

A CHINESE WEEKLY OF NEWS AND VIEWS

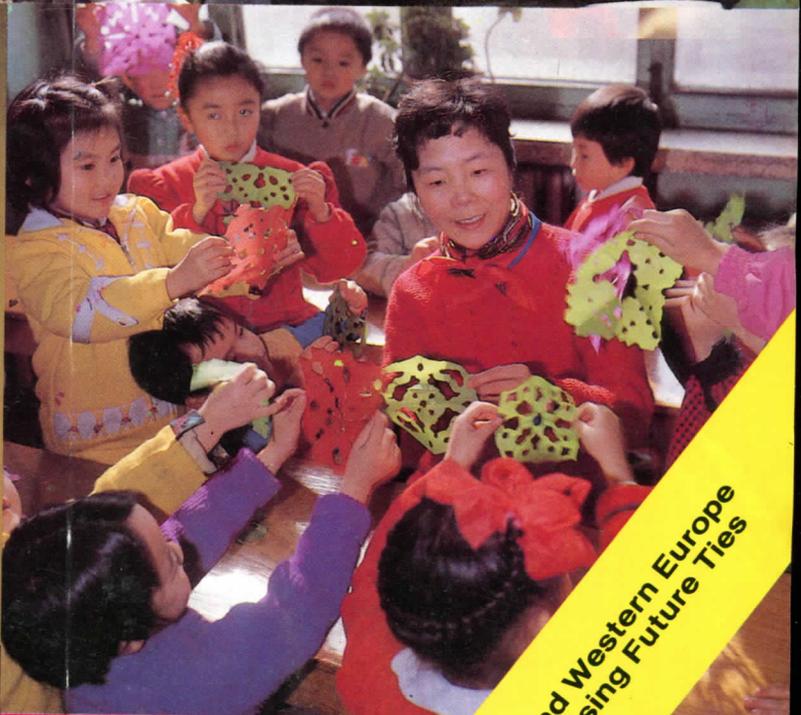
Beijing Review

北京周报

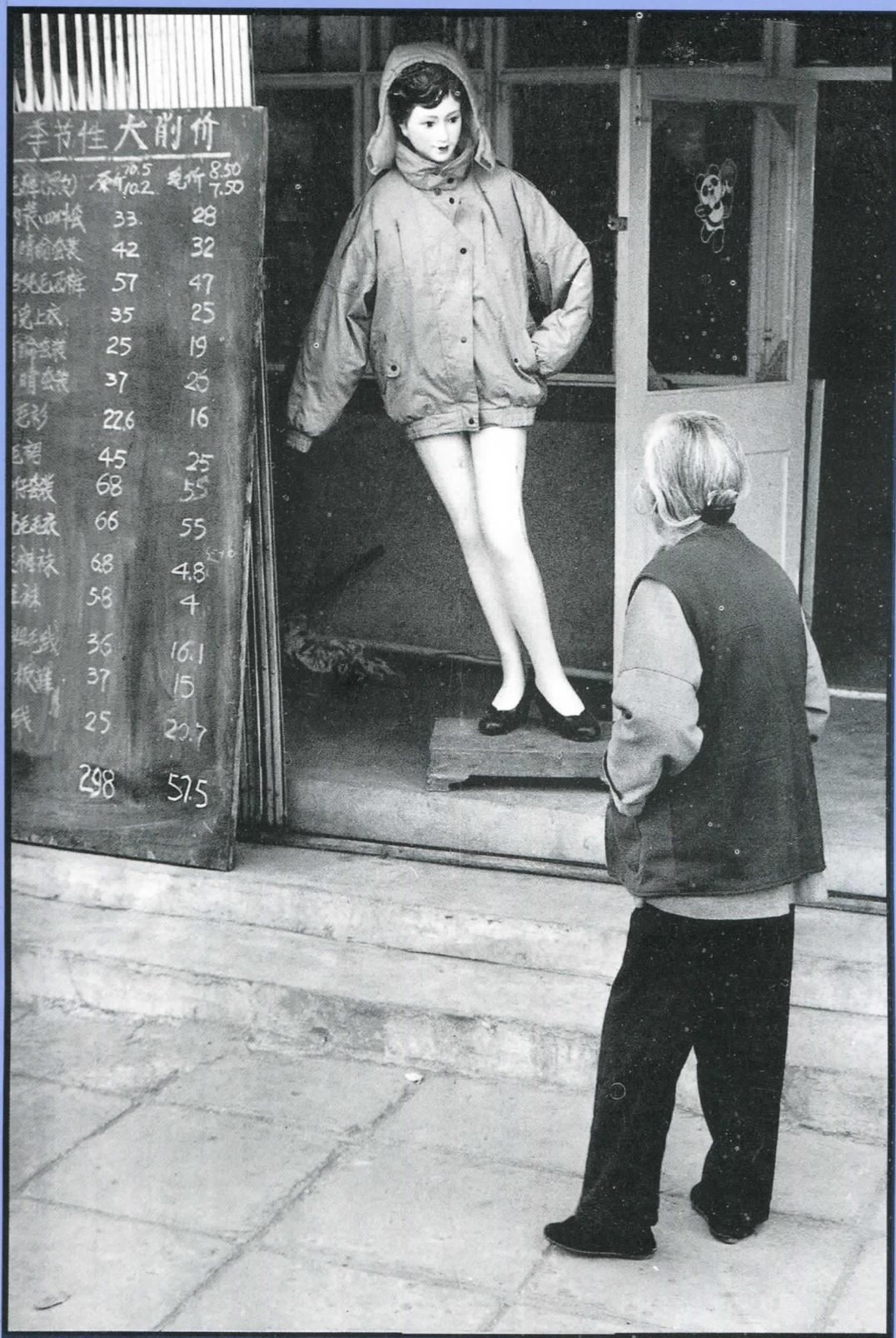
VOL. 34, NO. 10 March 11-17, 1991



WOMAN VICE-MAYOR OF BEIJING



China and Western Europe
— Promising Future Ties



Sharp Contrast—the old and the new.

Photo by Wang Wenyang

HIGHLIGHTS OF THE WEEK

Four Principles on New International Order

□ Chinese Foreign Minister Qian Qichen recently put forward four principles on the establishment of a new international order. These principles are: seek common ground while putting aside differences; mutual respect; non-interference in the internal affairs of various nations; equality and mutual benefit (p. 10).

Economic and Social Development in 1990

□ A recent report issued by the Statistical Bureau of the People's Republic of China points out the major economic achievements won by China in 1990. Political and social stability brought about a 5 percent increase in China's GNP and a 4.8 percent growth in national income over 1989 respectively (p. I-VIII).

China's Administrative Structural Reform

□ Remarkable achievements have been scored in China's administrative structural reform. While carrying out reform of the organizational structure of the State Council, close attention has also been paid to reform of local organizational structures at selected locations nationwide (p. 18).

China's Stable Economic Growth

□ A recent report provides an accurate picture of China's economy in 1990. While reaffirming the effectiveness of the government's economic measures, the report also lists a number of existing problems that should be solved to ensure sustained and steady economic development (p. 4).

