appears that it was his nostalgia that drove him back to the city.

Unlike his predecessors, who had only a few ordinary Chinese friends, Bush has many in Beijing. These include those he met at the Chongwenmen Christian Church, a small and simple sanctuary where the Bushes often went to worship many years ago and where their daughter was baptized. The president arrived in late afternoon on February 25. The next morning he and his wife joined some 600 Beijing people in attending a morning prayer meeting at the church. Perhaps, in this manner, Bush showed how he differs from his predecessors. It may also be treated as a sign of a good bilateral relationship, a relationship that is now not only on the

level of leader-to-leader but also on that of leader-to-people and people-to-people.

The development of Sino-American relations has been stable, though there have been some problems. "We hope that bilateral relations will develop further during your term," Deng told Bush two hours af-

ter the president left the church. The American leader said he agreed with Deng's comments on the relationship.

Deng didn't elaborate on the problems, but it is generally believed that the major stickler is the Taiwan issue. Premier Li Peng said, when holding official talks with Bush, that the Chinese have paid special attention to the Taiwan issue. There are a few Americans who have tried to affect China's policy on various issues and interfere with China's internal affairs. If such practices come from American officials, the existing good relations will be shadowed, the premier said.

Bush said that the United States will firmly carry out the "one China" policy and that it will continue to comply with the principles of the "three communiques." The United States declared this policy to show its objection to the activities of separatists within the Taiwan Island.

The "three communiques" are: the Shanghai Communique, February 27, 1972; communique on the establish-

ment of diplomatic relations, December 15, 1978; and the communique of August 17, 1982. The day Bush concluded his short visit marked the 17th anniversary of the Shanghai Communique, which contained the significant statement: The United States acknowledges that all Chinese on either side of the Taiwan Straits maintain there is but one China and that Taiwan is a part of China.

In regard to the Soviet Union, Deng said China hoped that Sino-Soviet normalization can be realized and that Gorbachev's reform would succeed. Also, he added, China hoped that the United States and the Soviet Union will improve their relations.

Bush said the United States welcomes Gorbachev's forthcoming visit to China and the improvement of Sino-Soviet relations which, he said, will be beneficial to peace and stability.

When meeting with Bush, Zhao Ziyang, general secretary of the Communist Party of China, said China will not export its own system and

won't copy other countries' systems either.

Zhao said there are two trends of thought in China, both of which are going to extremes and reinforcing each other. There are those who think the reform has developed on a wrong track and should be reversed. There are others who regard the difficulties as political in nature and urge solutions based on Western models.

The first group will get no support from the people, whereas the other group completely ignores the particular circumstances in China and their ideas are therefore not feasible. If the latter view prevailed, the reform would encounter obstacles that would cause setbacks and have serious consequences, Zhao pointed out.

Zhao said support given by certain figures in the United States to people showing resentment against the Chinese government is both detrimental to the stability of China's political situation and harmful to Sino-US friendship.

by Li Haibo

Historical Facts Are Undeniable

The Chinese people, as well as other peoples in Asia and other parts of the world, feel deeply agitated about the recent controversial remarks by the Japanese Prime Minister Noboru Takeshita and the Director of the Japanese Legislative Bureau on the aggressive nature of the Japanese invasion of China in particular, and World War II in general.

At the February 14 session of the Japanese Diet (Parlia-

ment), the director said that whether from the perspective of Japanese law or that of international law, the late Japanese Emperor Hirohito bore no responsibility for World War II. On the same day, the prime minister said that the nature of the war, aggressive or non-aggressive, is a matter for future historians to judge. The prime minister repeated the same remark in the Diet on February 18.

Chinese Foreign Ministry

spokesman Li Zhaoxing said on February 16 that the tremendous sufferings and the responsibility for World War II "are historical facts that cannot be changed by anyone."

Liu Dalian, a Chinese legislator and noted historian, criticized the leaders of the Japanese government while speaking at the ongoing sixth meeting of the Standing Committee of the Seventh National People's Congress on February 20.

Liu said that to the Chinese people it is not a problem whether the late Japanese emperor bore responsibility for

Japan Gets 'War-Responsibility-Phobia'

In its "Notes From the Editors," published on February 28 in issue No. 9, the *Beijing Review*, Japanese edition, pointed out that within ruling Japanese circles there has been a chronic, political disease of an epidemic nature — "war-responsibility-phobia."

This disease has been diagnosed by evidence of frequent and intermittent irresponsible speeches that have been made in Japanese political circles in regard to Japan's aggressive war against China and other countries. These comments have obscured the nature of the war and absolved the former aggressors, thus causing concern among many people.

In 1986, for example, Masayuki Fujio, then Japan's education minister, made several statements excusing Japan for its annexation of Korea in 1910 and its slaughter of Chinese people.

Last year, people heard Seisuke Okuno, head of Japan's National Land Agency, trying to reverse history's verdict on

World War II by claiming that Japan was not an aggressor in the war.

Now in mid-February, the Japanese Prime Minister Takeshita himself claimed, on two occasions, that the nature of the war—whether aggressive or non-aggressive—is a matter for future historians to judge. He also said that it was difficult to define an aggressive war academically. The remarks were "nothing but a euphemistic expression denying the fact that the war was aggressive," said the magazine.

All these words were not uttered from the same mouth, so it is an "epidemic disease." "It becomes very harmful and dangerous when we find it within the ruling party," the signed article said.

The article pointed out that it was a historical fact that Japan invaded other countries during World War II and that it was totally wrong to treat it as an unsettled academic issue.

The notes further pointed out that these mistaken remarks have severely wounded

the feelings of the people in China and other Asian countries. Also, Japan's image of a peace-loving nation was tarnished by those speeches and its desire to become a major political power may possibly come to naught.

"If the statesmen of a country lack the courage to face history and accept its reality, and cannot obtain trust from the international community, the country can hardly play a major role in world politics. In many European countries, the governments have been sparing no efforts to pursue and capture every escaped former fascist, and any ideology and activities of neo-Nazism are widely and strongly opposed. However, this has not been the case in Japan. On the war issue, many Japanese politicians have been found to be bashful, trying to cover up the mistakes and crimes of past rulers," said the notes.

The article concluded that Japan's political disease cannot be cured overnight. "We have to wait and see." □

the war or not.

"If they insist that the late emperor didn't bear the responsibility, it will only be a gross deception which nobody will believe," he said.

He went on to say that documents on all the meetings held in the presence of the emperor during the war of aggression against China and the records of those present are still available.

"The fact that such meetings

would be called for to make decisions at every critical moment alone could fully show whether the emperor bore or did not bear any responsibility for the war," he added.

As for Prime Minister Takeshita's remarks on the nature of the war, Liu said he wondered if there is any special set boundary line for the "future" or if the term has any particular meaning.

He said most Japanese scho-

lars and historians all over the world have long ago reached a unanimous agreement on the aggressive nature of that war.

Yasuhiro Nakasone, the former Japanese prime minister, too, has also officially claimed the war was an invasion, Liu said.

On February 22, a Chinese Foreign Ministry spokesman said that China will not allow anybody to deny or distort "that unfortunate period

in history" when the Japanese militarists launched a war of aggression, bringing immense suffering to the people of China and other parts of Asia.

He said that any remarks or acts aimed at obscuring the nature of or shirking responsibility for the war contradict the principles and spirit of the Sino-Japanese Joint Statement and China-Japan Peace and Friendship Treaty.

On behalf of Japanese Prime Minister Noboru Takeshita and Foreign Minister Uno, Japanese Ambassador to China Toshiji Nakajima on February 22 gave an explanation of Takeshita's recent remarks.

The ambassador told Chinese Vice Foreign Minister Liu Shuqing that Takeshita regretted not having expressed himself accurately at a recent session of the Diet.

According to the ambassador, the prime minister said that Japan had greatly hurt people of neighbouring countries through the war.

"It is a fact that the war has been regarded as an invasion and has been severely criticized," the prime minister was quoted as saying.

The prime minister was also quoted as saying that the understanding of the Japanese government as regards the war had been expressed in the Japan-China Joint Statement issued in 1972, and it has remained unchanged. The fact that the war was an act of aggression against China is undeniable, he said.

The prime minister said that, as a peaceful country, Japan will make sure such a thing never occurs again and will make its contributions to world peace and stability, the ambassador said. □

Toy Fad Fuels China's Market

An early morning on New Year's Day, a stream of people with their children were waiting outside the Toy and Recreational Articles Shop of Beijing's Wangfujing Department Store. When the shop opened at 8:30, the rush was on. Within one hour, the 1,000 Transformer Autobots, 46 to 105 yuan each, were sold out. Those who failed to buy a toy had to patiently coax their children to go home.

First introduced in south China, the Transformer Autobot swept into Beijing toy markets at the beginning of this year and has since become somewhat of a hot item. This Western toy has boosted the country's growing toy sales and drawn attention to the quality of China's own domestic toys.

Transformer Autobots are flexible toys, spacemen that can be folded into various shapes. These spin-offs from some fantastic modern fairy tales are made by Hasbro Inc., a toy industry giant in the United States.

The toy is moving briskly on the Chinese market. Within less than two months, the volume of sales has topped 10 million yuan, setting a record in toy sales for the country.

According to Wang Xiumin, manager of the Toy and Recreational Articles Shop, on New Year's Day, the shop's first day of business, more than 300 kinds of toys, worth a total of 133,000 yuan, were sold out. Of them, 60,000 yuan came from Transformer Autobots. In January, she added, the sales volume of her shop was 80,000 yuan per day, of

which more than 20,000 yuan were earned from selling Transformer Autobots. But, she said, "I don't think the fad will last long. It is just a fashionable toy after all, and simply for playing." The shop would not buy any more of these toys, she added.

When the Transformer Autobot first appeared on the Chinese market, people paid little attention to those expensive, queer-looking figures. But since a cartoon film about these characters, supplied by the American company free of charge to television stations of some big cities in China, was shown, the situation has changed dramatically.

Children, both boys and girls, middle school students and kindergarteners, were all fascinated by the film and robots in it, who have limitless supernatural power.

But recently, 20 Chinese legislators of the National People's Congress Standing Committee have lodged an objection against the cartoon film. They said the cartoon depicts bellicose characters and will poison the minds of young children.

Moreover, the cartoon has also created a huge demand for imported Transformer toys which are excessively expensive, they said. They called on the television stations to stop showing the cartoon immediately and on publishing houses to cease publishing the picture books.

In the past couple of years, China's toy industry also increased rapidly. The industry earned US\$330 million from exports last year, an increase of 13.8 percent over the previous year.

The boom in China's toy industry is an indirect result of the country's family planning policy, which has produced

more and more one-child families. Many parents take children as the major source of their own happiness. Therefore, young parents who are now better paid than their own parents, often look for affordable toys to please their children.

A survey of 300 Beijing families conducted last year showed that an average of 32 yuan per household is spent on toys annually while some spend more than 100 yuan, equal to a whole month's salary of an ordinary worker.

"From my experience with toy sales," said manager Wang, "I see that the price of a toy is not a major problem for young parents today. The problem is that toys are in short supply."

On the other hand, Wang said, "Toys made in our country have lagged behind, compared with some toys made by foreign countries." The assortment of toys is deficient and stereotyped, she said. Parents have often complained about the little room for toy selection and that toys good for developing children's intelligence are even rarer.

In order to change the situation, China established a toy association in 1986, to which are attached more than 700 toy enterprises. So far, the country has invested more than 40 million yuan in the toy industry and US\$2 million for importing raw materials.

In addition, toy libraries have been founded in Shanghai and Beijing, and a national new toy exhibition was held in Beijing last year. This year, the toy association will arrange a national business conference and an international toy industrial technology exhibition in Guangzhou, Guangdong Province.

by Wang Yanjuan

Weekly Chronicle

(February 19-25)

POLITICAL

February 22

□ Chinese senior leader Deng Xiaoping meets in Beijing with Major Pierre Buyoya, chairman of Burundi's Military Committee for National Salvation and president of the Republic of Burundi, who came to visit China on February 20. Deng says that the road China has travelled during the past decade is the proper one and that China will proceed along it steadfastly. He says the strategy of the Four Modernizations will never change. Nor will the main policies be altered.

February 23

□ A spokesman for the Ministry of Foreign Affairs, Li Zhaoxing, says that the drafting of the Hong Kong Basic Law is China's internal affair, and that no other country has the right to interfere.

Li's remarks came in the wake of reports by a Hong Kong newspaper that some congressmen of the United States are drafting a statement critical of the proposed basic law. Li expresses the wish that they not do anything that may damage Sino-American friendship.

CONOMIC

February 20

□ China exported 12 million radio-cassette players last year, earning \$US224 million—an 80 percent rise over 1987, according to Xinhua News Agency.

The radio-cassette players were the biggest source for foreign currency in China's

electrical appliance industry. Foreign currency earned last year from sales of the radio was 3 percent higher than that earned from sales of colour television sets.

□ China exported \$US6.15 billion worth of machinery and electrical products last year, according to Shen Liechu, director of the State Council office in charge of such exports.

Shen says that the figure indicates a 60 percent rise over 1987 and is 3.7 times the 1985 figure.

CULTURAL

February 21

□ China has used \$US200 million in World Bank loans to improve teaching conditions in its institutes of higher learning during the past eight years, *Guangming Daily* reports. They include \$US100 million of "soft," or interest-free, loans and \$US100 million of "hard," or low-interest, loans. The loans are repayable in 20 years.

The loans also helped China to send 2,600 students and scholars abroad for advanced study and joint scientific research, and invite 400 foreign experts to lecture in China, the paper reports.

SOCIAL

February 22

□ *China Daily* reports that there is only one lawyer for every 50,000 Chinese. If the number of lawyers in China grow by 5,000 a year, as it did in 1987, it will take 100 years to reach 500,000, which is the number senior leader Deng Xiaoping estimates would be sufficient to meet the country's needs. □



Vowing peace: leaders of the five nations at the opening ceremony of their summit meeting.

Summit Plans Nicaraguan Peace

by Liu Ruichang

The fourth summit meeting of five Central American countries — Nicaragua, Costa Rica, El Salvador, Honduras and Guatemala — was held on February 14 in San Salvador in a bid to promote the peace process in Central America. The two-day meeting for the first time reached an agreement on the realization of internal peace in Nicaragua, the focal point of the Central American conflict, thus breaking the stalemate dominating the peace process since last year. The result won widespread appreciation in the international community.

The agreement was as follows: the Nicaraguan government shall hold general elections of president and all legislators not later than February

25 next year, nine months in advance of the scheduled date; expand democracy; grant amnesty to all political prisoners; and implement freedom of the press. Under these conditions, the heads of the five countries will hammer out a package plan in 90 days to drive home or transfer to other countries the 13,000 *contras* and their dependents based in Honduras, Nicaragua's neighbour. The leaders hoped that the eight-year-old civil war in Nicaragua can be brought to an end and peace be restored under the agreement. The complete implementation of the agreement will ensure a basic resolution of the Central American conflict.

The leaders of the five countries reached a previous agree-

ment at their second meeting in August 1987, which aimed at reaching a ceasefire and democratization. This was the first peace pact of its kind, which initiated negotiations on a ceasefire between the conflicting parties in Nicaragua, El Salvador and Guatemala, especially in Nicaragua. Last March, the Nicaraguan government and the *contras* held high-level negotiations for the first time and reached an accord of a 60-day ceasefire. The two sides continued to talk on a complete ceasefire after this, but disagreement over conditions for the realization of internal democracy prevented them from going

further.

In El Salvador and Guatemala, the conflicting parties held several rounds of negotiations at the end of 1987, but no agreement was reached and the talks collapsed. Starting from late 1988, the peace process in Central America came to a standstill. Though the Nicaraguan civil war basically ended due to a unilateral ceasefire on the part of the government since last March, the armed conflict in El Salvador since last September intensified. The fourth summit meeting of the five countries, which was originally scheduled to take place last August, on the occasion of the first anniversary of the signing of the first Central American peace pact, was delayed five times.

As hot spots elsewhere gradually cooled down, the stalemate in the peace process in the region provoked concerns from the international community, the Latin American countries in particular. The war-worn Central American nations all earnestly hoped for an early peaceful settlement of the conflicts in the region.

Four factors contributed to the breakthrough at the meeting. First, the two parties involved in Nicaragua's conflict are all exhausted and are willing to end their war. The Nicaraguan government, though still keeping a military edge, cannot afford the cost of the war any longer. Since 1985, defence spending has been accounting for more than half of the national budget. At present, the national economy is on the brink of bankruptcy, resulting in a severe shortage of goods and a soaring inflation rate, which reached 20,000 percent last year, the highest in Latin America. The people are generally dissatisfied and long for peace. On the part of the *contras*, their fighting capabilities were dealt a fatal blow by the United States' suspension of military aid in February last year. They are no longer able to fight directly with the government forces in Nicaragua and had to retreat to Honduras to maintain their existence. Besides, discord within the anti-government forces is mounting and the rift is widening. Aside from a few diehards who insist on armed struggle, most people are willing to put down their arms and return to their home after the government restores democracy. Under these circumstances, the government changed its tough stance and agreed to hold elections in advance and implement democracy to seek national recon-

ciliation.

Second, the Bush administration's attitude towards the Nicaraguan government is softer than its predecessor's, and this has played an active role in promoting Nicaragua's internal reconciliation. For eight years the Reagan administration had adopted the policy of supporting the anti-government armed forces in their attempt to overthrow the Nicaraguan government. This backing failed. The Bush administration has faced up to this reality and readjusted the US Central American policy. It has said that it will use diplomatic, rather than military means to solve the Nicaraguan problems and will not ask the Congress to give military aid to the anti-government armed forces for the present.