Deputy Woman Mayor He Luli

□ Of mixed race and a non-Communist, He Luli, deputy mayor of Beijing, has won the trust of the public with her down-to-earth work style and remarkable achievements (p. 31).

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COVER: Outstanding Women

Workers.

Top left: Beijing Deputy Mayor He Luli (first left) chatting with local residents while taking part in voluntary labour.

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Published every Monday by BEIJING REVIEW
24 Baiwanzhuang Road, Beijing 100037
The People's Republic of China
Distributed by **China International Book Trading Corporation** (GUOJI SHUDIAN)
P.O. Box 399, Beijing, China

Subscription rates (1 year):
Australia.....A. \$30.50
New Zealand.....NZ. \$40.50
UK.....16.50
USA.....US\$30.50
Canada.....Can. \$30.50

China Sees an Upturn in Its Economy

by Yao Jianguo

In early 1990, when China's economy saw a downward trend resulting from the implementation of a retrenchment policy, some people in Chinese economic circles were worried about a possible economic slide. There were also speculations abroad that China's economy was "heading for a recession" and was in "an inextricable state."

However, the Statistics Communiqué on the 1990 National Economic and Social Development (see supplement in the Document column of this issue) published by the State Statistical Bureau on February 22 clearly shows China's actual economic situation in the past year: China's economy, after overcoming the difficulties caused by inflation, has lifted itself out of a slump and embarked on a course of stable, moderate development.

- Between late 1989 and early 1990, the difficulties that plagued China, such as a negative industrial growth, a sluggish market and defaults between enterprises were being gradually overcome, and industrial production began to pick up. Compared with 1989, industrial growth in 1990 was like this: It was basically equal in the first quarter, increased by 4.1 percent in the second quarter, by 5 percent in the third and by 14.2 percent in the fourth. The nation's total industrial output value reached 2,385.1 billion yuan in 1990, a 7.6 percent increase over 1989, and 6 percent higher than the planned growth rate; gross national product (GNP) hit 1,740 billion yuan, a 5 percent rise over 1989; national income was 1,430 billion yuan, 4.8 percent greater.

- An all-round increase in agricultural production marked a significant achievement in the 1990 economic work. Total agricultural output value came to 738.2 billion yuan, a 6.9 percent increase over 1989, topping the planned target by 4 percent. Total grain output reached 435 million tons, or 27.45 million tons more than that of 1989, with both total output and per-hectare output hitting a record high; the output of oil crops was 16.15 million tons, or 3.2 million tons more than that of 1989; sugar-bearing crops 71.8 million tons, 13.76 million tons greater. Additionally, cotton, beet, silkworm cocoon, pork, beef and mutton all reported a considerable increase in output.

The all-round increased agricultural production has laid a foundation for the development of China's national economy this year.

- The balance of payments has further improved.

Statistics indicate that China's total export value in 1990 stood at US\$62.06 billion, an 18.1 percent increase, and import at US\$53.35 billion. After deducting the value of import and export goods not paid in foreign exchange, the value of export was US\$13.1 billion greater than that of import, putting an end to the consecutive years of trade deficits existing since 1984. By the end of September 1990, China had an excess of US\$25.8 billion in foreign exchange reserves, including an excess of US\$10 billion of spot exchange reserves, thereby strengthening China's foreign debt paying ability and increasing foreign businessmen's investing confidence. In 1990, the value of contracts China signed for the use of foreign funds ran to US\$12.3 billion, a 7.4 percent increase over 1989.

- Last year, China continued its economic improvement and rectification and adopted measures to tighten up finance and credit. As a result, total supply and demand were balanced, prices in markets dropped dramatically, the prices of staple foods became stable or declined, and the prices of decontrolled industrial goods fell automatically. In 1990, the nation's total retail prices rose only 2.1 percent from 1989, far lower than the respective 18.5 percent and 17.8 percent in the previous two years.

- In 1990, the income of urban people per capita was 1,387 yuan, and when price hike was factored in, the actual growth was 8.6 percent; the net income of farmers per capita was 630 yuan, an actual growth of 1.8 percent. The situation put an end to the fall in real incomes of urban and rural residents in 1989.

Facts show that successfully implementing a tight monetary policy, reducing social demand and curbing inflation are necessary for stable economic development. However, the present foundation for an improved economy is rather weak. Many enterprises are faced with such problems as an overstock of finished products, increased losses, decreased economic benefits, increased financial difficulties, more recent use of credit—all contributing to increasing the pressure of inflation. Solutions to these problems require deepening reform of the economic structure, further improving the established macro-economic control system, and a greater effort to optimize the industrial structure and raise economic efficiency. Only by so doing is it possible to bring about a sustained, stable and harmonious development of China's national economy. ■

Pakistani PM's 'Homecoming' to Beijing

Pakistani Prime Minister M. Nawaz Sharif's recent visit to Beijing reminded those who are fed up with the outpouring of bloody news from the Persian Gulf that there are still fine examples of state-to-state relations in this world.

Sharif described his February 26-March 1 China tour as "coming back home," saying that the friendly bilateral relations represent a model for state-to-state ties.

Their different ideologies, disparate political systems and diverse cultural backgrounds notwithstanding, China and Pakistan, two major Asian countries with large populations, have something common to be proud of: their constant friendship and co-operation. They regard such a relationship as an all-weather one, which, as Sharif put it in his inaugural address as the new prime minister last November, "has stood the test of every challenge. In fact, our friendship has been strengthened even more after every crisis."

Chinese Premier Li Peng is no less sanguine of the Sino-Pakistan ties, which he believes are based on the Five Principles of Peaceful Co-Existence. "We hold," he said, "that the changing of government in any country is an internal affairs. We believe the friendship and co-operation between China and Pakistan will grow on."

Sharif described the Pakistan-China friendship as a pillar of his country's foreign policy. Pakistan treasures its traditional ties with China, he said, adding that the two countries will mark the 40th anniversary of the establishment of diplomatic relations on



Pakistani Prime Minister Sharif (right) said his Beijing trip is like homecoming.

LIU JIANSHENG

May 21 of this year.

For many years the two countries have maintained consistent high-level contact. The first exchange of visits between cabinet leaders took place in 1956, when Pakistani Prime Minister H. S. Suhrawardy came to China in October and Chinese Premier Zhou Enlai reciprocated with a visit to Karachi in December.

In recent years the exchange of visits by heads of state between the two countries has become an annual affair, which was described by some Chinese as "calling on relatives." When meeting with Chinese President Yang Shangkun on February 27, Sharif, on behalf of Pakistani President Ghulam Ishaq Khan, once again invited Yang to visit his country. Yang accepted the invitation, and the visit, according to a Pakistani official, is expected to take place this year.

The Gulf crisis was the focus of talks between Sharif and his Chinese counterpart Li Peng, as well as Yang and Party leader Jiang Zemin.

Jiang said the "cold war" seemed to have ended but in fact, the world was far from being tranquil and the Gulf war was just an indication of this.

Both sides welcome the ceasefire in that region.

On the post-war arrangements for the Gulf, Sharif said Pakistan holds that Iraq's boundaries should be respected, that all foreign troops should withdraw from the Gulf region, and that the regional security should be guaranteed by Gulf and Islamic countries.

Li told the press that he found both China and Pakistan share many identical or similar views on the Gulf crisis.

by Staff Reporter Li Haibo

President Hails Kuwait's Liberation

Chinese President Yang Shangkun sent on February 28 a message to Kuwaiti Emir Jaber Al Ahmed Al Sahan, congratulating him on the restoration of Kuwait's independence, sovereignty and territorial integrity following the withdrawal of Iraqi troops.

In his message, Yang said: "May the Kuwaiti people achieve continuous success in

healing the wounds of war and rebuilding their homeland and may the friendship and relations of co-operation between China and Kuwait see continued consolidation and development.”

A Chinese Foreign Ministry spokesman, at the ministry's weekly news briefing the same day, welcomed the ceasefire in the Gulf announced by the United States.

Ever since the outbreak of the Gulf war, the spokesman said, the Chinese government has all along called for its early end to give peace a chance.

He said that the Chinese government has always maintained that a practical formula for a political settlement should be sought within the framework of the relevant United Nations resolutions in order to ensure a lasting peace in the region.

“The UN Security Council should continue to play its positive role in this regard,” he said. ■

Blueprint Designed For Economic Reform

China will stick to its economic reform and open policy, combine reform with development and seek development through reform — this was the message of a national conference on economic restructuring. The meeting, attended by more than 200 high-ranking officials from various regions and departments, began on February 25.

Chen Jinhua, minister of the State Commission for Restructuring the Economy, said the general goal of economic reform for the 1990s is to build a new socialist planned commodity economy and an operational economic mechanism that will combine planned economy with

market regulations.

To that end, Chen put forward five main tasks:

— To build a new ownership structure with public ownership as the mainstay, supplemented by the appropriate development of other sectors of the economy.

— To build an enterprise system that will suit the development of massive social production. Enterprises should be responsible for their profits and losses, self-development and self-restriction.

— To build a socialist market system that allows open, fair competition. The state will only control the prices of those commodities and services that are vital to the national economy and the people's lives, leaving others to market regulation under the guidance of state plan.

— To establish macroeconomic regulating and control systems at the central and provincial levels. Direct and indirect regulations and control will be combined.

— To establish a social insurance system and an income distribution system predicated on the principle of “to each according to his work” and supplemented by other distribution methods.

Referring to future development of reform, the minister said China will gradually narrow the scope of the compulsory planning and expand the roles of guidance planning and market regulation.

China will also establish an effective system to balance aggregate demand and supply, revamp the planning system, bolster the socialist market system, reform the price mechanism, and encourage the creation of a competitive management mechanism.

In 1991, Chen said, the economic structural reform will be focused on invigorating large and medium-sized state enterprises.

The five-day meeting also reviewed the achievements of the

country's economic reforms. The past 12 years saw the fastest economic development in China's history, the participants agreed, and the nation has greatly changed its old rigid economic system.

Statistics show that during this period, China's GNP increased at an annual rate of 8.8 percent, higher than the average rate of 6.1 percent for the 24 years between 1953 and 1977. The achievements manifested themselves mainly in the following aspects:

— While the public-owned economy remained to be the leading sector, efforts were made to develop the urban collective and rural industries, as well as the individual and private sectors. These efforts helped revitalize the once monotonous economy which fell out of pace with the country's productive forces.

— The introduction of the rural contract responsibility system, which links output to payments, and the expansion of the decision-making power of urban enterprises.

— Changes in the price control system enabled market forces and the law of value to play a higher role. The state has narrowed the scope and improved the means of overall control of the economy.

— Reforms in finance, banking, planning and investment have stimulated regional initiative, and have facilitated the development of regional economies and other undertakings.

— Various income distribution methods were adopted while upholding the socialist principle of “to each according to his work.” While people were encouraged to get rich first by the sweat of their brow, the principle of common prosperity was upheld, fueling the enthusiasm and competitive spirit of the people.

— Foreign trade, the utiliza-

tion of foreign investment, and foreign economic and technical co-operation developed rapidly, thus stimulating the transition from the traditional semi-closed economy to an export-oriented economy.

Despite these achievements, the representatives were soberly aware of the arduous tasks that lay ahead, including eliminating the drawbacks of the traditional economic system and rationalizing the economic operating mechanisms so as to overhaul the traditional economic system. ■

Sino-Soviet Relations Promoted

The Communist Party of China (CPC) attaches great importance to Sino-Soviet party and state relations, and the Chinese people are closely following developments in the Soviet Union.

This was the statement by Jiang Zemin, general secretary of the CPC Central Committee,

when meeting with visiting Deputy General Secretary of the Communist Party of Soviet Union V.A. Ivashko in Beijing on February 27.

For the sake of friendship with the Soviet people, Jiang said, China would offer the Soviet Union some commodity loans.

Jiang declared that he is satisfied with the development of relations between the two countries and the two parties since the normalization of their relations.

He emphasized that it is in the interests of the two peoples to further develop these relations, which he believed will reach a new stage thanks to efforts of both sides.

On China's domestic situation, Jiang held that China's experience in its revolution and construction is to combine the universal principles of Marxism-Leninism with China's concrete conditions.

He said that China's idea of reform is to improve and develop the socialist system, through which the superiority of socialism can be further brought into play.

China adheres both to reform

and opening to the outside world as well as to the Four Cardinal Principles concerning socialism and the Party's leadership, Jiang stated.

He stressed that without political stability, an economy can not develop to its fullest potential, adding that economic development can in turn promote political stability.

Jiang also expressed his belief that with rich resources, advanced science and technology, and a strong industrial basis, the Soviet people can overcome their temporary difficulties.

Ivashko briefed Jiang on the Soviet Union's situation. He said that the Soviet Union's reform, which began in 1985, is an objective demand. He stated that although the Soviet Union has achieved great results in its socialist construction, it has not managed everything well.

He declared that the decades-long history of Soviet socialist construction is one of the reasons why the Soviet people are still taking the road of socialism.

Ivashko expressed thanks to China for its commodity loans, and said that the potential for the further development of the bilateral relations in various fields is great.

Jiang extended his gratitude to Mikhail Gorbachev for his invitation to visit the Soviet Union and said that he will be happy to meet Gorbachev again. He said meetings between leaders are helpful for promoting mutual understanding and bilateral relations.

Ivashko visited the Chinese capital February 26-March 2. He is the highest Soviet Communist Party official to have come to China since Gorbachev's visit in May 1989. ■

General Secretary Jiang Zemin meeting with V.A. Ivashko, deputy general secretary of the Soviet Communist Party.

TANG MENGZONG



Lending a Hand to Rebuilding Kuwait

Now that the Gulf war is over, China has get about joining in the massive reconstruction of war-damaged Kuwait.