Third, the Honduran government's change of attitude towards the Nicaraguan *contras* is also an important factor. In the past the Honduran government, under pressure from the United States, actively supported the Nicaraguan anti-government armed forces, which used its territory as a base to conduct activities against the Sandinista National Liberation Front-led government. About 40,000 Nicaraguan anti-government elements, including their family members, have for a long time lived in Honduran territory adjacent to Nicaragua, which covers thousands of kilometres and is rich in coffee. This migration and resettlement has caused serious economic and social problems in Honduras. It is reported that about 12,000 coffee farmers there have been pushed out due to the influx of elements opposing the present Nicaraguan government. There have been no coffee harvests for many years. Last October Honduras' foreign minis-

ter suggested at the United Nations General Assembly session that the Nicaraguan *contras* be driven out. It was revealed that at this summit Honduras initially proposed to send these forces back to Nicaragua. This proposal immediately won the support of the Honduran armed forces.

Finally, the present international relaxation has also helped promote the peace process in Central America. The US-Soviet contention in Central America has lost its intensity. The Soviet Union, in particular, has recently become less interested in Central America and begun to reduce its aid to Nicaragua in order to develop relations with other Latin American countries and gain economic benefit.

There is no doubt that this summit has opened a new road. But, since the Central American conflict is complicated, and external interference and the internal struggle for democracy and social justice have mingled here, it is not easy to thoroughly sort out this problem. There is a long distance to travel before a written agreement can become reality. First, it is not evident that the US government has substantially changed its policy towards Central America. Its gestures appear to have been only a tactic. Recently President Bush said that US foreign policy will follow the established rules, i.e., the policy of the Reagan administration. He also said that the United States would continue to support Nicaragua's anti-government armed forces. Second, it is not certain whether the general elections will be carried out smoothly and whether the anti-government armed forces will give up their arms. The opposition factions in Nicaragua said they were

against the proposal to advance the elections. They advocate a revision of the constitution; otherwise, they will not take part in the elections. The Nicaraguan government has pointed out that the constitution will not be revised.

The agreement by the heads of five countries at this summit was signed at the absence of representatives from the United States and the anti-Nicaraguan government armed forces. The US government has prudently reacted to this agreement, saying that it will first wait and see what the Nicaraguan government will do. The hardline faction of the anti-Nicaraguan government armed forces has rejected the agreement.

Third, the repatriation of the anti-government armed forces is also a complex matter, as is the question of where the expenses of repatriation and settlement will come from. The question of whether a package plan worked out by the heads of the five countries will be accepted or not is up in the air as well. Even if the Nicaraguan issue is solved, the armed conflicts in El Salvador and Guatemala are still a reality. Although the guerrillas in El Salvador are only about 5,000, they use the mountainous area as their base, a potential foundation for mass strength. They can put the whole country's traffic at a standstill, occupy towns and cities, and even can attack mil-

itary camps near the capital. The government troops cannot destroy them. The civil war in El Salvador is protracted. The guerrilla activities in Guatemala are small-scale.

Observers are optimistic about the vista of solving the Nicaraguan armed conflict, considering that the Nicaraguan civil war is to be at an end within a few years. The main reason is that the anti-Nicaraguan government armed forces have no base in the country and no mass support, so they cannot survive much longer. And it seems unlikely that the United States will support them indefinitely. Conflicts in El Salvador will probably be highlighted in the future. □

Japan Tones Up Defence Policy

by Gengfu

Recently, a Japanese defence expert said that today Japan is a supereconomic power and in a position of exercising influence on others. But, in truth, it is a small military nation constrained everywhere and unbalanced in power. Under such circumstances Japan has to increase its military strength. Although the annual quota of Japanese defence expenses amounted to US\$30 billion, this is not enough. In the next 10 years, the growth rate of Japanese defence expenses should be maintained at 6 percent and held to 1.5 percent of the GNP.

According to another source, the military expenses of the 1981 budget topped that of social security. From 1981 to 1988 the national budget spending on welfare, medium

and small-sized enterprises and agriculture has been short shrifted by the budget while military expenses have increased 5-7 percent. If 1982 was taken as standard, the military expenses in 1988 increased 43.1 percent and the social security expenses increased only 14.3 percent.

Of course, it should be pointed out that the development and change of Japan's defence policy and defence strength are connected with the United States' demand for Japan to increase its military expenses and shoulder more of the responsibility for its own defence.

Growth in Research

Japan's science and technology are well developed and have overtaken the United

States in many projects of sophisticated technology. Its electronic industry is the focus of world attention. In June 1984 a report of the US Defence Department listed 16 Japanese technological items—integrated circuits, light fibres, communications, millimetre waves, pattern recognition and rocket propellants—as those which interest the United States. A report of the US Science Foundation also ranks Japan first in terms of technological innovation. An official of the US Defence Department said that Japan has become a nation of great military technology because electronics and communications are beginning to become the main part of military equipment.

Besides the huge potential of

steel, auto and shipbuilding industries, Japan's nuclear industry and space navigation technology have also developed. From 1955 when it first engaged in a trial of small rockets to the present, Japan has successfully researched and manufactured eight kinds of carrier rockets and launched more than 30 satellites. According to the latest news, Japan and the United States have reached a substantial agreement on building space bases. The agreement stipulated that when Japan joined the construction plan for a manned space station, it should share the role. This plan predicted that by about 1990 the US Space Agency would use a space shuttle to launch a space station, and Japan, Canada and the European Community would join it. At present Japan is manufacturing space shuttles, and this marks a new step in its space navigation technology.

Besides, Japan has broken away from the principle of shunning collective defence. It decided to transfer military technology to the United States in 1983, and in 1986 it formally decided to join in the research work of the US Strategic Defence Initiative. Japan and the United States also signed an agreement in December 1985 to provide arms technology to Washington. In September 1986 the Japanese government decided to provide the United States with missile induction technology and the know-how to build support fleets. Therefore, the general view is that Japan has actually denounced its three principles on prohibiting the exportation of arms.

According to the British *Daily Telegraph*, many big Japanese enterprises are interested in manufacturing munitions.

The arms produced by Japan's biggest munitions manufacturer, Mitsubishi Heavy-Industries Ltd., made up 18 percent of the total volume of its business in 1987. This company is preparing to enlarge its arms production scale and its slice of the overall output will reach 25 percent. Japan's Nissan Motor Co Ltd. also plans to increase arms production from 1 percent to 10 percent. Military munitions production of the Mitsubishi, Kawasaki, and Toshiba companies is developing a sophisticated technological orientation and lists guided missiles as their first research project. *Tokyo Shimbun* says that the Nissan has publicly announced its intention to produce weapons, mainly guided missiles and rocket. In recent years, stocks related to the defence industry have become "best sellers" on the Tokyo market. Investors predict that munitions production will play a leading role in the production of Japan's big enterprises. An energetic boost in munitions production can reap huge profits for such businesses. It is reported that the Japanese Defence Agency spends more than 90 percent of its military budget domestically, and many companies predict with confidence that the profits of their munitions production will soar.

New Nationalism

The rapid economic growth gave rise to a new nationalist trend. Some elements within the ruling Liberal Democratic Party also advocated nationalism and chauvinism. This trend, which is still developing, was manifested mainly in the form of a "neo-nationalism," promulgated by the remarks of some ruling of-

ficials. These include a bracing of the concept of the state and the spiritual authority of the emperor, and an instilling of a sense of national defence in the public. Some cabinet members visited the Yasukuni Shrine — a public graveyard where the remains of former war criminals are placed — in their capacity as government officials, revised the Japanese history textbook and attempted to amend the constitution. Among these, the revision of the constitution is a matter that concerns the fundamental guidelines of Japan's defence and the direction of the development of its military strength.

The existing Japanese constitution was published on November 3, 1946, when Japan was defeated and occupied by the United States. The law took effect on May 3, 1947. Article 9 of the constitution stipulates that Japan renounces for ever its right as a sovereignty to wage a war and that Japan will not maintain an army, air force, naval force or any other war forces. The constitution does not recognize the state's right to take part in a war either.

To revise the constitution was one of the targets of the Nakasone cabinet's "post-war political strategy." The former prime minister once stated that it was "a determined policy to revise the constitution." Two Japanese organizations, under the flags for constitutional revision and modernization, jointly held a national conference in Tokyo last May. Leaders of the two bodies released their draft on the revision of the constitution. The draft said that Article 9 of the constitution should be preserved, but an important amendment must be made to it. That is, the wars prohibited

by the above-mentioned article apply to aggressive wars, armed threat or the use of armed force banned by international law, but not to the necessary military forces needed for self-defence. They said this addition should clarify the prohibition. One of the leaders stressed that the present constitution was made according to the will of the occupying forces with an intent of weakening Japan. Now, he said, the Japanese should build a new country and reinvigorate their morale.

The constitution is not only the instrument to check the development of arms. It also leads to some other laws and decrees that include the strategy of exclusive self-defence. This states that armed forces can only be used when the country is being attacked, the use of force must be limited to the minimum degree required by defence, and that the armed force maintained by the state should also be restrained to the minimum level. The exercise of the self-defence right is conditional. It is only to be used during times of invasion and then at a minimum level when no other means to expel intruders is available. The right of collective self-defence is denied, and the state is not allowed to dispatch troops abroad. The installation and development of intercontinental ballistic missiles and long-range bombers that are capable of destroying other countries are banned. Three non-nuclear principles—no holding, no manufacturing and no admission of nuclear weapons—are in force. There are also three bans in regard to exporting arms: no exporting of weapons to socialist countries, countries embargoed by certain resolutions adopted by the United Nations, or countries

concerned in international conflicts or countries with such a potentiality. Neither is a military recruiting system allowed. The armed forces are to be governed by civilian personnel, and the current defence expenditures should be limited to within 1 percent of the GNP.

With changes in the international situation and the alteration of Japan's defence policies, some of the above taboos have been partially broken. Besides the well-known defence expenditure issue, leeway has also been given for the admission of US warships carrying nuclear weapons into Japanese ports, breaking the three non-nuclear principles. Japan has also announced that it will escort ships, including US ships, along the 1,000-nautical-mile sea-transport line, a move running counter to its previous commitment of not entering into collective defence.

These developments show that the constitution and the related laws and policies have gradually become null and void. And the constitutional power to oversee has greatly weakened, one of the consequences of a rampant nationalism.

New Worries

As can be seen, Japan's defence policies and defence forces have undergone evident changes. Japanese leaders and the Japanese government have made many explanations and even publicly promised that Japan will never seek to be a military power or revive its old militarism.

On July 29, 1988, Prime Minister Noboru Takeshita in a speech to the Diet, Japan's parliament, urged that emphasis be placed on Japan as a

charitable nation. He proposed a blueprint for international co-operation composed of three parts—conducting co-operation for the purpose of peace, promoting international cultural exchanges and expanding governmental aid for development.

It is believed that a series of internal and external conditions have determined an unlikelihood that Japan will buck the historical trend.

Still, opinions are divided both inside and outside Japan. The activation of some militarist elements in Japan has aggravated people's suspicions.

A Japanese organization pointed out that the international situation eased in the wake of the signing of the treaty eliminating intermediate-range nuclear missiles between the United States and the Soviet Union. Yet, the Takeshita cabinet ignored this trend and further expanded Japan's military strength. Defence spending in 1988 accounted for 1.013 percent of the gross national product, exceeding the 1 percent ceiling. At the same time, Japan's military alliance with the United States has been strengthened. For example, Japan has promised to finance the labour allowances for US troops stationed in Japan. These developments have aroused worries from China and other countries neighbouring Japan.

An opinion poll conducted by the Prime Minister's office showed that 58 percent of the respondents considered the present defence spending scale "very good" and another 19.2 percent thought the defence budget should be cut further. This means that 77 percent oppose or disagree with an increase of defence spending, indicating that more people feel

uneasy about the future. Even among those supporters of the ruling party, 72.9 percent gave a negative answer to a further increase of the defence budget. An editorial published in one of Japan's most influential national newspapers, *Asahi Shimbun*, asked the government why it should keep increasing its military expenditures in light of a worldwide cut of military spending. The article doubted if the traditional reason for a defence theory, a Soviet threat, could serve as grounds for such an increase.

A long-term comprehensive strategic report released by the United States early in 1988 held that in the next 20 years the world will be multipolarized and that one of the key questions that will influence the strategic balance will be whether Japan will embark upon a road of militarism. Henry Kissinger, ex-Secretary of State of the United States, said in February that the pattern of international relations by the end of this century will change essentially, and Japan will become one of the big military powers.

A high-ranking US official said in a meeting that it will be detrimental to the stability of East Asia to press Japan to inflate its defence budget to the point that its defence capabilities exceed what is now planned — being able to protect an area of within 1,000 nautical miles. He also criticized the proposition advocated by some US Congressmen that Japan increase its defence spending up to 3 percent of its GNP. The official, who used to demand that Japan raise its defence expenditures, has now taken an about-face in regard to Japan's military expansion. This indicates a wariness on the part of the United States towards the

growing trend in Japan that tries to bring the country back to militarism. A report said that the US Defence Department not long ago conducted a trial exercise, in an extremely secret manner, targeted against Japan. The report also said that this was the first such exercise since World War II and that the United States had studied various possible scenarios involving Japanese action and what counter moves would be needed in each case.

The Asian-Pacific countries are generally worried about a strengthened Japanese defence. South Korea's *East Asian Daily* said in an editorial on May 11 last year that the South Koreans were once again confronted with the possibility of a powerful Japan becoming a headache for them. After more than four decades of hard struggles since the last world war, Japan has become an international force and an economic giant. Its strength far surpasses that of any regional country or regional sphere of influence. Its hefty economy has not only enabled Japan to become an economic power but will naturally give it political and military muscle as well. At first glance, it would seem that Japan has not increased drastically its army and weapons. However, its strategy of securing high-tech nuclear weapons and military technology will enable it to effectively and artfully acquire the status of a major military power.

According to another news dispatch, Indonesia's defence minister told a visiting Japanese Defence official that Japan's reasons for increasing military spending were understandable, but that an increase to US\$29 billion was "really too high." Other Southeastern countries have voiced similar

worries.

Above all, it is a clear fact that Japan's defence policies and forces have changed markedly. The various reactions and responses arising from the changes are not without reasons. □

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China's Foreign Economic Relations And Trade: 1988-89

by Liu Xiangdong, head of Department of Policy Research and System Reform of MOFERT

During 1988, China opened its doors still wider to the world. It expanded economic development of its coastal areas and further deepened the reform of its foreign trade system, implementing a contract responsibility system and delegating rights to manage foreign trade downwards. As a result, imports and exports both grew substantially, as did investment and borrowing from abroad, and contracts for overseas projects and labour services.

For 1989, China plans to continue to seek foreign capital, especially for transport and communications, telecommunications and the development of its energy and raw material resources. Investors from Taiwan will enjoy particularly favourable treatment.

Import-Export Trade

According to initial figures from the Ministry of Foreign Economic Relations and Trade, China's foreign trade totalled US\$79.419 billion in 1988. Exports came to US\$40.102 billion,

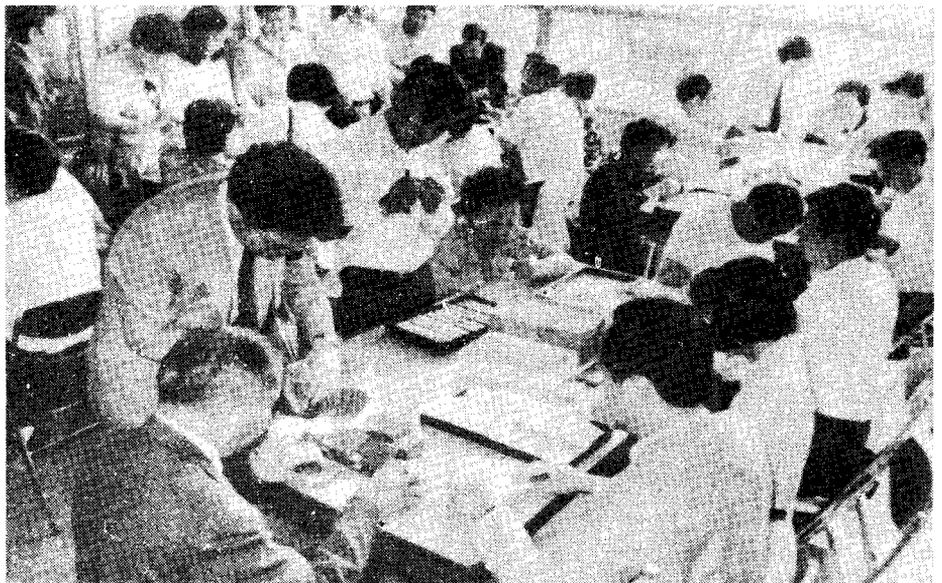
fulfilling the US\$38 billion target set by the Seventh Five-Year Plan (1986-90) for 1990 two years ahead of schedule. With imports at US\$39.317 billion, China had a balance of trade US\$785 million in its favour, thus consolidating the surplus registered in 1987.

China has now established trade relations with more than

180 countries and regions. During the first 11 months of 1988, its five largest trading partners were Hong Kong, Japan, the European Community, the United States, and the Soviet Union and Eastern Europe (see table on p. 17). Trade with these countries and regions totalled US\$51.96 billion, or 65.4 percent of all for-

	Unit:US\$ billion		
	1987	1988	Increase on 1987 (%)
Exports	34.711	40.102	15.5
Imports	33.399	39.317	17.7
Total Foreign Trade	68.110	79.419	16.6

Jewellery dealers from Hong Kong, Macao and overseas at the Autumn 1988 China Export Commodities Fair. CAI ZHONGZHI



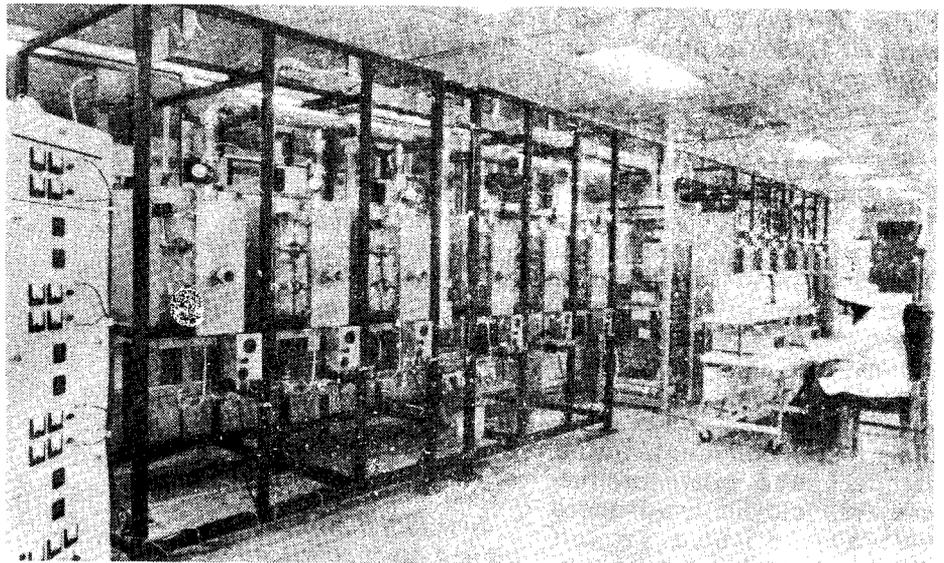
oreign trade over the same period.