According to officials from the Ministry of Foreign Economic Relations and Trade (MO-FERT), China is seeking contracts for the rebuilding of an entire area or other large projects like airports, factories, water and sewage facilities, highways and hospitals.

Chen Yongcai, director of the Foreign Economic Co-operation Department under the MO-FERT, said that China is also hoping to co-contract construction projects with such countries as the United States and Britain.

"We plan to supply workers, technicians and engineers to help rebuild Kuwait," Chen said.

"The return of China's construction companies to Kuwait is not far off," he added.

So far, Kuwait has signed contracts with 100 foreign companies to reconstruct the country. Its overseas funds will be used first to help people in repairing and rebuilding residences damaged in the war, according to Kuwaiti resources.

Chen believes China stands a good chance of getting a large piece of the business, as it took a firm stand against the Iraqi invasion, and it enjoys sound economic relations with Kuwait. Kuwait has already invited China to play an active role in its reconstruction.

Chinese overseas construction firms are either being invited by their Western counterparts to cooperate in Kuwait or actively getting in touch with Kuwaiti companies.

Before the Iraqi invasion of Kuwait last August, China's con-

tracted projects in Kuwait totalled more than US\$530 million in business volume. There were, at the peak, as many as 20,000 Chinese workers in the emirate and almost all the residential projects were undertaken by Chinese companies, according to the director.

Chinese companies in Kuwait also built hospitals, power stations, oil refineries and coastal resorts.

With high quality and favourable prices, China has a fine reputation there, Chen said.

He also expressed China's willingness to send experts to the Gulf to help cleaning up the oil spill and the polluted water.

As for Iraq, China is taking a "prudent attitude" and the Chinese companies would contract Iraqi construction projects under the condition of a guaranteed payment, the director said. ■

China to Improve TOEFL Supervision

China tries to improve the administration of the TOEFL tests taken by 20,000 to 30,000 citizens yearly.

According to a top official from the China International Examinations Co-ordination Bureau (CIECB), the state will draft a set of stricter regulations on the Test of English as a Foreign Language, known as TOEFL, and the Graduate Record Examination, or GRE.

The TOEFL and GRE were first introduced to China in 1981, and were followed by the Graduate Management Admission Test (GMAT) and the Test of Spoken English (TSE).

The CIECB official said on February 26 that the introduction of these tests in China has prov-

ided a great service to those who want to study abroad. He affirmed that China's agreements with the US Education Testing Service, which administers the TOEFL and other tests, will remain valid for a long time to come.

With 45 TOEFL testing centres located mainly in colleges and universities, management of the tests is generally strict and sound, the official said. All test supervisors receive special training, and testees are required to provide identification cards upon application and in the examination rooms, effectively curbing fraudulent practices.

Testing facilities have also been greatly improved in recent years. Each examination room is furnished with earphone systems, and many testing centres are in modern language laboratories, the official said.

The country's young people have shown increasing interest in studying overseas since the latter half of the 1980s.

Today two-thirds of the country's TOEFL examinees score above 500, regarded as a reasonable mark for people learning English as a foreign language.

So far fraudulent practices, such as the employment of surrogates, are rare in the tests, the official said. ■

News in Brief

Ministers Sacked, Emblem Law Adopted

The State Council's decision to sack two government ministers was approved by the National People's Congress (NPC) Standing Committee at the conclusion of a recent session on March 2.

The dismissals of Qian Yongchang as minister of com-

munications, and of Lin Hanxiong as minister of construction were approved at the meeting by an overwhelming majority.

Qian was sacked for charges of abusing power for personal gains while Lin was accused of violating state discipline.

The session also removed Xu Jiatusun, former head of Xinhua News Agency's Hong Kong branch, from his post as Standing Committee member of the the Seventh National People's Congress, following a decision by the standing committee of the Guangdong provincial people's congress.

The removal was made because of Xu's absence without leave in the United States since last April 30.

The decision said that Xu, as a senior Party official, has stuck to his wrong course by mixing himself with anti-Communist elements abroad. He has deserted the Party and the people by his actions and has created a very bad impression both at home and abroad. He has thus completely forfeited his Party membership.

Also adopted at the meeting was the draft law on the national emblem of the People's Republic of China. The nation's first law on this subject, it will take effect on October 1.

Australia Removes Restrictions

Australia's restrictions on economic and political relations with China, applied in July 1989, will be removed, the Australian government announced on February 26.

Foreign Minister Gareth Evans said that the Australian government recognizes the mutual benefits to be gained over the longer term from the further development of China's economic relations with Australia and other countries in the region.

Australia has also taken into account changes in the attitude

of some countries toward normalizing relations with China, according to the Minister. For example:

— In October 1990, the European Community foreign ministers decided to ease sanctions on China. This permitted the resumption of ordinary ministerial visits, as well as bilateral aid and concessional financing for China;

— Japan announced the resumption of its third loan to China in July 1990 and has resumed ministerial visits; and

— In December 1990, the Chinese Foreign Minister paid an official visit to the United States, meeting president George Bush.

Evans said in a statement that the restrictions to be lifted are those applying to:

— The consideration of new proposals for technical cooperation and agricultural research activities with China;

— The consideration of new applications for concessional financing under the organizations concerned; and

— Political party visits, including exchanges of parliamentary delegations.

American Industrial Co-operation Welcomed

China welcomes various forms of cooperation from American industrial circles, said Chinese Premier Li Peng on February 25.

In a meeting with Paolo Fresco, senior vice-president of America's General Electric, Inc., Li said that he hopes American industrial circles will, together with their Chinese counterparts, overcome difficulties and remove obstacles to Sino-American economic, trade and technology co-operation and contribute to the improvement and expansion of Sino-American relations.

Li expressed his appreciation of G.E.'s positive attitude towards developing economic

cooperation with China.

Fresco said that besides cooperating with China in power industry, G.E. is also highly interested in China's airplane and medical equipment industry.

He stated that G.E. will continue to transfer its technical information and invest in China to ensure long-term and steady cooperation.

Li said that the development of energy and transportation plays a very important role in China's Eighth Five-Year Plan (1991-1995) and the 10-Year Development Programme (1991-2000). He added that the prospects for G.E.'s cooperation with China in these areas are very broad.

More Attention On Agriculture

Vice-Premier Tian Jiyun called on all areas to sum up past experiences in agricultural development and strive for good harvests this year.

At a national meeting which opened in Beijing on February 24, Tian said that the Seventh Plenary Session of the 13th National Congress of the Communist Party of China, which was held towards the end of last year and put forward suggestions concerning the 10-year programme for national economic and social development and the Eighth Five-Year Plan (1991-1995), urged the nation to strive for a 450 million-ton annual grain output.