The structure of China's imports and exports further improved in 1988. According to customs, finished industrial goods increased from 66.4 percent of all exports in 1987 to 69.1 percent. In particular, exports of light industrial products, textiles, machinery and electrical appliances rose by a large margin, while precision instruments and meters, sets of equipment, machine tools, colour televisions and other household electrical appliances increased by fold. For the first time, Chinese-made aeroplanes were sold abroad, and commercial payloads were carried into space by the country's Long March rockets. In addition, technological exports commenced, indicating the growing sophistication of Chinese goods.

As regards imports, raw materials in short supply and advanced technology and equipment accounted for more than 80 percent. Chemicals and chemical fertilizer, synthetic fibre, natural rubber, pulp, farm insecticide and granulated sugar, all increased, while expensive goods, such as motor vehicles and household electrical appliances, were subjected to stricter controls.

Funds From Overseas

While striving to improve its economic environment and scale down capital construction, China has simultaneously endeavoured to expand the



Trial production of the non-crystalline silicon oven manufactured by a Sino-US joint venture. HU WEI

	Trade With China (Jan-Nov 1988) US\$ billion	Increase on Same Period in 1987(%)	% of China's Total Foreign Trade
Hong Kong	18.76	33.6	23.6
Japan	12.66	10.8	15.9
EC	8.57	4.1	10.8
USA	7.14	27.7	9
USSR & Eastern Europe	4.83	19.2	6.1

	Number of Projects	Increase on 1987(%)	Negotiated Foreign Investment (US\$ billion)	Increase on 1987(%)
Joint Ventures	3,900	180	3.1	60
Co-operative enterprises	1,580	100	1.6	29
Exclusively foreign-funded businesses	410	800	0.48	0.2
Total	5,890	164	5.18	42.4

use of foreign funds. Loan agreements worth US\$10.2 billion were signed last year, of which US\$6.5 billion was actually borrowed, an increase of 30 percent and 13 percent respectively on 1987.

During the year, applications to establish 5,890 foreign-funded enterprises

were given approval, up 164 percent on 1987. These involved a negotiated foreign investment of US\$5.18 billion (42.4 percent up on 1987), with US\$2.4 billion actually being put to use (up 12.8 percent).

In addition, seven contracts for the joint exploration and exploitation of China's off-

shore oilfields were approved during the year with a total value of US\$58 million in negotiated investment. US\$200 million has actually been put to use.

With improved operating conditions, a simplification of the procedures for examining and ratifying foreign-funded enterprises, and enhanced efficiency, the use of foreign funds had several new characteristics in 1988:

- The number of energy, transport and communications, telecommunications, high-tech and other productive, technologically advanced and export-oriented projects all increased.

- Approval was granted to 410 exclusively foreign-funded enterprises, nearly nine times as many as in 1987. Overall, the figure was 2.2 times greater than the sum total of the previous few years.

- Most foreign-funded enterprises in operation performed strongly. Some 2,600 foreign-funded enterprises exported goods worth US\$1.7 billion, up 98 percent on 1987.

- With a rise in the proportion of medium- and low-interest, long- and medium-term loans from foreign governments and financial organizations, and a drop in the share of bonds issued abroad and commercial loans, the structure of China's foreign loans improved.

According to official figures, China has signed loan agreements worth US\$46.9 billion and used US\$33.1 billion since the introduction of the open policy in 1979. Negotiated foreign investment now totals US\$25 billion, US\$9 billion of which has already been used. To date, more than 15,900 foreign-funded enterprises have been approved, including 8,530 Sino-foreign

joint ventures, 6,770 co-operative enterprises and 594 exclusively foreign-funded businesses. Nearly 6,000 of them have started operation, 85 percent of which are generating sound economic returns.

Overseas Co-operation & Investment

In 1988, China signed 1,650 contracts for overseas projects and labour services with a total value of US\$1.832 billion, 5.72 percent more than in 1987. Actual earnings stood at US\$1.2 billion, equal to 1987. China has now contracted projects and labour services with 118 countries. These have largely been in the Middle East, Africa and Asia, but its American involvement has expanded, and labourers are now being sent to the Soviet Union and Eastern Europe. By the end of last year, 68,000 people were working overseas on labour service contracts.

The country also established 168 non-trade businesses abroad last year, involving a total investment of US\$220 million, 66 percent of which was put up by China.

From 1979-88, China signed 6,750 contracts worth US\$10.1 billion for projects and labour services overseas. Some 300,000 workers have been sent abroad, and business conducted so far has earned US\$5.7 billion. During the same period, 553 non-trade enterprises were set up abroad. Negotiated



Quality checks for automatic washing machines at the Guangzhou Marine Instrument Factory. LIU YUSHENG

investment for these stands at US\$2 billion, of which 38.75 percent has come from China.

Despite its success, China's foreign trade was not without its problems last year. With the downward delegation of foreign trade powers, unequal conditions of competition between localities and companies and poor management in certain areas, there was occasional confusion in some areas. In addition, the mushrooming of trading companies with inadequate managements disturbed the order in foreign trade. These problems need attending to in 1989.

Tasks for 1989

To improve China's economic environment and order and deepen the reform programme, the main tasks for China's foreign trade are as follows:

- Strengthening the contract responsibility system across all provinces, municipali-

Statistics for 1988 Socio-Economic Development

—Issued by the State Statistical Bureau of the People's Republic of China

In 1988, China's national economy developed amidst a drive to deepen the reforms and accelerate opening up to the outside world. As a result, the economic might was strengthened; foreign economic exchanges expanded; and educational, sci-tech, cultural and public health undertakings recorded new achievements. According to initial calculations, the annual gross national product (GNP)⁽¹⁾ reached 1385.3 billion yuan, an increase of 11.2 percent from 1987; national income came to 1153.3 billion yuan, 11.4 percent more than the previous year. The major problems in the economic development were an overheated social demand, a sharpening of the contradiction between supply and demand and of the structural contradictions, a hasty price hike and an evident inflation. Upon entering the fourth quarter, many efforts were made and some initial results were realized in the ongoing drive to implement the policy of improving the economic environment and rectifying economic order.

I. Agriculture

The total agricultural output value in 1988 reached 561.8 billion yuan, up by 3.2 percent over 1987.

Of the total output value, that of agricultural products decreased by 0.5 percent, forestry increased by 3.8 percent, animal husbandry up by 10.5 percent, sideline products up by 10.4 percent, and fishery up by 11.8 percent.

Of the output of major agricultural products, that of grain, cotton and oil-bearing crops dropped by varying degrees, but the production of grain and cotton was better than expected. The yield of sugar-bearing crops rose markedly, reversing the downward trend for two successive years. The acreage of tobacco crops in some areas increased too dramatically. The contradic-

tion of unbalanced development between agriculture and the national economy became more acute.

The yield of major agricultural products was as follows:

	1988 (tons)	Increase over 1987 (%)
Grain	394,010,000	-2.2
Cotton	4,200,000	-1.1
Oil-bearing crops	13,200,000	-13.6
Rapeseed	5,040,000	-23.8
Sugarcane	49,080,000	3.6
Beetroot	13,290,000	63.2
Jute, ambarry hemp	1,080,000	-4.8
Cured tobacco	2,330,000	42.4
Silkworm cocoons	440,000	9.3
Tea	540,000	7.2
Fruit	16,620,000	-0.4

New achievements were made in afforestation. Tasks set for the second phase of the project of establishing "shelter forest belts" in northwest, north and northeast China were overfulfilled, and the afforestation efforts in the coastal areas have reaped initial results. And there was marked development in the construction of shelter forest belts in plain areas. But wanton felling of trees occurred in some places despite repeated prohibition.

In animal husbandry, the number of live pigs rebounded, and there were increases in the number of slaughtered pigs. The output of meat, poultry, eggs and milk continued to rise. The number of herbivorous animals increased steadily. But due to a rise of fodder prices, the production of live pigs was not stable.

The output of major animal by-products and livestock headage were as follows:

	1988	Increase over 1987 (%)
Pork, beef and mutton	21,880,000 tons	10.2
Milk	3,690,000 tons	11.7

Wool	224,000 tons	7.3
Pigs slaughtered	275,000,000 head	5.2
Large animals at		
year's end	125,000,000 head	2.9
Pigs at year's end	342,000,000 head	4.4
Sheep at year's end	201,000,000 head	11.4

Fishery kept expanding. The output of aquatic products was 10.46 million tons, up by 9.5 percent over the previous year. The total catch of freshwater products increased by 11.1 percent, while that of marine products, by 8.4 percent.

There was an improvement in the conditions for agricultural production. By the end of 1988, the aggregate power used by the country's farm machinery reached 264.8 billion watts, a 6.6 percent increase over the previous year. There were 860,000 large- and medium-sized tractors, a 1.9 percent drop; 5.98 million small and hand tractors, a 12.7 percent increase; 590,000 trucks, a 7.5 percent rise; and the power used by irrigation and drainage equipment was 65.5 billion watts, up 4.7 percent. A total of 21.42 million tons of chemical fertilizers ⁽²⁾ were applied throughout the year, up 7.1 percent from 1987. The consumption of agricultural plastic film reached 337,000 tons, up by 17.5 percent over the previous year, and that of electricity in rural areas was 72.2 billion kwh, an increase of 9.6 percent. The irrigation system in the countryside was also strengthened.

The whole rural economy developed to a new high. In 1988, the total social output value in rural areas ⁽³⁾ was 1207.8 billion yuan, 12.9 percent up over 1987. Of that sum, the total non-agricultural output value went up by 22.5 percent, bringing its proportion in the total rural output value up from 50.4 percent in 1987 to 53.5 percent. The proportion of total agricultural output value went down, however, from 49.6 percent in 1987 to 46.5 percent.

II. Industry

The total industrial output value in 1988 was 1,810 billion yuan, an increase of 20.7 percent. The figure would be 1518.1 billion yuan if village-run industries are excluded, 17.7 percent up over the previous year. The output value of the state-owned sector went up by 12.7 percent. The collective sector was up by 28.8 percent, of which 35 percent was from rural

enterprises; the private sector, by 46 percent; and that of foreign-funded enterprises (Sino-foreign joint ventures, co-operative enterprises and wholly foreign-owned enterprises), by 97 percent.

Light industry developed rapidly in 1988. Its total output value reached 895 billion yuan, a 22.6 percent increase over the previous year. Those light industries with non-agricultural products being raw materials developed especially rapidly, and the production of various kinds of durable expensive consumer goods increased more quickly: Heavy industry grew at a high rate, too, with its total output value reaching 915 billion yuan, up by 18.8 percent over 1987. Processing industries grew far more rapidly than power and raw material industries, further aggravating the structural contradiction in industrial production.

The output of major industrial products was as follows:

	1988	Increase over 1987 (%)
Cotton yarn	4.54 million tons	3.9
Cloth	17.6 billion metres	1.7
Woolen fabrics	265 million metres	same
Machine-made paper and paper board	12.1 million tons	6.0
Sugar	4.55 million tons	-10.0
Crude salt	22 million tons	24.7
Cigarettes	30.95 million crates	7.4
Synthetic detergents	1.29 million tons	8.2
Daily aluminium wares	85.7 thousand tons	-19.0
Bicycles	41.22 million	0.1
TV sets	24.85 million	28.5
of which colour sets	10.28 million	52.8
Tape recorders	23.44 million	18.5
Cameras	2.92 million	13.8
Household washing machines	10.46 million	5.6
Household refrigerators	7.4 million	84.4
Energy production (in terms of standard fuel)	951 million tons	4.2
Crude coal	970 million tons	4.5

Crude oil	137 million tons	2.2
Electricity	543 billion kwh	9.2
of which		
hydro-electricity	108 billion kwh	8.0
Steel	59.18 million tons	5.2
Rolled steel	46.98 million tons	7.0
Cement	203 million tons	9.1
Timber	63 million cubic metres	-1.7
Sulphuric acid	10.98 million tons	11.7
Soda ash	2.59 million tons	9.6
Chemical		
Fertilizers ⁽⁴⁾	17.67 million tons	5.7
Chemical insecticides ⁽⁵⁾	194,600 tons	20.7
Capacity of		
power-generating		
equipment	10.97 million kw	16.6
Machine tools	200,000	16.1
of which numerical		
controlled and high-		
precision machine tools	3,920	0.3
Motor vehicles	646,700	37.1
Tractors	52,100	40.4
Locomotives	843	-7.3
Steel ships for		
civilian use	1,407,000 tons	-20.7

In the budget of 1988, profits and taxes of the state-owned industrial enterprises totalled 155.8 billion yuan, a 17.4 percent increase over the previous year. The turnover period for working funds was shortened to 97 days from 104 days of the preceding year. The per-capita productivity was up 9.3 percent from that of the year before. The quality of most products was stable, and energy consumption continued to drop. Industrial departments saved 30 million tons of energy, and the rate of saving energy has reached 5.6 percent. Production costs of the comparable products of state-owned industrial enterprises increased 12.3 percent, and the losses of those enterprises which have operated in the red rose 26.6 percent.

The reform of industrial enterprises achieved new results. There were 9,024 large and medium-sized state enterprises that pursued the contract management responsibility system in 1988. Their profits and taxes jumped 20.8 percent above those of the previous year. Some enterprises began to experiment with the issuing of joint-stock. By the end of 1988, there

had been 10,804 horizontal associations among industrial enterprises above the county level.

III. Investment in Fixed Assets and Construction

The country's total investment in fixed assets in 1988 was 431.4 billion yuan, up 67.3 billion yuan or 18.5 percent from the previous year. After deduction of the price factors, the amount of work increased slightly. Of the total, 269.5 billion yuan (up 17.3 percent) went to state-owned enterprises; 62.1 billion yuan (up 13.5 percent) to collectively owned enterprises; and private investment was 99.8 billion yuan, a 25.4 percent growth. However, the overall scale of investment in projects under construction was still too great. It was about 1,300 billion yuan, up 12 percent from 1987. This was mainly because too many unimportant projects were started, and investments outside the budget increased greatly. Efforts to check up on projects under construction have made some progress. Investment projects that were cancelled or postponed numbered more than 14,400, thus leading to an investment cutback of 44.2 billion yuan in the next few years.

The capital construction investment in the units of public ownership was 154.3 billion yuan, up 14.9 percent from the previous year. There were some changes in the investment structure. Of the total investment in capital construction, 37.1 billion yuan went to energy industrial departments, increasing to 24 percent from 22.5 percent in 1987; the raw materials industrial departments concluded investments of 20.6 billion yuan, decreasing to 13.4 percent from 14.6 percent in the year before; and transportation and telecommunication departments completed investments of 21.8 billion yuan, decreasing to 14.1 percent from 15.3 in 1987. Departments of light industry and textiles wrapped up investments of 6.2 billion yuan; the agricultural departments completed investments of 7.1 billion yuan; cultural, educational and sanitation departments concluded 9.5 billion yuan of investments, and the proportion of investment in all these departments decreased in comparison with that of the year before. Commercial and financial departments' construction investments were 8.4 billion yuan, and

the proportion ran up to 5.5 percent from the 5.1 percent of the preceding year; and urban construction departments saw through to the end investments of 9.4 billion yuan, and the proportion rose to 6.1 percent from 5.9 percent in 1987.

In the investment in capital construction, production construction accounted for 103.3 billion yuan, and the proportion increased to 66.9 percent from 65.5 percent in 1987; the investment in non-production construction was 51 billion yuan, and the proportion was reduced to 33.1 percent from 34.5 percent of the previous year. However, the investment in office buildings, halls and hotels greatly increased.

An investment of 42.1 billion yuan was put into 203 key projects organized by the state and given a reasonable construction schedule, up 16.3 percent from figures of the year before. Altogether 78 large and medium-sized projects and 138 single items in capital construction were completed and put into operation. Some key power stations, coal mines, railways, ports and scientific research projects were completed and put into operation. This has added a follow-up capability to modern construction.

Newly added production capacities in capital construction projects include: 9.99 million kw of power generating capacity, 30.9 million tons of coal, 15.77 million tons of crude oil (including capacities added through oilfield renovation and transformation or other investments), 600,000 tons of ethylene, 2.46 million tons of cement, 7.92 million standard boxes of plate glass, 419 km of newly built railways that have been put into operation, 820 km of double-track railways, 1,487 km of electrified railways and 8.78 million tons of port-cargo handling capacity.

The technological transformation of enterprises advanced steadily. State-owned units invested 95.5 billion yuan in updating equipment in 1988, a 25.8 percent increase over that of the previous year. The figure represented an increase in its proportion to the total investment made by the state-owned units to 35.4 percent from 33 percent of the previous year. Of this amount, 37.5 billion yuan was invested in expanding production capacity, an increase of 37.4 percent; 13.5 billion yuan in increasing the variety of products, a hike of 24.1 percent; 4.9 billion yuan in improving product quality, an

increase of 14.8 percent; and 3.1 billion yuan in reducing energy consumption, up 18.8 percent. A total of nearly 40,000 projects to re-equip and transform enterprises were completed and put into operation, adding 63.4 billion yuan to fixed assets.

Reforms in the building industry deepened. The contract responsibility system was applied to 119,000 projects undertaken by state-owned construction enterprises, accounting for 83.2 percent of the country's total. Their construction area was 170 million square metres, accounting for 85.6 percent of the overall total. Of these, the projects and construction area that were contracted through bidding respectively accounted for 21.6 percent and 28.6 percent of the totals. In 1988, the total industrial value of the state-owned building industry increased by 1.7 percent over the year before, and the per-capita productivity rose 1.8 percent. However, there was holdup in the work through poor organization and failing enterprises increased.

Geological surveys made new progress. In 1988, 281 major mineral bases were discovered or reported new progress. Verified reserves of 55 kinds of minerals increased, including 9.3 billion tons of coal, and 760 million tons of iron ore. Gold reserves increased, too. Surveys and explorations of oil and natural gas made marked progress as well.

IV. Transport, Post and Telecommunications

Communications and transportation further developed in the drive to step up work and tap some hitherto latent power.

Transport services were as follows:

	1988 (billion)	Increase over 1987 (%)
Cargo	2,335.5 ton/km	5.1
Railway	987.6 ton/km	4.3
Highway	287.1 ton/km	9.5
Waterway	996.4 ton/km	4.8
Air	0.74 ton/km	12.1
Petroleum and gas pipelines	63.7 ton/km	2.0
Passengers	606.0 persons/km	12.1
Railway	326.0 persons/km	14.7

	1988	increases above 1987 (%)
Highway	238.2 persons/km	8.8
Waterway	20.4 persons/km	2.5
Air	21.4 persons/km	14.9
Volume of cargo handled at major seaports	0.436 tons	10.0

By tapping the potential the railway departments extended the marshalling of passenger trains and put more trains into operation. The highway departments released the burdens of the railway by actively carrying out long-distance passenger transport. The inter-province passenger lines of highway have reached more than 2,500.

Transport's economic results were further improved, while transportation efficiency was continuously raised. The average daily productivity of each cargo locomotive was 829,000 tonsffikm, 1 percent above the previous year. The railway's income increased 6.9 percent, while its labour productivity rose by 5 percent, compared with the previous year. Container transport developed quite rapidly. The year's total volume of containers by railway and waterway was 16.51 million tons, an increase of 8 percent over 1987. However, the fact that transportation did not suit the needs of economic development aggravated, as the railway transports have been overloaded for a long time. Traffic accidents occurred quite often.

Post and telecommunications kept progressing. Business transactions in 1988 totalled 4.91 billion yuan, a 26.3 percent increase over 1987. The year-end number of telephone users in urban areas amounted to 3.62 million, an increase of 23.5 percent compared with the end of 1987.

V. Domestic Commerce, Supply and Marketing

Commodities sales increased greatly. The value of the country's 1988 retail sales totalled 744 billion yuan, a 27.8 percent increase over the previous year. When price hike was taken into account, the actual increase was 7.9 percent. Of the total, the retail sales of agricultural means of production was 89.9 billion yuan, a rise of 27.5 percent; the value of consumer

goods was 654.1 billion yuan, up 27.9 percent; the value of consumer goods sold to institutions was 66.5 billion yuan, 20.3 percent above 1987.

Different commercial enterprises all developed. The retail sales volume of state-owned commercial enterprises was up by 29.9 percent; that of co-operatives rose 27.9 percent, and that of the enterprises of other collective ownerships, joint ownerships and individual ownerships went up by 21.2 percent, 27.7 percent and 30 percent respectively. The retail sales volume of goods that farmers sold to non-agricultural people increased by 29.1 percent.

The retail sales volume of various consumer goods increased generally. Increases included food, 28.2 percent over the previous year; clothing, 21.4 percent; and articles of daily use, 31.3 percent. When price increases are factored in, the percentages were 4.3 percent, 7.7 percent and 13.2 percent respectively. Affected by inflation and the shopping rush, the retail sales volume of many consumer goods overgrew. Among these goods, grain was up by 8 percent; salt, 20 percent; soap and detergents, more than 20 percent; TV sets, recorders, electric fans, washing machines, refrigerators and other enduring consumer goods, somewhere between 20 percent and 50 percent.

Retail prices rose sharply. The general retail price level in 1988 increased by 18.5 percent above 1987 (26.7 percent in December, compared with the corresponding period in 1987). In urban areas, prices went up by 21.3 percent, and in the countryside, 17.1 percent. Prices of food stuffs rose by 23 percent, including those of grain, 14.1 percent; meat, poultry and eggs, 36.8 percent; fresh vegetables, 31.7 percent; aquatic products, 31.1 percent. The cost of clothes went up by 12.7 percent; articles of everyday use, 12.2 percent; medicine and medical articles, 24.8 percent; fuel, 16.1 percent; and agricultural means of production, 16.2 percent.

The general level of living cost for workers and staff in 1988 went up by 20.7 percent over the previous year.

There was an overwhelming demand for means of production. In 1988 the various means of production sold by the country's material departments valued 236.2 billion yuan, an increase of 51 percent over the year before, actually 24.3 percent when price hike is factored

in. Rolled steel sold by the material departments was 39.66 million tons, 16.4 percent over 1987; timber, 29.66 million cubic metres, up 14.3 percent; and coal, 270.15 million tons, up 8.8 percent. The price of the means of production rose greatly. In 1988 the general price index of 15 major means of production handled by the material departments increased by 21.5 percent over the year before, including rolled steel, 21 percent; copper, 50 percent and aluminium, 38.6 percent.

The main problems involved in market management included some disorder, a growth in illegal businesses and an arbitrary price hike. Because of inflation and a sharp price hike, market stability was affected, and quite a few big shopping rushes happened in succession during the year, making the shortage of some commodities worse. However, the fourth season saw the momentum of price hikes weaken.

VI. Foreign Trade and Tourism

According to Customs statistics, China's 1988 total import and export value amounted to US\$102.79 billion, a 24.4 percent increase over 1987. Exports totalled US\$47.54 billion, up 20.6 percent; and imports, US\$55.25 billion, up 27.9 percent. When aid and donations, the processing of imported materials and foreign investment in the form of cargoes were deducted, the trade deficit was US\$3.09 billion.

In 1988 the nation's non-trade foreign exchange income was US\$6.61 billion, 22 percent more than in the previous year; expenditure, at US\$2.7 billion, was up 31.8 percent. Income was US\$3.91 billion more than expenditure.

More foreign capital was used. In 1988 the nation used US\$9.84 billion, 16.4 percent more than in 1987, including US\$2.62 billion directly invested by foreign businessmen, up 13.1 percent.

In 1988, contracts for overseas projects and labour service signed by China were worth US\$1.83 billion, a 10.6 percent rise over 1987; business volume amounted to US\$1.2 billion, a slight decrease compared with the previous year.

The tourist industry made distinct progress. In 1988, the country received 31.69 million tourists and visitors from 168 countries

and regions, 17.8 percent more than in 1987. Foreign exchange earned through tourism reached US\$2.22 billion, up 19.2 percent.

VII. Education, Science and Technology, and Culture

In 1988, 36,000 postgraduates were enrolled over the nation, and those who were already working on a degree amount to 113,000, dropping 5 percent from 1987. General colleges and universities enrolled 670,000 undergraduates and students in special courses, and the total number of students reached 2.066 million, increasing 5.5 percent. Graduates accounted for 554,000. Adult colleges and universities enrolled 698,000 undergraduates and students in special courses. The total number of students at this level was 1.728 million, dropping 7 percent.

Vocational and technical secondary education also saw developments. Various vocational and technical schools had 5.557 million students (including 1.164 million students of technical schools), making up 42.7 percent of 13.016 million, the total number of senior middle school students. Students of adult vocational secondary schools amounted to 1.798 million, and those of adult technical training schools, 9.33 million.

There were 40.155 million junior middle school students and 125.358 million elementary school pupils. A total of 1,326 counties have passed the inspection requirements on universal elementary education. Certain progress was also made in special education for slow and handicapped children. However, the number of students who quit school increased in a few regions.

Science and technology developed rather quickly. Within the year, the prizes approved by the state for inventions amounted to 217; for promoting science and technology, 513; and for the Sparkle Programme, 138.

Various scientific and technological programmes initiated by the state were comprehensively developed, with key projects attaining outstanding achievements. There were 30 key industrial experimental projects and 21 key laboratory projects that were checked and accepted. High-tech programmes got under way. The Torch Plan, which aims to promote the com-

mercialization and industrialization of high and new technology products, and the state's important trial production plan of new products began to be carried out. The Sparkle Plan continued to play an important part in developing the rural economy. The State Natural Sciences Foundation approved 2,983 scientific research projects and provided a sum of 116 million yuan, which played an active role in developing basic research and applied research. The successful launch of the practical telecommunication satellite makes China the third country in the world that can independently launch a solar synchronous satellite. The completion of the Beijing Electron-Positron Collider and the successful space exploration test first made by a rocket in low-latitude regions illustrate the remarkable progress made in certain aspects of the Chinese high technology field. The state seed resource banks kept a stock of 125,000 sorts of seed, and 169 major new assortments of crops were developed. A comprehensive way of tackling the middle- and lower- production regions along Huanghe (Yellow) River, Huaihe River and Haihe Rivers was worked out. New progress made in developing eleven important equipments, which include the Daqin train for heavy loads, and the second phase of the Baoshan Steel Plant project, show that a number of significant scientific and technological achievements have played important roles in economic construction.

Basic scientific and technological work related to economic construction and management of social life were intensified. By the end of 1988, the state had established 132 measuring criteria, 261 first-standard objects and 13,841 state standards of various products, of which 38.5 percent adopted international standards. The departments of meteorology, marine and seismology provided the economic construction and people's life with a great amount of data and information, which are helpful to the development of the social economy.

Patent work increased, and the technology market was brisk. A total of 11,500 items were patented, increasing 68.8 percent over 1987; technological contracts signed amounted to 247,000, increasing 87.7 percent; and the volume of business reached 7 billion yuan, increasing 109 percent.

The topographic departments surveyed and

drew 26,000 maps of various scales last year for the nation, published 307 kinds of maps, the total impression being 74.4 million copies.

Scientific and technological teams expanded, and a mass scientific and technological movement was gradually launched. Professional technicians in state-owned units amounted to 9.6 million (excluding those in social sciences), increasing 8 percent from 1987. There were 5,700 state-owned independent research and development institutions above the county level with 1.1 million workers and staff, among whom 380,000 are scientists and engineers. About 85 percent of the townships over the nation established associations for universalizing science, and the members totalled 4.16 million.

The cultural cause was prosperous. Last year saw a production of 158 feature films, a release of 227 new (or long) films and 31 films being awarded 35 prizes in international film festivals. Over the nation, there were 162,000 various film-showing units, 2,998 art troupes, 2,975 cultural centres, 2,479 public libraries, 893 museums, 3,356 archives, 461 broadcasting stations, 645 radio transmitters and relay stations, 422 television stations, and 811 television transmitters and relay stations with a capacity of over one kilowatt each. National and provincial newspapers issued 20.64 billion copies; various magazines, 2.66 billion copies; and books, 6.28 billion copies.

VIII. Public Health and Sports

Medical conditions continued to improve. By the end of 1988, the beds in hospitals throughout China reached 2,503,000, a 4.1 percent increase from that of the previous year. There were 3,724,000 professional medical personnel, an increase of 3.2 percent, including 1,618,000 doctors, of these, 1,096,000 were doctors of traditional Chinese and Western medicine, an increase of 9.2 percent. Nurses numbered 829,000, an increase of 15.6 percent.

Prevention and health work was strengthened. Prevention and control of infectious and contagious and chronic diseases gained new achievements. The rate of infectious and contagious incidence decreased by 10.8 percent compared with that of the previous year. Ac-

ross the country, 12 provinces or municipalities reached the planned standard of immunity and inoculation. Medical supervision and monitor work was strengthened. But the shortage of medical services and medicine in the countryside still existed.

Sports also had great achievements. In 1988, the athletes of China captured a total of 54 world titles, broke or surpassed 33 world records, and broke 138 national records for 233 times. At the 24th Summer Olympic Games, Chinese athletes took five golds, 11 silvers and 12 bronzes. Mass participation of physical culture and sports took on new dimensions. The first All-China Farmers' Sports Meet and City Sports Meets were held in succession.

IX. Living Standards

In 1988, the per capita income on living expenses among urban residents was 1,119 yuan, a 22.2 percent increase from that of the previous year. Considering rising prices, the actual rate of increase was 1.2 percent. But, due to various reasons, the gap between people's income was a bit enlarged. According to a sampling survey in 13 cities, the income of 34.9 percent of families actually decreased purely because of the price hike. Farmers' pure income per capita was 545 yuan, an increase of 17.7 percent; the increase rate was 6.3 percent after deducting price hikes in commercial expenses. Of this pure income, 493 yuan was from production, a 17.8 percent increase.

With the development of reforms in the labour system, more people received jobs. In 1988, 3,610,000 urban people were recruited. By the end of the year, the number of workers nationwide was 135,730,000, 3,590,000 more than that of the previous year. Total annual income for these workers was 229.7 billion yuan. This was an increase over the previous year of 41.6 billion yuan, 22.1 percent.

The contract labour system developed steadily. By the end of the year, there were 9,920,000 contracted workers in state-owned enterprises, 2,570,000 more than 1987. Urban self-employed workers reached 6,330,000, an increase of 640,000.

People's deposits increased. By the end of

1988, the remaining sum of the deposits was 380.7 billion yuan, 73.2 billion yuan more than in 1987 and an increase of 23.8 percent.

Housing conditions also improved. In 1988, 190 million square metres of houses were built in urban areas, and 880 million in rural areas.

Social welfare undertakings developed as well. There were throughout the country 710,000 beds in welfare homes of various kinds, caring for 580,000 people. These figures increased respectively by 9.4 percent and 12 percent over 1987. State relief helped 41.56 million people. In China, 14.8 percent of the towns had set up a rural social security system. Social services in urban areas also developed rapidly. A total of 74,580 small-sized social services was put into use.

The insurance business also saw gains. In 1988, the total assets of various insurance properties reached 1,797 million yuan, an 18.8 percent increase. Property insurance covered 72,160,000 families, and 158,670,000 people took part in life insurance. Domestic property insurance dealt with 2,620,000 compensation cases and paid out 4.3 billion yuan.

X. Population

The birth rate of China in 1988 was 20.78 per thousand, and mortality rate, 6.58 per thousand. The natural growth rate of was 14.2 per thousand. By the end of the year, the population was 1,096,140,000. This was 15,410,000 more than that of the previous year.

Now, China is still facing a baby boom. Women of child-bearing age are increasing, and family planning is still very difficult to accomplish.

Notes: All the figures in this communique are preliminary. Taiwan Province is not included. The listed total output value, gross national product (GNP) and national income are calculated according to the prices of the same year, and the increasing rate, according to the comparable prices.

(1) The GNP refers to the increased value in material and non-material producing sectors and net income from abroad. The value of products and labour services consumed by intermediate units are not included.

(2) This is calculated according to 100 percent of effective composition.

(3) This includes the total output value of agriculture and of collectively and privately owned rural industries, construction, transport and commerce.

(4) and (5) These are all calculated according to the 100 percent of effective composition.

Interim Regulations on Private Enterprises of the People's Republic of China

Chapter 1: General Provisions

Article 1

These regulations are formulated for the purpose of encouraging and guiding the healthy development of private enterprises, protecting the lawful rights and interests of private enterprises, strengthening supervision and administration, and promoting the development of the socialist planned commodity economy.

Article 2

"Private enterprise," for the purposes of these interim regulations, means those economic organizations whose assets are owned by individuals and which have eight or more employees and are intended to be profit-making enterprises.

Article 3

A private economy complements the socialist public ownership economy. The state protects the lawful rights and interests of private enterprises.

All the operating activities of a private enterprise shall comply with provisions of national laws, regulations and policies.

Article 4

Employees of private enterprises may set up union organizations according to law. The employees' lawful rights and interests are protected by national law.

Article 5

Private enterprises may organize private enterprise associations.

Chapter 2 Types of Private Enterprises

Article 6 Private enterprises are divided into the following three types:

- (1) Sole investment enterprises
- (2) Partnership enterprises
- (3) Limited liability companies

Article 7

Sole investment enterprise means an enterprise invested in and operated by one person.

The investor in a sole investment enterprise shall assume unlimited liability for the enterprise's debts.

Article 8

Partnership enterprise means an enterprise in which the investment, cooperation and profits or losses are shared by two or more persons in accordance with the agreement.

A partnership enterprise shall have a written agreement.

Partners shall assume joint unlimited liability for the enterprise's debts.

Article 9

Limited liability company means a com-

pany in which an investor shall assume liability according to the amount of his investment, and in which the company shall assume liability for its debts according to the total investment.

A limited liability company shall be in accordance with the following provisions:

(1) The company's name shall include a word indicating limited liability company or limited company;

(2) It shall have a company's constitution in accordance with the rules of these regulations;

(3) It shall have between two and 30 investors;

(4) The registered capital shall gain its legal certificate;

(5) When one of the investors wants to transfer possession of his investment, he shall obtain the other investors' agreement; if there are more than three investors, it shall be agreed upon by more than half of them.

(6) It shall not decrease its registered capital;

(7) Stock shares can not be distributed.

If a limited liability company has more than 30 investors, it shall make a special report to the administrative bureau for industry and commerce, and may register only after gaining permission.

Article 10

A limited liability company shall be granted legal person status according to law.

Chapter 3 Establishment and Dissolution of a Private Enterprise

Article 11

The following people can apply for opening a private enterprise:

(1) Peasants in villages;

(2) Waiting-for-job people in cities and towns;

(3) Individual business people;

(4) People who have resigned or quit other jobs;

(5) Some retired people and others with the permission of the national law, regulations and

policies.

Article 12

Within the provision of national laws, regulations and policies, a private enterprise can operate the following types of business: industry, construction, communications and transportation, commerce, catering trade, service trade, repair shop, scientific and technological consulting firm and so on.

A private enterprise is not permitted to do business in war industry, finance, or other fields prohibited by the government.