Tian said that the experience of the past few years of the household-based responsibility system has taught valuable lessons in the construction of irrigation systems, improvement of social services and efficient circulation of agricultural products. The meeting will sum up these experiences to further agricultural development. ■

Current International Situation and China's Relations With Western Europe

by Qian Qichen

Over the past year and more, the international situation has undergone tremendous changes which attract attention everywhere. The old world pattern has disintegrated while a new one is yet to take shape. The world is now at a transitional period in which turbulences and uncertainties reign as the old structure is being replaced by the new. Germany is one, the two major military blocs have reached important agreements on conventional disarmament, military confrontation has decreased and US-Soviet relations have eased. All these undoubtedly are welcome developments. However, the stark realities tell us that the present-day world is far from being trouble-free and its people still face many grave challenges. East-West detente, so familiar to us, has not brought about warmer North-South relations, and the economic gap between the developed and developing countries is ever widening. US-Soviet detente has made many political, economic and ethnic contradictions, which for years were hidden from public eyes, stand out in sharper relief. Tensions have clearly appeared in some regions, and the fact that the Gulf crisis has developed into the Gulf war is a case in point.

The people of all countries long for a better future and hope that a new international political and economic order which is just and reasonable will be established.

This is a speech made by Chinese Foreign Minister Qian Qichen at the Centre of Studies of Foreign Policy of Spain on February 26, 1991.

Now, many statesmen are talking about the establishment of a new international order. But what kind of new international order should be established?

Speaking of the new international order, it must, in our view, be different from the previous old order based on hegemonism and power politics. It means a brand-new international relationship.

Such a new order requires equality of all countries, big or small, strong or weak, rich or poor, and affirms their right to participate in the settlement of world affairs through consultation. It rejects such practices as the big bullying the small, the strong lordling it over the weak and the rich oppressing the poor, and the monopoly of international affairs by one or two big powers or several big powers.

Such a new order must recognize the right of every country to choose its social system, ideology, economic model and course of development in light of its own national conditions and oppose interference in the internal affairs of other countries or imposition of a particular development model on them.

Such a new order requires mutual respect for each other's sovereignty and territorial integrity by all countries, upholds the principle that international disputes should be resolved in a reasonable manner through peaceful negotiations and opposes the use or threat of force or armed invasion and the attempt to settle international disputes by means of war.

Such a new order must include the new international economic relations. As the world economy is being internationalized, the economies of countries are inseparably connected with one another. At present, the economic relationship between the developed and developing countries presents a seriously unbalanced picture, with the rich getting richer and the poor poorer. Many developing countries are finding themselves in growing economic difficulties, burdened with enormous debts and facing worsening terms of trade, reverse flow of funds and other grave problems. If the economy of the third world countries fails to develop for long, that would not be good for the economic development of the developed countries, and it would be difficult to truly ensure world peace and stability. We maintain that the unjust and inequitable international economic order must be changed and be replaced by a new international economic order based on equality and mutual benefit. Moreover, the developed countries should contribute to the improvement of the international economic environment and, in particular, to the solution of the debt problem of the developing countries.

To sum up, the new international order to be established embraces both the political and economic order. Its guiding principles should be the five principles of mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs,

equality and mutual benefit, and peaceful coexistence. These principles are also in keeping with the purposes and principles enshrined in the United Nations Charter. History and realities show that no matter how different states may be in social system and ideology and how many twists and turns they may have gone through in their relations, they will see their relations develop smoothly so long as both sides strictly abide by the above-mentioned Five Principles of Peaceful Coexistence. A breach of these principles would cause frictions and conflicts among states, leading to turbulences and chaos. Having stood the test of time for several decades since they were initiated in the 1950s, the five principles have demonstrated their strong vitality as they are in the fundamental interests of the people of all countries and conducive to world peace and development. We consider it feasible to shape the new international order on the basis of these principles.

As a member of the international community, China is ready to work unremittingly with all other countries for the establishment of a just and reasonable international political and economic order.

As the old world pattern is giving way to a new one, China will all the more firmly pursue its independent foreign policy of peace. It is ready to establish and develop friendly relations and cooperation with all other countries on the basis of the Five Principles of Peaceful Coexistence and to conduct various forms of economic and technological cooperation and trade exchanges with them on the basis of equality and mutual benefit.

Now the attention of the world public opinion is tightly held by developments of the situation in the Gulf. The Chinese government has taken a responsible and principled position vis-a-vis the Gulf crisis since its very beginning. We have explicitly expressed

our opposition to the Iraqi invasion and annexation of Kuwait and called on Iraq to withdraw its troops from Kuwait immediately and unconditionally so as to restore the independence, sovereignty, territorial integrity and the legitimate government of Kuwait. At the same time, we have stood for a peaceful settlement of the Gulf crisis within the framework of the relevant UN resolutions. To this end, we have exerted all our efforts. We have done a great deal of useful work within the United Nations. In addition, we have resorted to bilateral channels to persuade the parties concerned. To our deep regret, the possibility for a peaceful settlement of the Gulf crisis, which once emerged, has not become reality. At present, we remain hopeful that the parties concerned will demonstrate a willingness to resolve the conflict peacefully and bring the Gulf war to an early conclusion, thus realizing peace within the framework of the relevant resolutions of the UN Security Council.

Without a just and reasonable solution of the Palestine question, there can be no lasting peace and tranquility in the Middle East region. We hope that following the settlement of the Gulf crisis, the international community will promptly start working for a solution to the Middle East question and especially the Palestine question in compliance with the relevant UN resolutions. China seeks no selfish interests in the Gulf region. Its only concern is peace and stability there. In our view, the question of security of a region should be mainly addressed by the countries in that region. Foreign troops must withdraw from the Gulf. We will, together with other countries, keep up our unremitting efforts for a peaceful settlement of the Middle East question.

I wish to take this opportunity to focus on China's relations with Western Europe and to brief you on China's views, positions, and

policies in this regard.

China has always put great weight on developing its relations with the West European countries and dedicated itself to this end. After the founding of the People's Republic of China, our relations with these countries have moved gradually from mutual isolation and estrangement towards normal development. In the 1980s, in particular, state-to-state relations between China and West European countries expanded quite rapidly. Mutually beneficial bilateral cooperation in the political, economic, cultural, scientific and technological fields reached a new high. That was the result of the long and concerted efforts of the both sides and deserves to be cherished. Over the past year and more, some temporary difficulties cropped up in the relations between China and Western Europe. It is gratifying, however, that thanks to the common endeavour, marked improvement has been achieved in our relations. Last October, the EC foreign ministers' meeting made a wise decision to restore relations with China, and some West European countries have begun to take positive steps to improve their relations with China. We welcome these positive developments. It is especially worth mentioning that it was the foreign minister of Spain that took the lead in visiting China, thus making a valuable contribution to the development of Sino-Spanish relations and to the improvement of Western Europe's relations with China. Now, China and Western Europe see a gradual restoration of their political exchanges and their co-operation in trade and economic relations, science and technology as well as culture and education. This is beneficial to both sides. Although there are still some problems that need to be resolved through our common efforts, relations between China and Western Europe are on the whole moving in a sound direction.