Article 13

A private enterprise shall meet the following conditions in order to apply for a license:

(1) Capital and employees must be in correspondence with the scales of its operation and service;

(2) Regular management office and necessary facilities;

(3) Business scope permitted by the national law, regulations and policies.

Article 14

The constitution of a limited liability company shall include the following items:

(1) The company's name and address;

(2) The company's aim and business scope;

(3) Registered capital and the amounts of investment by each party;

(4) Investors' names and addresses as well as their rights and duties;

(5) The company's organizational structure;

(6) The company's conditions of disbandment;

(7) Conditions of an investor's capital assignment;

(8) Methods of profit distribution and loss-sharing;

(9) Procedures of revision of the company's constitution;

(10) Other items that need to be declared.

Article 15

A private enterprise that applies for regis-

tration shall present pertinent certificates to the local administrative bureau for industry and commerce. A business license shall be issued after examination and approval by the bureau, and then the enterprise can begin to do business.

Article 16

When a private enterprise desires to divide or to merge, assign registered capital or change its business scope, it shall go through procedures for registering the changes with the administrative bureau for industry and commerce.

Article 17

If a private enterprise decides to close its business, it shall, 30 days in advance of closing, apply to the local administrative bureau for industry and commerce, which will nullify its registration after examination.

A private enterprise shall clear its property and pay its debts before closing.

Article 18

When a private enterprise goes bankrupt, it shall clear insolvences and pay debts. A specific regulation covering this will be produced separately.

Article 19

A private enterprise with a legal person status can register, register for changes or cancel its registration according to *Regulations on Registration and Administration of Enterprise Legal Person of the People's Republic of China*.

Chapter 4 Rights and Duties of Private Enterprises

Article 20

Investors in private enterprises have the proprietary rights of their property, which can be inherited according to law.

Article 21

Private enterprises have the following rights in their business operations:

- (1) The registered name has exclusive rights within certain limits;
- (2) It may be self-managing within the limit of the registration;
- (3) Deciding on the enterprise's organizational construction, and employing or dismissing its workers.
- (4) Deciding on the enterprise's wage system and profit distribution;
- (5) Deciding on the prices of the enterprise's products;
- (6) Signing contracts;
- (7) Applying for patents and registered trademark.

Article 22

According to national law, private enterprises may set up joint ventures and cooperative enterprises with foreign companies or other economic organizations or individuals, and they may contract for processing on order or on pattern and for assembly. They may also do compensation trade.

Article 23

Private enterprises shall fulfill the following obligations in their business operations:

- (1) Abide by national laws, regulations and policies;
- (2) Pay taxes according to law;
- (3) Submit to supervision and administration of the state organizations concerned.

Article 24

A private enterprise shall open an account with a bank or other financial organization according to national regulations concerned. It may apply for a loan if it meets relative provisions.

Article 25

No units, except those provided for by national laws and regulations, have the right to

ask a private enterprise to provide financial or material support, or manpower in any form.

A private enterprise has the right to refuse any apportions, which the administrative bureau for industry and commerce has the right to prevent.

Article 26

No one may take away or revoke a private enterprise's *Business License of Enterprise's Legal Person* or *Business License* except the administrative bureau for industry and commerce, under procedures prescribed by law.

Chapter 5 Labour Management of Private Enterprises

Article 27

Private enterprises must recruit workers according to the principles of equality, self-willingness and mutual agreement through consultation and sign a written labour contract in which the rights and obligations of both sides are made clear.

The labour contract should be on file at the local labour administrations.

Article 28

The labour contract shall include the following items:

- (1) Requests for the quality and quantity of a worker's labour;
- (2) Time limit of the contract;
- (3) Working conditions;
- (4) Payment for labour, insurance and welfare;
- (5) Regulations for working;
- (6) Responsibilities for violations of the labour contract;
- (7) Other items agreed upon by both sides.

Article 29

Labour disputes in private enterprises shall be solved according to the *Interim Provisions Concerning the Solution of Labour Disputes in State-Run Enterprises*.

Article 30

Private enterprises must carry out the state provisions concerning labour protection, establish necessary regulations, provide labour security and sanitary facilities to guarantee the security and health of the workers.

Private enterprises must apply for insurance for the health and security of their workers.

The private enterprises should conduct social insurance for the workers if possible.

Article 31

Private enterprises shall observe an eight-hour workday.

Article 32

Private enterprises must not recruit child labourers under the age of 16.

Article 33

A private enterprise's trade union has the right to represent the workers to sign a collective contract with the enterprise. The union protects the legal rights of the workers and supports the production and management of the enterprise.

Chapter 6 Finance and Tax on Private Enterprises

Article 34

Private enterprises must apply to the local tax authorities for tax registration within 30 days after receiving the *Business License of the Enterprise Legal Person* or the *Business License*.

Article 35

Private enterprises must accord with state law on finance and accounting provisions of tax authorities to establish a sound financial and

accounting system, provide accountants, set up an account book, file financial returns, fulfill strictly the obligations of paying taxes and subject themselves to supervision and checking by tax authorities.

Article 36

The salary of the director (manager or chairman of the board) of a private enterprise shall be within the limit of 10 times as much as the average salary of the workers of the enterprise.

Article 37

Income taxes of the private enterprises shall be imposed in accordance with provisions of the *Interim Regulations of the People's Republic of China Concerning the Income Tax of Private Enterprises*.

Article 38

The amount of money from after-tax profits used to expand production must not be less than 50 percent. Enterprises that have to draw less than 50 percent for special reasons must get the permission of the tax authorities.

The fund for developing the private enterprise can be used to expand the enterprise's production, invest in other enterprises, pay back loans or compensate for losses of the enterprise. If the fund is used for other purposes, it must be with the permission of tax authorities.

Article 39

Investors' income from salaries and money distributed from the after-tax profits shall be levied on the adjusted taxes on individual income.

Chapter 7 Supervision and Punishment

Article 40

Administrative bureaus for industry and

commerce should strengthen administrative management and supervision of private enterprises, protect their legal business and investigate and punish illegal business activities.

Every authority and concerned department should, according to state provisions, provide guidance and help for the private enterprises' management and business.

Article 41

Private enterprises that have one of the following will be warned, fined, have illegal gains confiscated, be ordered to stop and rectify the enterprise or have their business license revoked by the administrative bureaus for industry and commerce, according to the seriousness of the case:

(1) Withholding the truth or making false statements on registration or starting business without getting permission;

(2) Engaging in business outside the registered scope of business or refusing to alter the registration, re-register or cross out registration in accordance with provisions;

(3) Forging, altering, renting, transferring, selling or duplicating a *Business Licence*;

(4) Engaging in illegal business activities.

Private enterprises that have qualified as a legal person will be punished according to the *Regulations of the People's Republic of China Concerning the Registration and Management of the Enterprise Legal Person* if they violate regulations concerning registration and management.

Article 42

Private enterprises that have one of the following will be warned or fined by the authorities for labour administration according to the seriousness of the case:

(1) Engaging in production or business without following the state provisions concerning labour protection;

(2) Recruiting child labourers;

(3) Infringing upon the workers' legal rights.

Article 43

Private enterprises that violate Article 38

of these Regulations will be warned or fined by the tax authorities according to the seriousness of the case.

Article 44

A private enterprise that refuses to accept punishment decided by an administrative organization according to Article 41 and Article 42 shall apply to the next higher authority for reconsideration within 15 days after receiving the notice. The next higher authority shall make a decision within 30 days after receiving the application. The applicant may again appeal by bringing suit in the people's courts within 30 days after receiving the notice.

The punishment shall go into effect if the private enterprise fails to apply for reconsideration or bring a suit in the people's courts within the time limit.

Article 45

Private enterprises will be punished according to law if they violate state law or regulations concerning taxes, resources, industrial and commercial administration, prices, finances, measurements, quality, hygiene or environmental protection.

Article 46

Staff members of the administrative authorities who violate these Regulations, abuse their power, practice favouritism, irregularities or bribery, or infringe private enterprises' legal rights will face disciplinary sanctions or be fined. If they violate criminal law, they will be investigated to determine responsibility for a crime.

Chapter 8 Supplementary Provisions**Article 47**

The right to interpret these Regulations resides with the State Administrative Bureau for Industry and Commerce. Rules for implementation will be drawn up by the State Administrative Bureau for Industry and Commerce and other appropriate departments.

Article 48

These Regulations shall go into effect on July 1, 1988.

□

Provisions of the State Council Concerning the Levy of the Adjustment Tax On Individual Income of Investors in Private Enterprises

Article 1

These provisions are formulated for the purpose of adjusting the individual income of investors in private enterprises and encouraging investors to expand production.

Article 2

The salary of investors participating in the management of private enterprises is subject to the adjustment tax according to the *Interim*

*Regulations of the People's Republic of China
on the Adjustment Tax on Individual Income.*

Article 3

The income of investors got from the after-tax profits of private enterprises is levied or exempted from the adjustment tax on individual income according to the following provisions:

(1) The amount of money from after-tax profits used by investors as a fund for expanding production is exempted from the adjustment tax on individual income.

(2) The amount of money from after-tax profits used by investors for personal consumption is levied an adjustment tax on individual

income at a tax rate of 40 percent.

(3) Those investors who in whatever way withdraw funds for expanding production or transfer assets of the enterprise for personal consumption will have the adjustment tax levied on individual income according to (2).

Article 4

The right to interpret these Provisions resides with the Ministry of Finance.

Article 5

These Provisions shall go into effect from 1988.

□

Interim Regulations of the People's Republic of China on the Income Tax of Private Enterprises

Article 1

All the urban and rural private enterprises engaged in industry, building construction, transportation, commerce, catering trades or other businesses are tax obligors (referred to hereinafter as the taxpayers) of income taxes of private enterprises.

Article 2

The income that will be taxed is the taxpayer's total annual income for each tax year minus the cost, expenses, the amount of tax handed in before the income tax is paid, and the money left after paying the cost outside business.

The items and the criteria for income tax by taxpayers are provided by the tax authorities.

Article 3

The income tax of private enterprises is

levied at a rate of 35 percent.

Article 4

Taxpayers who have one of the following may have their income taxes reduced or be exempted within a certain period after being defined by the people's government of provinces, autonomous regions and municipalities directly under the central authority:

(1) Using waste water, waste gas and residues as the main raw materials;

(2) Having difficulties to pay taxes because of disasters caused by wind, fire, flood and earthquake;

(3) Being in need of tax reduction or exemption from income tax because of special circumstances.

Article 5

Apart from the taxpayers stated in Article 4, those who need reduction or exemption from

income tax will be determined by the Ministry of Finance.

Article 6

Taxpayers who suffer losses during the tax year are allowed, with the permission of tax authorities, to draw a certain amount from the income of the following year to compensate for the tax of the previous year. If the income of the following year is not enough to compensate for the tax of the previous year, they are allowed to draw from the income of the third year; if neither is sufficient, they may draw from the fourth year, but no more.

Article 7

Income tax on private enterprises is to be handled in by the taxpayers to the local tax authorities.

Article 8

Income tax on private enterprises shall be computed on an annual basis and paid in advance in either monthly or quarterly installments. The actual income tax will be refunded at the end of each tax year for any overpayment or a supplemental payment may be made for any deficiency. The specific time limits are provided by the tax authorities of cities or

counties.

Article 9

The taxpayer must set up an account book and preserve receipts and shall file financial returns and income tax returns according to the provisions of the local tax authorities. Those who fail to do so will be fined up to 5,000 yuan. For serious cases, taxpayers may be fined up to 30,000 yuan with the permission of the tax authorities of the province, autonomous region and municipality directly under the central authority.

Article 10

The levy and management of income tax on private enterprises is implemented according to the *Interim Regulations of the People's Republic of China on Tax Levy and Management*.

Article 11

The right to interpret these Regulations resides with the Ministry of Finance. The rules for implementation are provided by the Ministry of Finance.

Article 12

These Regulations shall go into effect from 1988.

□

ties and autonomous regions. To create the conditions for equal competition, the proportion of foreign exchange each department and locality can retain should gradually be unified. A system of export agents will also be introduced, while, to readjust the economic order, all foreign trade companies will be subjected to inspection. Those without guaranteed funds, clear management objectives or which cannot fulfil their contracted tasks will be deprived of their management powers or forced to readjust their business scope.

—To counter the indiscriminate issue of import and export licences practised in some localities during 1988, licence management departments will be established. All licences for commodities under the unified management of the state will be issued by the Ministry of Foreign Economic Relations and Trade which will also allocate quotas and import-export licences for other commodities to each province, municipality and autonomous region according to the state plan.

—Readjusting the structure of import and export commodities. Although China abounds in natural resources, its average per-capita resources are limited owing to its large population. Exporting large

quantities of raw materials and farm produce does not conform with China's conditions. Hence, China will stop the export of copper, aluminium, nickel, yellow phosphorus, platinum and other commodities required for domestic production. Restrictions will also be imposed on commodities important for the national economy and people's livelihood, such as grain, cotton, edible oil, cotton yarn and cloth, pig iron, scrap steel and ferrosilicon.

Continuing to expand exports of processed products is the key to ensuring overall export growth in 1989. Electrical machinery, light industrial products, clothing, processed foodstuffs, arts and crafts, household electrical appliances and other labour-intensive products which enjoy a ready international market should become China's staple export commodities. Simultaneously, the strategy of developing the coastal areas should continue, and efforts should be made to develop the processing of imported materials to stabilize China's long-term export strategy.

Although China has limited imports of some commodities, overall the scale of imports will not be reduced. The principles guiding import policy

are ensuring the supply of (a) raw materials needed for the development of the national economy and for the production of consumer goods in great demand; (b) raw materials and equipment for key production projects; and (c) other commodities according to the country's ability. Imports of cigarettes, wines and other consumer goods will be limited.

—Improving the economic environment. While scaling down capital construction, China will strive to absorb more foreign funds. In the first half of this year, the state and the various provinces, municipalities and autonomous regions will publicize a series of projects requiring foreign investment. Foreign businesses are particularly welcome to invest in energy projects, transport and communications, as well as projects for the production of rolled steel, chemical raw materials, machinery parts and electronic components which China imports in large quantities and which it will not be able to manufacture itself in the foreseeable future. Foreign investment in non-productive projects such as hotels, residential and office buildings, and some productive projects dependent on imported components and parts but sold only on the domestic market will be suspended.

In addition to setting up joint ventures, co-operative enterprises and solely funded businesses in the mainland, Taiwan investors can also purchase stocks, bonds and real estate. Management terms will not be restricted. According to the Constitution of the People's Republic of China, no Taiwan-owned property or investments will be nationalized.

□

China's Import & Export Trade (1979-88)

Unit: US\$ billion

	Total Value of Imports and Exports	Export Value	Import Value
1979	29.333	13.658	15.675
1980	37.822	18.272	19.550
1981	40.375	20.393	19.482
1982	39.297	21.819	17.478
1983	40.727	22.197	18.530
1984	49.772	24.416	25.356
1985	60.246	25.915	34.331
1986	60.097	27.014	33.083
1987	68.110	34.711	33.399
1988	79.419	40.102	39.317
Total	505.198	248.997	256.201

CHIA TAI GROUP IN CHINA

Breeding the Benefits

Ten years ago, Thailand's Chia Tai Group of Companies was one of the first foreign companies to invest in China. It now has 13 enterprises across the country. Through a combination of importing advanced technology and an ability to respond fast to China's needs, the group has met with great success. Fully convinced of its future here, it now plans to step up investment.

by Our Staff Reporter Zhang Zhiping

As meat chickens appear more frequently on Chinese dinner tables, the name of Thailand's Chia Tai Group has started to become a household word in most Chinese cities. From an initial base in animal fodder and husbandry, this Thai company now leads all other foreign companies in terms of both projects established and investment.

Seeds of Success

The Chia Tai Group's origins lie in Bangkok, when in 1921 Tse Ek Chor founded a small seed company after he moved to Thailand from Shantou, Guangdong Province. Expansion followed. In the 1950s, the second Tse generation established a modern fodder processing factory, and the company took off. Now, the Chia Tai Group is the largest of its kind in Southeast Asia, specializing in agriculture, animal husbandry, industry and commerce.

Chia Tai's economic involvement in China began early. In the 1950s, Tse established an experimental farm in his Guangdong hometown to cultivate new crop strains for the expansion of agricul-



Dhanin Chearavanont (centre), president of Chia Tai, talks to a television reporter.

tural production. The "cultural revolution" (1966-76), however, put a brake on his activities, and he returned home to Thailand.

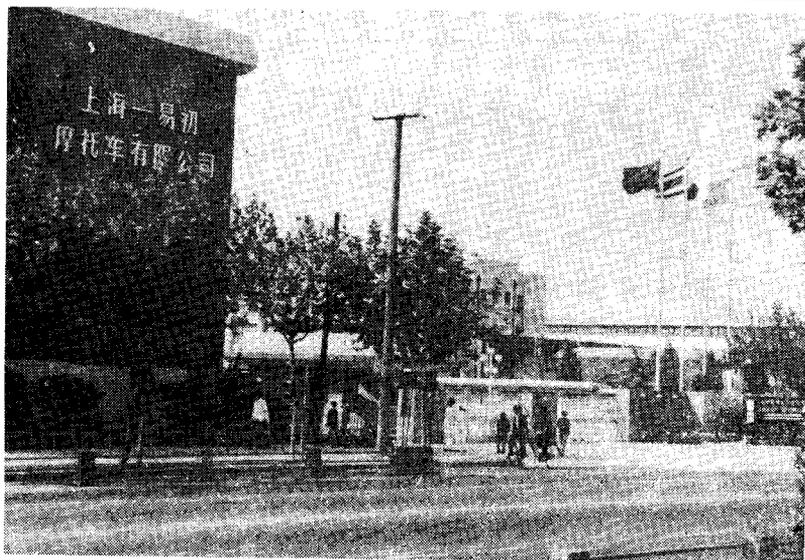
But when China opened its doors to the outside world in 1979, Chia Tai immediately returned. With the American company, Continental Grain, it founded a joint venture in the Shenzhen Special Economic Zone to produce fodder, pigs, and meat and breeding chickens.

Tse Ping, the group's repre-

sentative in charge of China business, said that although the future for investment in the mainland looked uncertain at that time, nonetheless they had confidence in China.

In 1984, Chia Tai joined hands with Shanghai to found the Shanghai-Ek Chor Motorcycle Co. Ltd. Following its resounding success, the group promptly opened two more companies in the city.

With the continued improvement in the investment environment since 1985, Chia



An outside view of the Shanghai-EK Chor Motorcycle Co.

Tai has accelerated its involvement in China. By the end of last year, the Thai company had established 13 joint ventures in Shanghai, Beijing, Tianjin, Jilin, Hunan, Guangdong and Sichuan, with total investment standing at more than US\$1 billion. Now, eight further projects are on the negotiation table.

Chia Tai's vice-president, Dr T.K. Chen said his company's new leaders were willing to invest in China, not just because it was their home country, but because of its great potential for expansion. He said the fact that China had opened to the world and restructured its economy had made it a country with great production and market potential.

Good Decision

Whether an enterprise succeeds or fails depends much on where it puts its money. Chia Tai has made a good decision in this field. Of the 13 enterprises the group has opened in China, 11 specialize in fodder processing and animal breeding—tallying with both the group's strengths and China's

needs. One billion mouths present a big market for the development of the Chia Tai Group.

Tse said in the 1950s both China and Thailand were agricultural countries. To prosper, China had to improve, among other things, its agriculture and animal husbandry, giving Chia Tai a promising future in the country.

The Shanghai Dajiang Co. Ltd., located in suburban Songjiang County, is one of Chia Tai's joint ventures for fodder processing and animal breeding. It was founded in 1985, with an investment of more than US\$18 million. Annually the plant can now produce 400,000 tons of compound fodders, 10,000 tons of premixed fodders, 640,000 couples of parent meat chickens, 450,000 couples of egg-laying breeding chickens, 40 million chicks, and 25 million to 30 million commodity chickens.

From August 1986 to June 1988, the company sold 12.91 million meat chickens, including 11.03 million to other countries—more than 80 percent of the city's chicken exports. It is now an export-oriented company capable of

earning US\$30 million from exports of 25,000 to 30,000 tons of frozen chicken meat a year. Overall, the Shanghai Dajiang Co. is widely considered as "an enterprise with a promising future and strong competitiveness."

Importing Know-How

Another reason for the group's success has been its commitment to introducing advanced technology. One example is the Shanghai-EK Chor Motorcycle Co. Ltd., co-managed by Chia Tai and the Shanghai Motorcycle Manufacturing Factory. With a history of more than 20 years, the latter is well-known across China for its "Happiness" range of motorcycles, which for a long time dominated the domestic market but now are well out of date.

Soon after the two companies joined forces in 1984, Chia Tai signed a technology transfer contract with Honda of Japan to import motorcycle manufacturing technology. The five-year contract stipulated that Honda supplied technology and training, receiving in return US\$10 for each motorcycle sold providing all parts came up to the technical standards set by the Japanese.

Over the past three years, the company has produced three new models, all of which have found their way on to international markets. Motorcycle output has risen rapidly: from 35,052 in 1985 to 90,000 last year. Foreign currency earnings have grown even faster: from just US\$840,000 to US\$4 million. Productivity is among the best in the industry, and in 1988 it was picked as one of the ten best enterprises in China. A blueprint for the company's future is now being drawn up, with plans to ex-

FACTS & FIGURES

The Utilization of Foreign Capital: 1979-88

Over the past decade, China's use of foreign capital has increased annually. Its sources have grown more diverse, and the overall structure of investment is being rationalized. Most foreign-funded enterprises are showing sound economic returns, but there remains room for improvement in their operating conditions.

by the State Statistics Bureau

Ever since China opened to the outside world in 1979, the scale of utilizing foreign capital has continued to expand. By the end of 1988, some 16,325 contracts involving a total foreign capital of US\$79.168 billion had been signed. Of this total, US\$47.34 billion had actually been put to use. These two figures can

be broken down into the following categories:

- 370 loan agreements, with a total negotiated value of US\$46.986 billion, of which US\$33.126 billion has been utilized.

- 15,955 contracts for direct foreign investment, with a total value of US\$28.201 billion, of which US\$11.586 billion

has so far been invested. These figures can be further subdivided into:

- Compensatory trade, processing projects, assembling supplied materials and parts and other projects with a total negotiated value of US\$3.981 billion, of which US\$2.689 billion has been utilized.

pand production to 1 million motorcycles annually.

Dajiang and Shanghai-Ek Chor are by no means the only cases of Chia Tai's success in China. Tse Ping said that in general the enterprises in which the group has invested were all well-run and generating reasonable economic returns. Chia Tai-backed enterprises in inland provinces concentrate on selling their products on the domestic market, while the ones in the coastal areas are principally export-oriented. With comprehensive co-ordination, the group has no problem securing a balance in its foreign exchange.

Recently, Chia Tai floated stocks from its two Shanghai enterprises on the Hong Kong stock market. The issue was 300 times oversubscribed, a strong indication of foreign

business confidence in the group's China investment strategy.

Expansion Plans

The Chia Tai Group has long preferred to stress long-term goals to short-term gains. Its strategic plans to develop new products and markets often take ten years to come to fruition.

In April 1988, for example, soon after the founding of Hainan Province, the group dispatched representatives to the island to investigate investment possibilities. By October, it had decided to commit itself to a US\$300 million contract with the Hainan authorities for a 16,700-hectare prawn farm. Since then, it has added plans to build a chemical factory and cement plant

with Chinese partners.

On the mainland, its investment programme has advanced rapidly. Contracts have been signed to establish a brewery, another motorcycle factory, a fodder processing plant and poultry farms in Shanghai, Qingdao, Sichuan and Fuzhou. Already, some of these are under construction. For the future, Chia Tai is looking into co-operation with petrochemicals, automobiles, and further fodder processing and poultry projects in Shanghai, Fujian, Jiangsu, Yunnan and northeast China.

If all these projects can go ahead, the group's total investment will reach US\$2.7 billion—making it a major economic force in China. It has been predicted that its Chinese involvement will match its commitments in Thailand within three years. □

Enterprise type	Number	Contract value (US\$ bn)	Investment to end 1988 (US\$ bn)
Joint venture	8,532	9.889	4.810
Co-operative	6,778	13.863	3.974
Solely foreign-owned	594	1.524	0.294
Co-operative development agreements	51	2.925	2.488

Major Features

Sources of foreign capital diversify: In 1979, only 20 countries and regions invested in China. By 1988, this figure had doubled. Among the new investors were five international financial organizations: the World Bank, the International Monetary Fund, the International Fund for Agricultural Development, the Asian Development Bank and the African Development Bank.

The major investment areas have been: agriculture, animal husbandry, fisheries, energy, communications, light industry and textiles, construction materials, metallurgy, real estate, tourism and finance. All of China's provinces, autonomous regions and municipalities directly under the central government except Tibet have been recipients of investment.

The major forms of investment have been: preferential loans from foreign governments and financial organizations, commercial credit, negotiable securities, direct investment, compensation trade, and processing or assembling supplied materials.

Hong Kong and Macao have always been the largest investors in China. By the end of 1988, their total investment stood at US\$7.94 billion. Japan, with US\$1.93 billion, and the United States, with US\$1.77 billion, have been the second and third largest investors. In the last few years, investment from the developed countries in Europe has grown

rapidly, as has investment from other developing countries, in particular those in Southeast Asia and the oil producers of the Middle East. With a softening of Taiwan's hardline attitude towards the mainland, investment from compatriots across the Taiwan Straits has also expanded briskly.

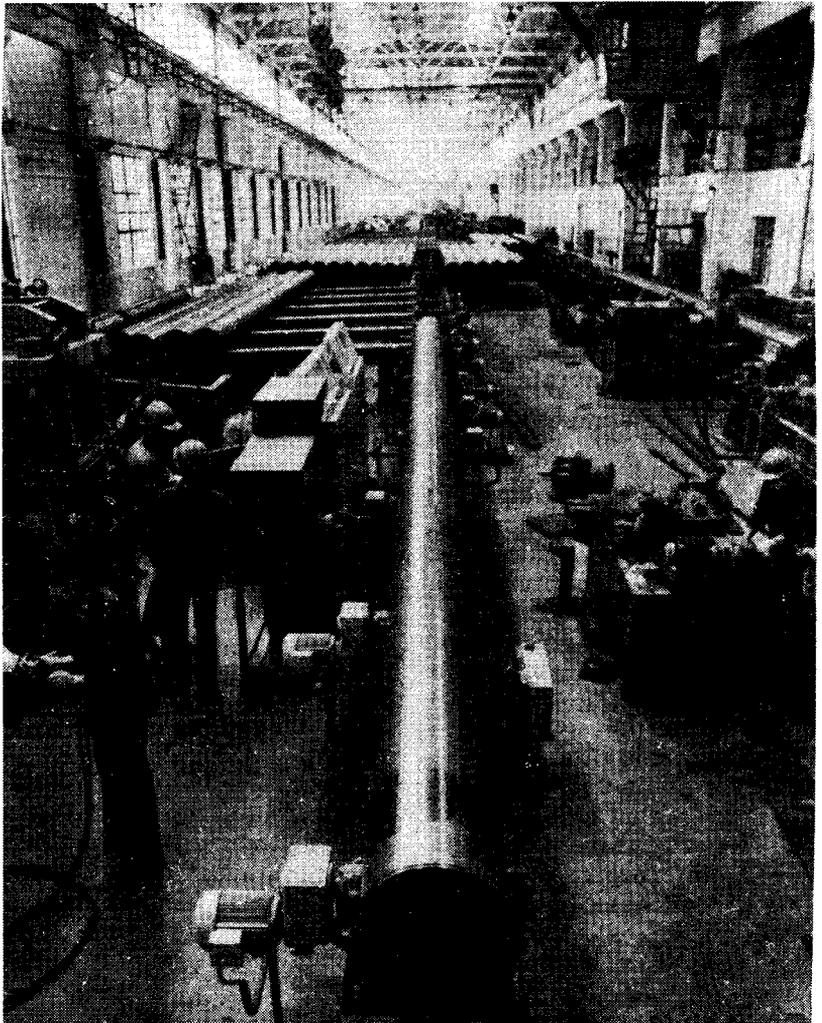
For two years, an increasing number of transnational cor-

porations and worldwide names have committed themselves to investing in China. With the completion of some of these projects, China's technological status should take a marked step forward.

Rational investment structure:

When China first started absorbing capital from abroad, most direct investment went into the tertiary sector: hotels, taxi companies, restaurants and recreational facilities. By 1984, however, 53.7 percent of all contracts signed were for productive projects, although the input of capital was 30.3 percent of the total, which was considerably lower than for non-productive projects.

Pipe welding machinery brought from the Federal Republic of Germany in 1988. ZHANG ZHEFENG





Scientists from China and the Federal Republic of Germany at the Shanghai Cell Biology Research Institute.

WANG ZHEN

Since 1985, this situation has shown a marked improvement, as investment in industry, agriculture, transport and communications all increased. In 1985, 70.3 percent of contracts were for productive projects, rising to 76.5 percent in 1986, and 88.7 percent in 1987, and just falling back slightly to 85 percent in 1988. Most of these have been export-oriented and technologically advanced. In monetary terms, US\$2.5 billion of direct investment has gone into productive projects—58 percent of all direct foreign investment, and 28 percentage points more than in 1984.

Predominance of small and medium-sized projects: Most of the 15,955 direct foreign investment projects approved over the last ten years have been small or medium-sized. Average investment on each project (excluding projects for the co-operative development of offshore oil) stands at US\$1.59 million, with joint ventures averaging US\$1.16 million, co-operative enterprises averaging US\$2.05 million and exclusively foreign-owned enterprises averaging US\$2.57 million. In this last

category, most large projects have been hotels and other tourist projects.

Increasing foreign exchange revenue and managerial efficiency: The vast majority of the 6,000 foreign-funded enterprises already in operation have been well-managed. Not only have most of them started to show profits, but their foreign exchange revenues and expenditures have improved.

Taking advantage of China's preferential policies and flexible measures, some technologically advanced enterprises whose products have principally been sold on the domestic market have successfully opened up new channels to secure foreign exchange. Many foreign-funded enterprises in the coastal cities of Tianjin, Shanghai, Shandong, Jiangsu and Zhejiang, as well as in Beijing, now balance their foreign exchange expenditures with revenues, and several enterprises now export products worth US\$10 million or more annually.

A survey of 4,100 foreign-funded enterprises in operation before the end of 1986 discovered that 37.3 percent could be said to be managed

well, 48.2 percent reasonably and 14.5 percent had problems of one form or another.

In 1988, Beijing's Sino-foreign joint ventures and co-operative enterprises had a total output value of 1.8 billion yuan, double that of 1987, while income from sales rose 120 percent to 2.6 billion yuan. These, however, were small rises compared with increase in exports: up 5.6 times to US\$25 million. Profits for the year reached 300 million yuan, up 59 percent.

Growth along the coast: With good transport facilities and a long history of overseas trade, the four special economic zones and 14 open cities along the coast have become the frontline of China's open policy. In 1988, Shanghai, Tianjin and China's eight coastal provinces signed over 4,900 contracts with a total value of US\$4 billion to establish foreign-funded projects, respectively 8.4 times and 5.5 times greater than in 1983. And whereas in 1983, these areas only negotiated 38.5 percent of the contract value of all foreign capital absorbed by China and 50.2 percent of the amount actually invested, last year they got 75.8 percent and 59.5 percent respectively.

China's four special economic zones at Shenzhen, Zhuhai and Santou in Guangdong and Xiamen in Fujian were established in July 1979. By the end of 1988, they had signed direct investment agreements with overseas businesses worth US\$7.27 billion (28.8 percent of the national total), of which US\$2.25 billion has been concretely invested (24.6 percent of the national total).

Originally experimental areas, these zones are now the showcase of China's open policy as they utilize ever more foreign capital, introd-

uce growing amounts of advanced technology and establish increasing numbers of export-oriented enterprises.

Functions

Since 1979, China's open policy has not only extended towards the rest of the world, but has also gradually spread across the country. It has expanded from the special economic zones to the open coastal cities, the coastal open economic zones, the coastal provinces and cities and finally into the interior.

One of foreign capital's principal roles has been expediting China's modernization drive. It has:

Eased the shortage of funds and strengthened weak areas of the national economy. From 1979-88, China utilized US\$47.3 billion of foreign capital—10.3 percent of all domestic investment in state-owned fixed assets over the same period.

Of this sum, US\$33.1 billion came from foreign loans, which the state used to finance more than some 100 key construction projects. Some 80 percent of these were in the fields of energy, transport and communications, and post and telecommunications, with the remaining 20 percent in petrochemicals, iron and steel, light industry, agriculture, culture, education, public health and scientific research.

The completion of all these projects will play an immensely beneficial role in national economic life. The 30 finished by the end of 1988 had already added an annual capacity of 25 million tons of coal, 40 million tons of harbour cargo handling, 98 million tons of rail freight and 9.2 million tons of oil.

From last year, China start-



American technicians discuss production with Chinese colleagues at the Jianghan Drill Bit Factory, Hubei province.

HUA AI

ed to use loans worth 100 billion yen from the Japanese "money recycling programme" to construct and renovate 300 export commodity production centres and special factories. These should greatly increase the quality of export goods and foreign exchange earnings.

Introduced advanced technology, equipment and managerial techniques. Over the past decade, China has brought in 5,000 technological items and sets of equipment valued at US\$21 billion for its electronic, petroleum, metallurgical, chemical, textile, light industrial and shipbuilding sectors. A number of large and medium-sized technologically intensive joint ventures have also been established, and with these have come managerial expertise.

Many products from these enterprises have filled gaps in China's industry and helped bridge the gap between China and the developed countries. For example, the Tianjin Ottis Co., a joint venture between Tianjin and America's Ottis Elevator Co., has brought elevator technology to China to

manufacture alternating double-speed and computer-controlled elevators of advanced world standard. After trial production runs, the latter were put on the market last year.

Accelerated the development of an export-oriented economy along the coast. Over the last few years, China's exports from foreign-funded enterprises have increased annually: from US\$320 million in 1985, to US\$480 million in 1986, US\$960 million in 1987 and US\$2.1 billion last year—an average annual increase of 87.2 percent, far exceeding the growth in all exports of 20.2 percent. Their share of all export value has grown from 1 percent in 1985 to 5 percent in 1988.

Finally, it is worth noting that although China's utilization of foreign capital over the last decade has progressed rapidly, some problems remain. In particular, although the country's investment environment has improved, operating conditions for foreign-funded enterprises could be further strengthened. □

China's Policy Towards The Dalai Lama

In our third instalment from "100 Questions About Tibet," recently published by Beijing Review Press, the diverging views of the Chinese government and the Dalai Lama are scrutinized. His "New Proposal," outlined last year in Strasbourg, and the notion of a "greater Tibetan autonomous region" are also analysed—Ed.

Q: What is the basic divergence of views between the Dalai Lama and the Chinese government and people?

A: It is whether we should uphold China's territorial integrity and the unity of all its nationalities.

At the instigation of certain separatists, the Dalai Lama has attempted to undermine the unity of the Chinese nation and to split Tibet from China by counting on some foreign powers. This is what the Chinese government and people, including Tibetans, can never accept. However, the Dalai Lama will not be forgotten for his contributions made in upholding the national unity in the 1950s.

Although the Chinese people regret and resent the fact that the Dalai Lama utilized some separatist slogans, such as "Tibetan independence" and "China is only Tibets suzerain," which were concocted by some imperialists early at the beginning of this century, they still hope he can have a clear understanding of the situation, stop his separatist activities and return perceptively to the stand of upholding the national unity.

Q: How does the Chinese government view the Dalai Lama's

"New proposal" on Tibet he put forward in Strasbourg, France, in June 1988?

A: In June this year, the Dalai Lama held a press conference in Strasbourg, France, at which he distributed copies of a speech containing a so-called "new proposal" on Tibet.