Here, I wish to reaffirm once again that China is ready to develop friendly relations and co-operation with Western Europe on a long-term and stable basis. We believe that as China and Western Europe have no conflict of fundamental interests between them, and each side has an important status in international affairs, the proper handling of our relations not only is in the fundamental interests of our respective countries, but also helps bring about a new international order and secure world peace and stability. Obviously, the realization of such an objective calls for unremitting efforts from both sides, and their mutual adherence to some fundamental principles. These principles may be summarized as follows:

1. Seek common grounds while putting aside differences. China and West European countries have different social systems, historical traditions, cultural backgrounds and ideologies. Their views on some issues may also be quite different. However, the common grounds shared by China and West European countries outweigh their differences. It therefore serves the interests of both sides to seek common grounds while rising above the existing differences.

2. Mutual respect. China and West European countries are all sovereign states. China cherishes its hard-won independence. Both sides share a strong sense of national dignity. China and West European countries should respect each other and refrain from doing anything that might compromise the sovereignty, national unity and territorial integrity of the other side.

3. Non-interference in each other's internal affairs. Under the Charter of the United Nations, people of every nation have the right to choose their own road of development. As China and West European countries differ in national conditions, their political

decisions and the courses of their economic development are likewise different. The two sides may have different views, but that should serve to underscore the need for greater exchange and better understanding, instead of giving reason for interference in the internal affairs of the other side.

4. Equality and mutual benefit. Western Europe comprises many economically developed countries. It is very advanced in science and technology and its experience in economic management is most valuable for other countries. China is the largest developing country with rich human and natural resources and a market that has great potentials. Our two sides can complement each other and co-operate on an equal footing to mutual benefit.

We are confident that as long as China and Western Europe observe these principles, their relations will move forward along the right track.

At present, China enjoys political and social stability at home and sustained and co-ordinated economic development. In more than one decade since the beginning of the reform and opening-up, remarkable results have been achieved in China. The objective of doubling the gross national product of 1980 in ten years was realized two years ahead of schedule. Our people's living standards have improved noticeably. The policy of reform and opening-up has become our basic state policy. A policy which has brought tangible benefits to our people will not be changed, but will be adhered to for a long time to come. While continuing our economic reform, we will press ahead with our political reform. As China is a developing country with a population of more than 1.1 billion, we cannot copy mechanically any foreign models. Rather, we can only carry out reform and construction in the light of China's actual conditions while paying utmost attention to maintaining its social

stability. This is the only way to ensure a smooth development of our reform. China needs stability, and the world needs a stable China. We have now formulated the Eighth Five-Year Plan for the years 1991-1995 and the Ten-Year Development Programme for the 1990s, which is aimed at quadrupling the GNP of 1980 by the end of this century. This ambitious economic development plan of China's means greater opportunities for the further strengthening of China's economic exchanges and co-operation with other countries, including West European countries. Our friends from Western Europe are welcome to invest, open factories and run enterprises in China, so as to bring the economic and technological co-operation between our two sides to an even higher level.

In the past 18 years since the establishment of diplomatic relations, China and Spain have forged a rather stable relationship of amity and co-operation. Leaders of our two countries have frequently exchanged visits, our economic and technological co-operation has been remarkably fruitful, and our exchanges in the cultural, educational and other fields have been steadily increasing. China appreciates the positive role played by Spain in working for the political and economic integration of Western Europe, the relaxation of tension, stability in Europe, and the peaceful settlement of regional conflicts and other international disputes. The government of Spain has adopted a wise and pragmatic approach towards its relations with China, of which we express our appreciation. My current visit, like your foreign minister's visit to China not long ago, is a complete success. We have every reason to believe that with our joint efforts, Sino-Spanish friendship and co-operation will have great prospects in the years to come. ■

Pakistan Increases Oil Production

By Ren Liu jun

In fiscal 1989-1990, the petroleum and gas output of Pakistan's state-run Oil and Gas Development Corporation doubled from the previous year, rising from the third-ranking position among the country's major oil and gas companies to the first. The company thus contributed greatly to the development of Pakistan's national economy.

As early as in colonial times, foreigners began to explore oil in Pakistani territory. Not long after the independence of Pakistan, rich gas deposits were discovered in Baluchistan, luring many foreign companies to explore for oil. However, after no lucrative discoveries were made in the 1950s, foreigners abandoned the apparently oil-deficient land. It was under such circumstances that the Pakistani government decided to set up the Pakistan Oil and Gas Development Corporation (OGDC).

In the past 30 years, OGDC has exceeded the hopes of its founders. Pakistan's second largest natural gas field was discovered by the company in 1965, and in 1968 the country first struck oil in Tut Doudal. In the 1970s, OGDC's development efforts produced further achievements, changing Pakistan's image as an "oil-poor country." From the mid-1970s on, several foreign companies returned to Pakistan to set up joint ventures, and eventually succeeded in discovering several rich oil fields. Optimism about Pakistan's underground oil

and gas deposits rose quickly. A number of larger foreign oil companies at this time invested in Pakistan, contributing to the rapid development of Pakistan's oil and natural gas production in the 1980s. Recalling the past, Pakistani people have observed that there would have been virtually no oil and gas development in Pakistan without OGDC's hard work in the early 1960s.

OGDC has now become a key state enterprise engaged in both exploration and production. Its resources include high-quality scientific research teams with the most advanced equipment as well as a computer data base. The company's financial power

has increased, too. In 1988, its daily oil output was more than 7,000 barrels, placing it third among the country's five largest oil companies; production rose to over 14,000 barrels by 1989. The figure doubled in 1990 to 28,000 barrels, making OGDC the top oil company in Pakistan. Following eruption of the Gulf crisis, OGDC was ordered to increase its oil output by 6,000 barrels per day. Although this has not fully compensated for Pakistan's oil deficiency, OGDC has played its role at a crucial moment as a key state enterprise should have. Last year, OGDC handed in 1.5 billion rupees to the state treasury.

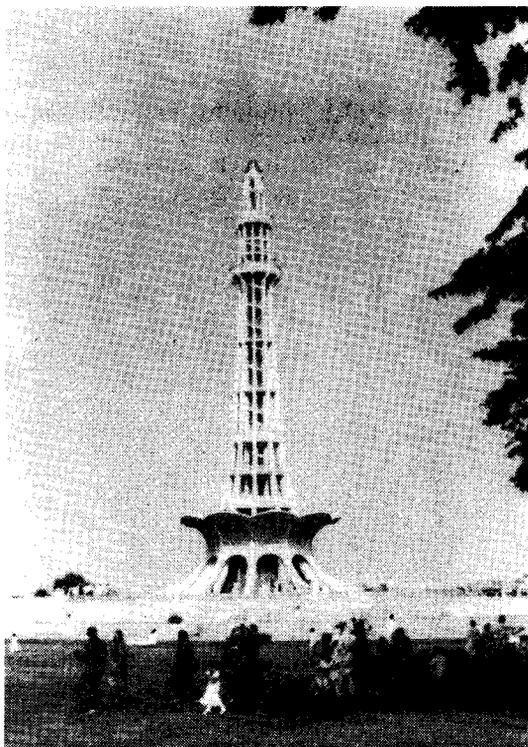
After Mr. Nawaz Sharif assumed power as Pakistan's prime minister, he put forward an industrial self-reliance programme, especially stressing the exploration and production of oil and natural gas.