The Chinese government holds that this "new proposal" varies in detail from the "five-point plan" he raised at a Human Rights Subcommittee Meeting of the US House of

Representatives in September last year. But there are no substantial differences. Both attempt to deny Tibet's status as an inalienable part of China's territory, and deny the Chinese government's sovereignty over Tibet. Their aim is to internationalize the Tibet question. The Chinese government and people will never accept this "new proposal" or other similar suggestions. On the question of sovereignty, the People's Republic of China

In 1956 the Dalai Lama (second right) inspected the educational work in Lhasa and received a warm welcome.

CHEN ZONGLIE



will neither yield nor make any concessions to any external force. The Chinese government has solemnly declared that neither independence nor semi-independence or disguised independence of Tibet will do. The attempt to internationalize the Tibet issue and to rely on the support of external forces to achieve the aim of splitting China will never succeed.

The Dalai Lama mentioned in his "new proposal" that he was prepared to send his representatives to hold discussions with China's central government. As a matter of fact, the channel is always open for dialogue between the Dalai Lama and the central government. So long as the Dalai Lama has a sincere desire to improve relations with the central government and wishes to contribute to safeguarding the unification of the motherland, to promoting unity between Tibetans and Hans and to Tibet's development and prosperity, the central government is ready at all times to welcome him or his representatives to discuss matters in China or at any Chinese embassy abroad. If the Dalai Lama thinks these places are not convenient, he may choose another place. But no foreigners can be allowed to attend. Any issue is open for discussion except the question of "Tibetan independence."

Q: How does the Chinese government value the idea of a "greater Tibetan autonomous region" suggested by some people around the Dalai Lama?

A: It is an unrealistic idea.

As it is known to many, the Tibetan ethnic group in China inhabits part of Sichuan, Qinghai, Gansu and Yunnan provinces, as well as the Tibet Autonomous Region.

Being separated by moun-

tains and rivers, these areas have never been a unified administrative region. Nor have they formed an economic unity because of their uneven development, both economically and culturally.

When the Chinese government delimited its autonomous regions, it took into account the equal rights of the minority nationalities, their economic and cultural development and the regions' administration.

The Tibet Autonomous Region boasts a total area of 1.2 million square kilometres. It has proved a hard enough task for an autonomous government to administer affairs in such a vast area. Therefore, the idea of a "greater Tibetan autonomous region" is neither realistic nor scientific, regarding the formation of administrative divisions in history and future development of these areas.

Q: Why doesn't China agree to apply the "one country, two systems" concept to Tibet?

A: The "one country, two systems" concept is a principle China designed for tackling the Hong Kong, Macao and Taiwan issues to bring about the reunification of the motherland. The question of Tibet is completely different from the Hong Kong, Macao and Taiwan issues. Therefore, they should not be mentioned in the same breath. The Agreement on Measures for the Peaceful Liberation of Tibet reached between the Central People's Government and the Tibetan local government in 1951 states clearly that Tibet should exercise regional national autonomy under the unified leadership of the Central People's Government. Tibet abrogated the feudal serfdom through democratic reforms in the late 1950s and early 1960s,

and in 1965 the Tibet Autonomous Region was set up.

The introduction of regional national autonomy for Tibet and other areas inhabited by minority ethnic groups within China has helped these regions, under the unified leadership of the Central People's Government and in line with their own characteristics, to adopt policies and measures to mobilize the initiative and creativity of their people and to accelerate their political, economic, social and cultural development in an all-round way. The aim has always been to realize the goal of common development and prosperity of all the nationalities. □

Hot Off the Press

One Hundred Questions About Tibet has just been published in Chinese, English, French, German and Spanish by the *Beijing Review Press*.

The book covers 10 topics: history, population, human rights, the Dalai Lama, religion, culture, autonomy, economy, people's livelihood and the Lhasa riots. In a question-answer format, the book provides a wealth of historical records and facts for people at home and abroad curious about the developments in Tibet.

In a 34-mo format, the book totals 70,000 words, with 42 photos and a map of Tibet.

Available from Business Department, Beijing Review, 24 Baiwanzhuang Road, Beijing 100037, China.

Price:

Outside China--US\$3.50 (including international postage, surface mail); US\$5.00 (including international postage, air mail);

Inside China--RMB4.00

More People, More Change

ZHONGGUO RENKOU BAO
(Chinese Population)

Since 1979, distinct changes have taken place in the growing Chinese population. They are mainly as follows:

The speed of growth among the Chinese population has distinctly slowed down. The birthrate dropped from 33.65 per thousand in the 1960s and 24.57 per thousand in the 1970s to 18.3 per thousand in the past ten years. The natural growth rate of the Chinese population dropped from 22.18 per thousand in the 1960s and 16.23 per thousand in the 1970s to 11.98 per thousand in the past ten years. The annual average population growth rate was 21.80 per thousand in the 1950s, 18.43 per thousand in the 1960s, 19.17 per thousand in the 1970s and 12.9 per thousand in the 1980s. The average number of children born to each woman fell from 5.68 in the 1960s and 4.01 in the 1970s to 2.3 in the 1980s. According to the child-bearing standard in the 1970s, about 200 million fewer babies have been born between 1971 and 1987 owing to the implementation of the family planning policy.

There has been a transition from a blind growth to a planned growth. Since 1973, the development of China's population has been provided for in the state plan in view of the socialist economic development. But, actually, family planning has been in effect

since the 1980s. The growth rate of China's population entered in the Sixth Five-Year Plan (1981-85) was successfully completed. About 14 million fewer babies were born. The national rate of family planning increased from 65.1 percent in 1979 to 74.2 percent in 1983. Since 1984, the rate of family planning has been on the same level as that of 1983. In general, the birthrate of the Chinese population in the last ten years has moved within a planned orbit.

The overall population has grown more mature in character. According to the national census in 1964 and in 1982 and a sample survey in 1987, the proportion of juveniles aged below 14 in the total population dropped from 40.7 percent in 1964 to 33.6 percent in 1982 and 28.8 percent in 1987. The proportion of total population aged between 15 and 64 years old went up from 55.7 percent in 1964 to 61.5 percent in 1982 and 65.7 percent in 1987. The number of people aged 65 or over out of the total count went up from 3.6 percent in 1964 to 4.9 percent in 1982 and 5.5 percent in 1987. All these indicated that the birthrate of the Chinese population has dropped by a large margin and the overall character of the population has grown older, thanks to a wide implementation of the birth control policy.

Changes in the public's outlook on child-bearing have resulted in fewer births. The marriage age of Chinese women aver-

aged 19.81 years in the 1960s, 21.59 in the 1970s and 22.62 years in the 1980s; that in urban areas was two years higher than that in rural areas. With the improvement of people's consciousness on carrying out family planning in the past ten years, the proportion of households with one child each increased from 20.7 percent in 1970 to 30.9 percent in 1977, 41.8 percent in 1980 and 51.7 percent in 1987. Families with two children went up from 17.1 percent in 1970 to 24.6 percent in 1977, 26.6 percent in 1980 and 31.5 percent in 1987. Couples with three or more children decreased from 62.2 percent in 1970 to 44.5 percent in 1977, 31.6 percent in 1980 and 16.8 percent in 1987. The average number of children born to each couple fell from five to six in the 1950s and 1960s to four in the 1970s and two in the 1980s.

(December 16, 1988)

China Today: Basic Conditions

SHEHUI KEXUE BAO
(Social Sciences)

1. In China today, a small number of high-tech industries coexist with a large number of traditional industries and a small-scale farming economy. Paradoxically, some of the most advanced branches of science and technology, modern science and technology coexist with illiterates and semi-illiterates. Likewise, industrialization and information have developed side-by-side.

2. According to the systems of residence registration, grain

supply, employment and consumption, Chinese citizens clearly have been divided into two population categories — agricultural and non-agricultural. Consequently, because the urban area is prosperous and the rural area is backward, the malpractice of an unreasonable floating of materials, funds and personnel has emerged between town and country.

3. Under economic conditions whereby state ownership coexists with other forms of ownership, the planning system, marketing mechanism, domestic cycle and international cycle move in double tracks. With the further implementation of price and wage reforms, the socialist-planned commodity economy needs a new marketing order to strengthen the regulations for market control.

4. The western region of China is high and rich in natural resources. While the eastern region of China is low and resources deficient. The level of economic and technological development, however, is reversed. With the economy in coastal regions acceding to the international cycle, the gap be-

tween the east and west continues to widen.

5. The land under cultivation in China amounts to only 7 percent of the world's total terrain. But, it has to support more than 20 percent of the world's total population. Each year the Chinese population increases by more than 10 million, while the amount of cultivated area in China decreases about 533,333 hectares.

6. The lack of uniformity in the competitive mechanism has caused an unequal distribution. There are many colonies such as workers in state and collectively owned enterprises, farming labourers, intellectuals, managerial personnel, individual managers and producers, workers in village and town-run enterprises, and urban and rural entrepreneurs. To solve the conflicts between them has become the guarantee for Chinese economic and political stability.

7. The conflicts between the socialist ideological culture, modern capitalist ideological culture and the Confucius ideological culture exist in cultural fields. There is also competition between the modern information culture and traditional industrial culture or farming culture. The development of a socialist ideological, cultural standard needs to be realized to raise the whole nation's scientific, technological and educational levels.

8. The total output value is a considerable figure, but the per-capita income is low. China's total output value of industry and agriculture ranked first and fifth place worldwide respectively, but per-capita gross national product (GNP) was about 20th place from the bottom.

Form Sets Economic Zones

XINXI RIBAO
(Information Daily)

At a recent national forum on long-term planning conducted by the State Planning Commission, it was determined that China will be divided into five types of economic zones, according to each region's condition and industrial structure. They are as follows:

Processing Economic Zone: Beijing, Tianjin, Shanghai, Hubei and Liaoning.

Economic Zone Where Processing Is Dominant: Jiangsu, Zhejiang, Fujian, Guangdong and Guangxi.

Economic Zone Where Resource Exploitation Is Dominant: Shanxi, Inner Mongolia, Jiangxi, Guizhou, Qinghai, Ningxia, Gansu and Yunnan.

Comprehensive Resource Development and Processing Economic Zone: Shandong, Shaanxi, Sichuan, Hunan, Anhui, Heilongjiang, Jilin, Hebei and Henan.

Special-Type Economic Zone: Xinjiang, Tibet and Hainan.

(December 29, 1988)



(No. 131, 1988)

Tighter Control Over Loans

With China facing a peak debt repayment period in the 1990s, many people both at home and abroad have started to pay great attention to the country's foreign borrowing. Annual repayments of state and business loans and their interests will then be an estimated US\$7 billion.

According to Wang Deyan, president of the Bank of China, the Chinese government has always taken care not to over-extend national borrowing and avoid all possible debt problems. He said recently that China's foreign debt currently stood at around US\$30 billion, comfortably below the danger level, adding that the country faced no repayment difficulties.

He said that by the end of 1987, debt repayments did not exceed 10 percent of total export earnings, and China should be able to strengthen

macro-economic control over loans.

However, several problems have surfaced in the management and use of foreign loans. Recently, borrowing has increased rapidly, especially in the form of commercial loans. Consequently, the structure of national borrowing has several shortcomings: the proportion of short-term, high-interest loans is now too high, and the spread of currencies is poor.

With exports paid for in US dollars and China's debt calculated in Japanese yen, exchange rate fluctuations also pose a considerable threat. At the same time, many loans, especially those taken out by local departments, have been used inefficiently.

Recently, the authorities responsible for loan management have focused on these problems, and the State Council issued a circular titled Strengthening Control Over

the Borrowing of International Commercial Loans. Its main points are:

- The scope of foreign borrowing must be restricted.
- Implementing strict management over short-term international commercial loans and no loans not approved by the state should exceed fixed targets.
- Bonds issued overseas must fall within the state's foreign investment plan and be handled by organizations authorized by the People's Bank of China.
- The management of foreign exchange guarantees should be strengthened.
- All borrowing projects should be strictly examined.
- All channels for taking out loans should be strictly controlled.
- The system of registering and supervising foreign debts should be completed.

China currently has plans to establish a system of registering all commercial loans, which will include details concerning the use and repayment so as to guarantee all loans are repaid on schedule.

by Li Ping

Export Standards Strengthened

Last year, the State Commodities Inspection Bureau strengthened its control over the inspection of China's exports, making it able to guarantee the quality of goods sent overseas. Of the 625,000 batches of export commodities its officials examined, 3.45 percent were discovered to be substandard.

At the same time, the issuing of quality certificates has helped to maintain quality standards in several key export sectors. By the end of last year, the state inspection authorities had issued quality certificates to 476 machinery and electrical goods manufacturers, 6,300 textile mills and garment factories, 42 ceramics factories and 36 coal mines. A trial hygiene registration system was also introduced into 1,600 food factories.

In addition, quality supervisors have been placed in 43

major export-oriented enterprises. The supervisors live within the factory and are responsible for overseeing quality control throughout the production process.

Over the last few years, the State Commodities Inspection Bureau has stepped up its international role to help China expand its export markets. It has established ties with over 200 inspection organizations and factories across more than 60 countries and regions, including the signing of bilateral agreements with the Soviet

Union, the United States, Japan and Britain.

As a result, 112 meat, canned food and aquatic product factories now meet the health and hygiene standards of the Federal Republic of Germany, the United States, Japan, Britain, France, Belgium, the Netherlands and Singapore, and can all export their products smoothly.

With these growing international ties, more than 350 machinery and electrical goods manufacturers have the right to use the United States safety sign, and have taken advantage of it to export more than US\$200 million worth of goods. Canadian standards are now met by 42 machinery and electrical goods manufacturers, and 73 wool and woollen products factories have the right to use the pure wool sign of the International Wool Secretariat.

China's exports have been given a further boost by the negotiation of a system of export-origin certificates signed between China's inspection authorities and foreign inspection organizations. Under the system, goods with the certificates receive preferential treatment. Last year, more than 400,000 such certificates of origin were issued for goods with a total value of more than US\$10 billion—one-quarter of China's exports.

by Li Ning

Building Up for the Asian Games

Construction presses ahead on facilities for the 1990 Asian Games. By the time of its opening ceremony, Beijing will have 27 new or renovated sports grounds and halls. In addition,

43 auxiliary projects, including training grounds and halls, four hotels, a 405-metre television tower, an international TV relay centre, an airport, customs facilities and new highways will have been completed.

Fifteen of the sports grounds and halls had been finished by the end of 1988. For the rest, construction is in full swing. Gu Yaoju, deputy chief responsible for the Asian Games project, said all work was subjected to strict quality standards and inspections, which all the finished projects had readily met.

The buildings have been built for long-term use, and even the possibility of earthquakes taken into account. Just in case, however, full insurance has been taken out on all the projects.

There is also the athletes' village. According to Gu, this will cover more than 1.5 million square metres. It will contain living quarters for athletes, a news centre, an international conference centre, a 4-hectare Chinese-style garden, office buildings, shops and a central block with hotels, restaurants and dining halls. Around the village, two residential areas and an international nine-year school will also be built.

The village lies 9 kilometres from both the centre of Beijing and the city's airport in a clean and quiet suburb. Already, three international gatherings each involving more than 1,000 participants have been scheduled to take place there.

The village's construction contractors will soon send a group to the Shenzhen Special Economic Zone in Guangdong Province to invite tenders from suppliers for high-grade catering, clothes washing, sanitary and fire-fighting equip-

ment.

Gu said the facilities were mainly being financed by state loans and funds the organizers had raised themselves. But Gu warmly welcomed further contributions from companies and individuals at home and abroad.

by Han Baocheng

Sino-US Laser Compositor

The Printing Science and Technology Research Institute of China and California's Ideographix Inc. have successfully developed a high quality laser compositing and typesetting system capable of outputting both Chinese characters and foreign languages.

The system offers page make-up facilities, can handle several dozen pages simultaneously and incorporate images and pictures alongside text. Manufactured from advanced laser equipment available on the international market, the compositing system is compatible with lasersetters manufactured in Britain, Japan, America and China, and can be run on many kinds of computers.

Its main advantage, however, is it costs half the price of similar compositors manufactured elsewhere.

The Printing Science and Technology Research Institute has a fruitful history of cooperation with overseas companies. It has already produced one successful compositing system in partnership with Monotype International of Britain, Sha-ken Co., and Morisawa of Japan which has been used widely in France, America, Singapore, Japan and Britain.

by Wang Hua and Xiao Bing

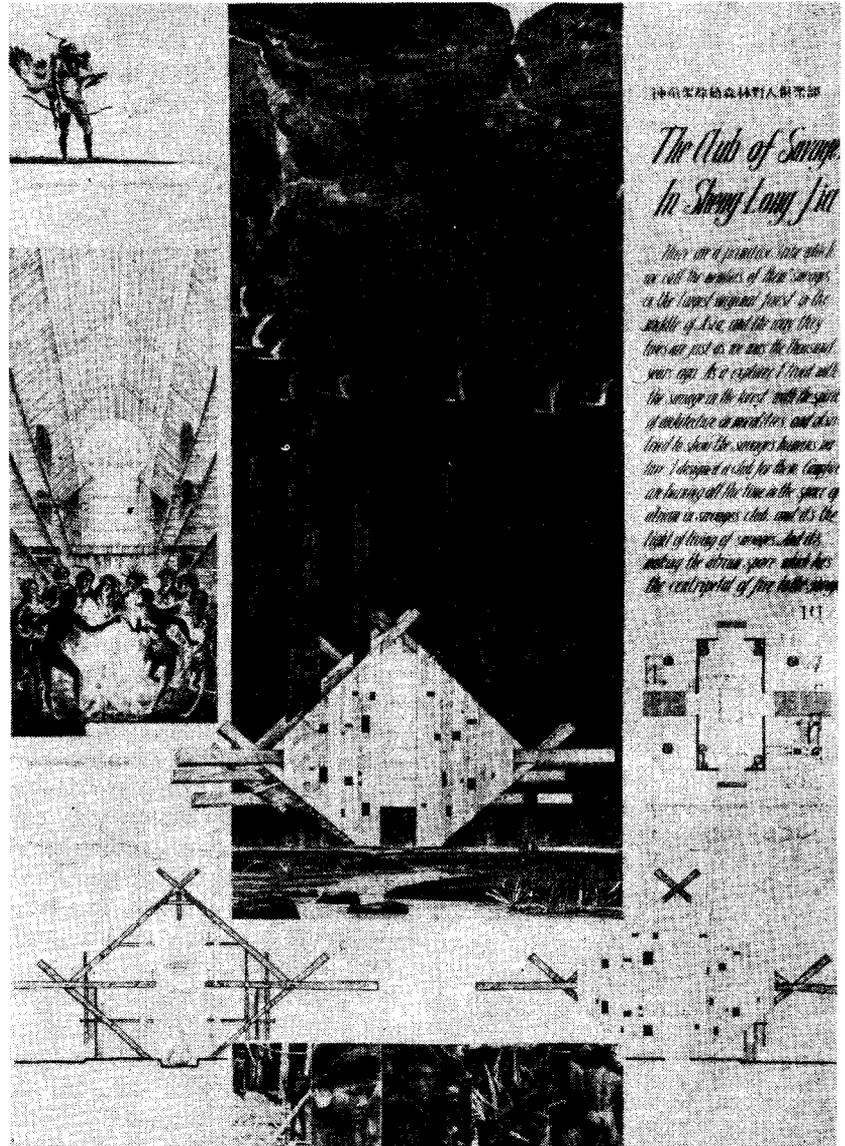
Architect Wins World Acclaim

The architectural design "Nest," by Zhang Zaiyuan, associate professor of the architectural department of Wuhan University in Hubei Province, won second prize at the 15th Japanese New Industrial Architectural Design Competition held in Japan recently. This is the fourth time that 39-year-old Zhang Zaiyuan has won a prize in an international architectural design competition.