This year, OGDC plans to drill 37 new oil wells and increase its output by 50 percent.

Recently, OGDC's president went to Manila to negotiate with the Asian Development Bank for a loan of approximately US\$60 million aimed at developing new oil and gas fields. OGDC is also going to cooperate with Australia in oil exploration and production. It is planning to import advanced equipment to set up its own oil refinery in order to guarantee high-quality gasoline for Pakistan's aviation industry as soon as possible. ■

Independence Memorial Tower in Lahore, Pakistan.

Tang Mengzong



Changes in Soviet-Japan Relations

by Sun Dongmin

Some noticeable changes have recently occurred in the relations between the Soviet Union and Japan. A delegation from the Japanese House of Councillors visited the Soviet Union in January this year and was followed by the Japanese foreign minister on a visit to Moscow. The Soviet Union sent a large delegation to participate in the meeting of the Japan-Soviet Combined Economic Committee held in Tokyo in the same month. There has been a notable increase in reports in Japanese newspapers on the improved relations between the two countries. Some of them even described the two countries' thawing relations as "the dawning light of a new era."

The improvement of relations between the Soviet Union and Japan is of great significance to peace and stability in North-eastern Asia. Relations between these two countries in the postwar era had been abnormally cold. The main barrier came from their dispute over the sovereignty of four islands (the "Northern Territories") north of Japan which have been occupied by the Soviet Union since the end of World War II. Japan has been demanding the return of these islands by the Soviet Union, regarding it as a prerequisite for signing a peace treaty and improving relations. The two countries signed a joint declaration on October 19, 1956 in which the Soviet Union agreed to return Habomai-shoto and Shikotan-to, two of the four islands, to Japan after a peace treat-

ty was signed. However, the Soviet Union changed its mind afterwards because of some complicated reasons. It refused to admit that there was a territorial issue between the two countries. Flexibility was shown in the Soviet attitude last year when Moscow began admitting that there was a territorial dispute between the two countries. In January of this year, Soviet President Mikhail Gorbachev said that he wished to discuss with Japanese Prime Minister Toshiki Kaifu the issues related to the signing of a peace treaty, including the territorial dispute. The change of the Soviet attitude was acclaimed by the Japanese government. Japan deleted the sentence in its defence White Paper which described the Soviet Union as the "potential threat" to Japan and agreed, for the first time since World War II, to provide two billion Japanese yen in economic assistance gratis to the Soviet Union. A working committee was established by the two governments in December of 1988 to prepare the work for signing a peace treaty. The committee has held six rounds of meetings to date. All the flexibilities showed by Moscow and Tokyo have been seen as part of their efforts to create a better environment for Gorbachev's visit to Japan, scheduled for April. Both want to see that the visit will achieve satisfied results.

The thawing of relations between the Soviet Union and Japan is the result of the changes in the world situation. It also com-

plies with strategical needs of both sides. The Soviet Union desires to improve its relations with Japan with the aim of relying on the capital and technology of Japan to explore its Siberia area, thus promoting its economic reform. Japan wants to improve its relations with the Soviet Union to enhance its position in the world. However, as the relations between the two countries have remained cold for a long time, improvements will be restricted by many factors and tested by time. Japan has been adhering to the principle that any fundamental improvement in economic relations should follow that of political relations, stressing that the progress of economic co-operation should coordinate with the settlement of territorial dispute. The Soviet Union has been maintaining the theory that expanding economic co-operation could create necessary conditions for the settlement of the issues existing in bilateral relations. It asked Japan to provide economic assistance and proposed an extensive plan to strengthen economic co-operation between the two countries at a recent meeting of the Japan-Soviet Combined Economic Committee. However, Japan's reaction to the plan was prudent. It indicated that it would not agree to provide economic assistance to the Soviet Union before it sees the results of Gorbachev's visit and has an evaluation on the prospects of the reform in the Soviet Union. Obviously, although both Japan and the Soviet Union have adopted positive attitudes towards improving their relations, they are cautious to take action. ■

Western Pacific: A Dynamic Region

by Xue Mouhong

The Western Pacific region, including Japan, South Korea, Taiwan, Hong Kong and countries of the Association of Southeast Asian Nations (ASEAN), shows some noticeable characteristics in its economic development.

A Vital Region

The region's economy has seen a rapid expansion and high growth rate. The world economic growth rate was 4.1 percent in 1988, dropping to 3.2 percent in 1989 and to a probable 2 percent in 1990. Yet in the Asian-Pacific region, the economic growth rate is expected to have reached 5.4 percent in 1990, basically the same as in 1989. This is markedly higher than that of other regions. In 1989, the average economic growth rate of developed capitalist countries was 3.7 percent, while Japan's growth rate reached 4.9 percent and maintained the same level in 1990.

As for developing Asian-Pacific countries or regions, the average economic growth rate of the "four little dragons" (South Korea, Taiwan, Hong Kong and Singapore), was higher than that of four major ASEAN countries (the Philippines, Thailand, Malaysia and Indonesia) for many

years. In 1989, however, the average growth rate of these four ASEAN countries reached 7.8 percent, surpassing the 6.4 percent rate of the "four little dragons," and also higher than that of South Asia. This new situation continued in 1990. The ASEAN region is now experiencing the most rapid economic development in the world. Thailand, for example, saw a growth rate of more than 13 percent in 1988, more than 12 percent in 1989 and close to 10 percent in 1990.

Policy Adjustments

In the past, Japan and the "four little dragons" relied on external demand to stimulate the development of their economies. But now they have changed their economies to the internal-demand model as they meet stronger protectionism and competition in outside markets while facing increasing internal demand to improve living standards. Even Hong Kong and Singapore, which possess very small local markets and rely heavily on foreign trade, have begun to further promote economic development through internal demand.

During such a transition period, Japan and South Korea have

also loosened up their quotas on imports in recent years. In South Korea, 95 percent of its imported items are unlimited, and the tariff rate for imported goods is increasingly being reduced. It is expected that its average tariff rate will drop to 7.9 percent by 1993.

The change in Japan and the "four little dragons" from an economy oriented towards external demand to one aimed at internal demand does not mean that their economies have become import-oriented, but, on the contrary, that their export-oriented economies are entering a new stage. In fact, they are more open to the outside than ever before. One of the goals to import greatly is to strengthen exports.

The four major ASEAN countries differ from the "four little dragons." They are now at the peak of a transformation from import substitution to external-demand-oriented economy.

Internal Co-operation

Many Asian-Pacific countries and regions take the United States as their main export market. In recent years, however, the trade volume between Asian-Pacific countries and regions themselves has increased rapidly,

reaching US\$234 billion in 1988, or US\$193 billion more than that between the Asian-Pacific region and North America. This marks the beginning of the Asian-Pacific economies decreasing reliance on the United States.