Some 500 architects from all over the world took part in this competition entitled "Houses for Enjoying City Life." After studying present construction and its development in major Chinese cities, Zhang put forth a plan for developing new living space. This design, "Nest," is built in the upper space between many-storied buildings and highrises where human beings, pigeons and other birds dwell, forming a specialized mode of residence.

The jurors of the competition said that Zhang displayed the talent and surprising potential for a younger-generation architect. And, the mass media stressed that Zhang is the first Chinese architect ever to win four successive prizes in international competitions.

Born in a peasant's family, Zhang was enrolled at the Wuhan Architectural Industrial College in the 1970s. In 1982, when he won a prize for the first time at the 17th International Architectural Design Competition, he was a tutor at that college. The title of his prize-winning design was



"Changjiang River Crystal Palace."

His design was to build a rectangular glass palace at the convergence of the Changjiang River and one of its tributaries. The top of the palace was to be above the water, where it

would sparkle with the sun and water. Below the roof was a clear and fascinating underwater musical hall and a magnificent underwater theatre. The most imaginative feature was the underwater "Changjiang Natural Mu-

seum." It would display in miniature the landforms along the Changjiang River in a suspended large glass case. People could view it on both sides of a long, underwater corridor. This wonderful design presented an ancient mythical *aura*, gaining him fame among world-level contests of the 80s.

In 1985, his design "Chinese Shennongjia Wildmen Club" again won a prize at the 20th International Architectural Design Competition. He loosely binds and spreads real tree barks and branches on supports. Barks and branches of various lengths form odd-looking "windows" on the walls. Crisscrossed rays of light shine through the windows and from inside one can look out at the natural scenery through the uniquely designed frames. Zhang's very rustic and contemporary creations again took his judges by surprise.

In 1987, Zhang's "Airborne Waterside Pavilion on the Three Gorges of Changjiang River" won second prize at Japan's Sanshu Maruei International Design Competition. He was then assistant director and assistant professor of the architectural department of Wuhan University.

Those who know him say Zhang's primary difference from other people is his way of thinking, which is like that of a galloping wild horse. He is an all-round scholar. He is good at calligraphy and woodcuts, and has been a script writer and director of special TV programmes. He has also written a best-seller book about inviting and entering bids, as well as contracting in architectural engineering. Zhang thinks that knowledge of many fields broadens one's mind, stimulates imagination and helps create world-surprising works. □

New Treatment Heals Burns

At a press conference held in Beijing, reporters were shown a young farmer seriously burned 30 months before, who has recovered completely without any evidence of scars.

Zhou Zhenhua from Xinxian County in coastal Shandong Province was burned in March 1986 in an accident caused by a fire from diesel oil. His whole face and both hands were burned. He was rushed to doctor Xu Rongxiang, who then worked at a hospital in the provincial capital, Jinan. Xu applied a milky white paste to the sterilized wound, and Zhou's pain was quickly eased. Several days later, new skin was seen growing on the

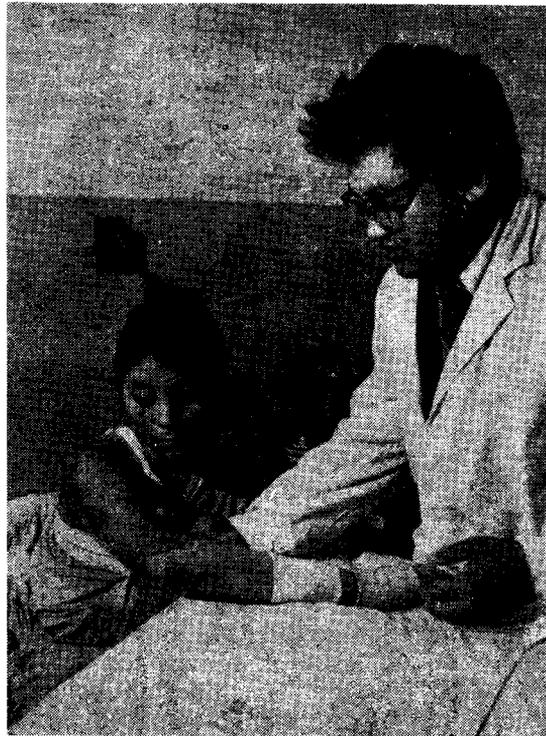
wound. Twenty-five days later, the wound was completely healed. Apart from the new pink skin on the hands, which stood out from the non-damaged areas, his whole face looked like it did originally. No scars were evident.

Doctor Xu was only 28 when he healed Zhou's wound. The miraculous paste he applied was put to trial use in 1981. He called it "Moisturizing Paste for Burns," and his method was termed "Moisturizing and Exposure Treatment for Burns."

Clinical practices have shown that Xu's new drug and treatment will keep the wound moist yet not macerated, gives no pain and causes neither

Doctor Xu examines one of his patients.

LUO MINGYANG



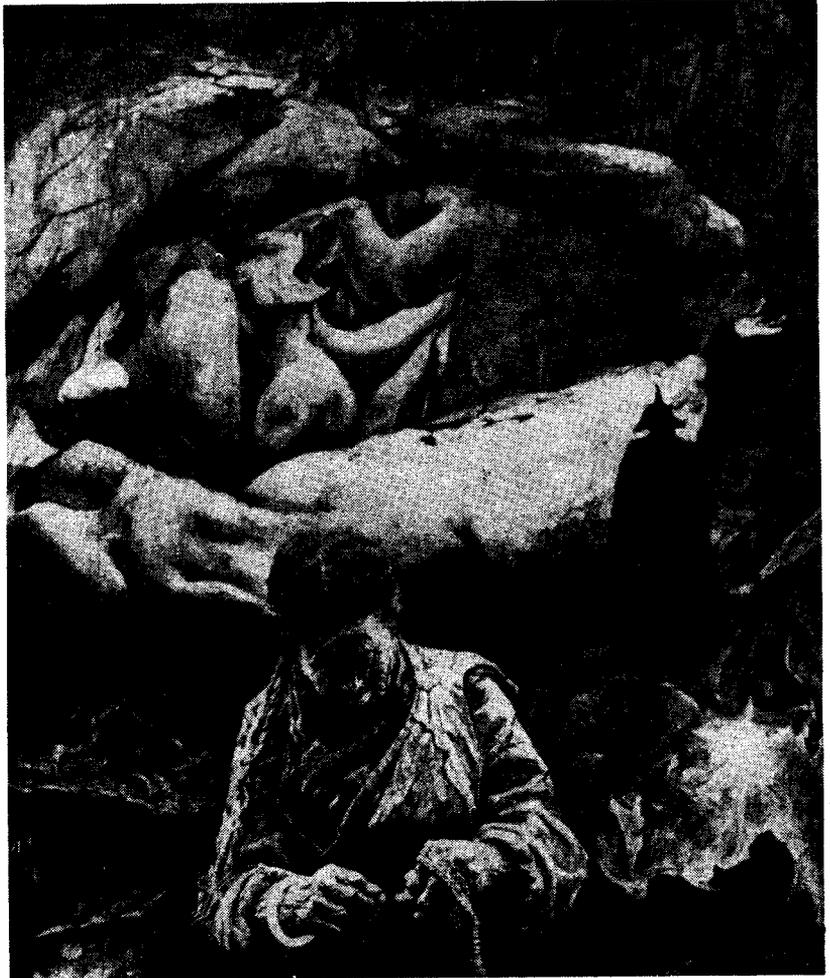
scabs nor infections. It can keep burnt tissue from dying and help reactivate it. Generally speaking, no skin-grafting is needed. By using Xu's paste and treatment without delay, second-degree wounds can be fully healed without leaving any scar tissue. His paste and treatment is also effective for arresting small scars caused by tissue degeneration or for removing scars resulting from second-degree burns inflicted by other treatment meth-

ods. Many experts regard Xu's method a new breakthrough in the treatment of burns.

Born into a family versed in traditional Chinese medicine, Xu was a "bare-foot" doctor in the rural areas during the "cultural revolution" (1966-76). Later he was enrolled by the Qingdao Medical College and graduated in 1982.

Xu's achievement in treating burns stems much from a theory of traditional medicine. According to such a theory, if heat resulting from burns stays in one's body, it will cause sores. Therefore, Xu defines his way of treating burns in terms of three processes: an invigoration of blood circulation, elimination of blood stasis and a relieving of heat, carbuncles and inflammation. Speaking more concretely, the former two aim at treating burns, and the last aims at helping new muscle and skin to come out. The former two processes require a paste containing drugs that are warm and stimulating, while the last needs drugs that will help to attain a cooling effect. Made entirely from traditional medicine, Xu's paste combines both functions and contains no conflicting elements.

During actual treatment, doctor Xu exposes the wound, yet keeps it moist. As the paste's melting point is somewhat lower than the skin's surface temperature, that part of the paste close to the skin is in a liquid state, while the outer part forms a solid, thin crust. The crust becomes a screen to ward off and kill germs that try to intrude, thus effectively preventing infection. That part of the paste close to the skin not only has a medicinal effect, but also serves as a drainage layer between the medicinal crust and the dying tissue. The fluid carries the



At his art exhibition held recently in Beijing, young artist Cao Yong astounded viewers with his works which are both imaginative and unique in subject-matter. Cao's art also expresses some religious overtones and are a reflection of his six-year experiences in Tibet.

dead germs to the outer crust, while the clean, solid layer gradually melts and flows inward.

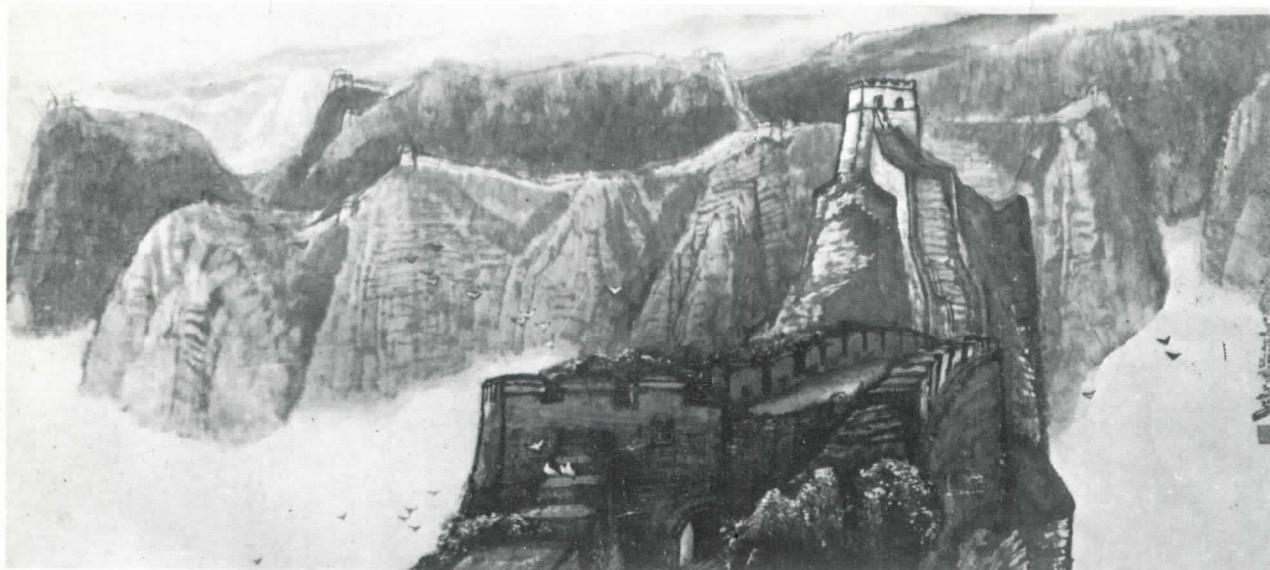
The fee involved in Xu's new treatment is only one-third that of traditional methods used to treat burns.

Since the effective cure of his first patient in 1981, thousands of patients suffering from burns have gone to doctor Xu and are satisfied with his paste and way of treatment. In 1987, Xu's new treatment was recognized by the state as an important scientific and technological invention

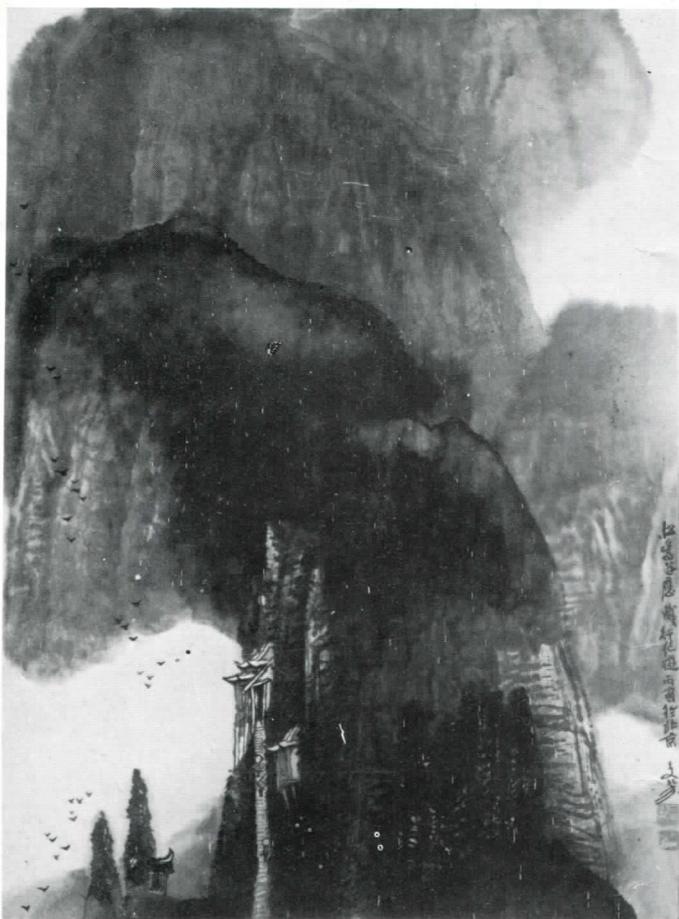
and recommended its use. In the following year, his paste was approved by the Ministry of Public Health for marketing as a new drug of the People's Republic of China.

Today, Xu is head of a research institute aimed at popularizing and perfecting his new treatment. Some 500 hospitals across the country have adopted Xu's treatment method in different ways. The paste is now domestically used on other wounds, ulcers and bedsores and is beginning to be exported.

by Cui Lili



The Great Wall.



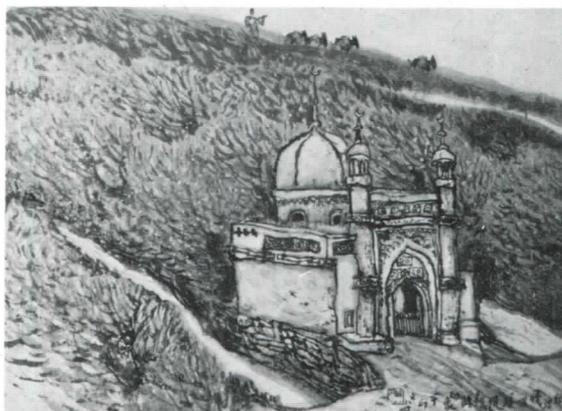
A Group of Mountains.

Chinese Paintings by Wang Wenfang

Wang Wenfang, born in Zhaoyuan County, Shandong Province, in 1938, now is a professional painter with the Beijing Studio of Art and Calligraphy.

Wang aptly studies chinese landscape paintings and pays close attention to artistic conception, as well as interesting and local flavours of life in his paintings. By using various designs, he always presents some new ideas in his works. He creates his unique pictures by using colourful ink splashes.

ART PAGE



Landscape From Xinjiang.



建国饭店
JIANGUO HOTEL
BEIJING

The Jianguo Hotel is one of Beijing's top international hotels

A Sino-American joint venture, the Jianguo Hotel stands to the east of Tiananmen Square, close to the diplomatic sector and the International Club, and within easy reach of major government and business offices. It's an ideal starting point for visiting Beijing's many historical and scenic sites.

Built around an elegant and beautiful garden, the hotel is fully equipped with quiet and comfortable rooms and a business centre complete with international direct dialling.

As well as serving Chinese and Western food, the Jianguo Hotel has a Japanese-style restaurant and bar.

Its staff are fully trained and always ready and eager to be of service. Your presence is always welcome in the Jianguo Hotel.



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