In the Asian-Pacific region, the trade among Western Pacific countries and regions is increasing most rapidly. According to reports from the Asian Development Bank, comparing 1988 with 1987, Japan's exports to the "four little dragons" increased by

24 percent, and its exports to the four major ASEAN countries by 35 percent; exports from the "four little dragons" to Japan were up by 36 percent, export trade among the "four little dragons" shot up by 46 percent, and their exports to the four major ASEAN countries by a whopping 50 percent; the four major ASEAN countries' exports to Japan increased by 17 percent, exports to the "four little dragons" were up by 29 percent and their mutual exports rose by 12 per-

cent.

The reasons for their intra-trade development are as follows:

First, Japan and the "four little dragons" stimulate the increase of their internal demand. In 1989, Japan's gross import value reached US\$210 billion and that of the "four little dragons" topped US\$230 billion. The sum of the two numbers approached 90 percent of US gross import value in that year.

Second, protectionist pressure



A glimpse of Jakarta, capital of Indonesia.

Tang Mengzong

from the United States and European countries is on the rise. The United States has used the Special 301 provisions in the Omnibus Trade Act and cancelled the generalized system of preference (GSP) for the "four little dragons." Facing the heightened clustering trend in the world economy, Western Pacific countries and regions worry that protectionist trade barriers from the United States and European countries will only increase. Thus, they have paid more attention to developing regional trade.

Third, the increasing mutual investment in the Western Pacific region promotes the international trade expansion. The Japanese yen has risen sharply since 1985, with the exchange rate of the Singapore dollar and other currencies also increasing to different degrees. Meanwhile, with rapid economic development, the "four little dragons" are also encountering such conditions as soaring land price, shortages of manpower and inflated wages. As a result, the competitive export power of Japan and the "four little dragons" has weakened, and they have had to transfer labour-intensive industries or processes to lower cost areas. The external investment of Japan and the "four little dragons" in the Western Pacific region has focused on the above-mentioned four major ASEAN countries. In 1988, the volume of direct foreign investment approved by these countries was more than 200 percent higher than 1987 in Thai-

land and Indonesia, 150 percent in Malaysia and the Philippines. Of the direct investment flowing into Thailand in 1988, a full 80 percent came from Japan and the "four little dragons." As for direct investment into Malaysia, the Philippines and Indonesia, 66 percent, 56 percent and 42 percent respectively came from Japan and the "four little dragons." The five countries set up plants in the four ASEAN countries and carried equipment, parts and semifinished products in. The finished products are sold not only in the local market or to other countries but are often directed back to the investing countries or regions. Therefore, the investment promotes trade.

Interdependence

In recent years, Japan and the "four little dragons" have been promoting economic prosperity in the ASEAN countries. In 1988 and 1989, the "four little dragons" surpassed Japan and the United States, becoming the largest investors in the four major ASEAN countries. The 1960s high tide of capital, technology and commodity circulation in the Western Pacific region brought about the first-generation newly industrialized economic communities. The current trend of capital, technology and commodity circulation, which began in the mid-1980s, is establishing the second-generation newly industrialized economic communities. Thailand and Malaysia, which have

attracted worldwide attention, will probably become two more "little dragons."

Although a kind of complex relationship — mutual competition mingled with mutual cooperation — still exists in the Western Pacific region, the present situation is characterized by co-operation. Whereas in the past, countries in the region could only co-operate in processing different grades of commodities, they are now dividing up their work for processing a single commodity. Therefore, with the further development of international division of labour, their mutual exchange of products has become more intimate. More importantly, the circulation of capital and technology has increased, resulting in progressively complementary and interdependent economies.

One reason for Western Pacific countries' and regions' rapid economic development is their early assessment and immediate response to new opportunities in the face of the new global economic situation. With the ever quickening development of science and technology, information is of paramount importance, and the world economy operates faster than before. Thus time becomes more and more significant. Some economists feel that developing countries must speed up their responses in the economic field, otherwise they will lose international orders and capital and fail in international economic competition. ■

Administrative Structural Reform

by Xing Zhen

Since China started a reform of the government apparatuses in 1988, it has scored remarkable achievements. In the coming years, the structural reform of administration, will be deepened as an important aspect of the reform of the political system.

After China introduced the policy of reform and opening up to the outside world in 1979, the drawbacks of China's government organization became visible. Deng Xiaoping once pointed out, "In our economic management, we have overstaffed and overlapped organizations, complicated procedures and low efficiency. Without reform, our modernization programme and socialist cause would be ruined." After a conscientious investigation early in 1988, the First Session of the Seventh National Congress adopted a programme to revamp the State Council.

After deciding upon the reform programme, the State Council organized the implementation of the programme for nine months. At the same time, the principal administrative cadres of various ministries and commissions under the State Council studied the "three fixing" programme, that is fixing the functions, the setup and personnel quota. After many consultations and revisions, a State Council ad hoc committee finally examined and approved the "three fixing" programme for the

various ministries and commissions under the State Council. In 1989, the State Organization Committee inspected and examined the "three fixing" programme in various departments. Over 80 percent of the departments have completed the work. Currently, the State Council has 68 departments, 20 less than during the period prior to the reform and, by the end of 1989, these departments had 44,800 employees, 7,900 less from the period prior to the reform. This reform has streamlined government departments and raised their efficiency.

These steps differ from the previous streamlining of the administrative structure. In accordance with the principle of separating the functions of the government from those of enterprises and institutions, power is now delegated to enterprises and institutions, given fairly high technical service functions to research institutes and transferred those matters which should not or could not be managed to appropriate agencies, thus intensifying the macro-control functions of the government. For instance, the State Planning Commission, set up after the reform of the organizational structure, has strengthened its macro-control functions of overall balancing, put forward realistic opinions of economic growth, investment scale, consumption funds, budget deficit, issuance of

money and price index as well as realistically evaluated such issues as finance, loan lending and borrowing, foreign exchange and the balance of goods and materials, augmented its monitoring and forecast of the macro-economy and thus played an appropriate role in economic management.

While carrying out reform of the organizational structure of the State Council, close attention has been paid to the reform of local organizational structures at selected points in the country. In 1989, the Chinese government decided that Hebei Province, Harbin, Qingdao, Wuhan and Shenzhen, and nine counties should launch a pilot reform of local organizational structures. Efforts of the past year show that the reform of organizational structure has been successful to varying degrees in these localities. They have also had preliminary success in streamlining administrative staff by changing functions and bringing relations into better balance. According to statistics made in Harbin, the number of government organizations at department level has dropped from 69 to 53 and the number of staff members dwindled from 6,167 to 4,900.

The successful reform of the administrative structure of the State Council and the reform of the local political organizations is just the beginning. As far as the reform of the organizational

structure of the State Council is concerned, the external relations of some departments should be further brought into better balance, their work efficiency further enhanced and changes in their functions further implemented. As far as the pilot reform of the local organizational structure is concerned, such problems as conflicts between the higher and lower levels, overstaffing and upgrading of local organizations and increase in the number of posts for leading cadres are beyond its immediate scope. These problems still exist and need to be dealt with by further deepening the reform.

Tentative Ideas

During the Eighth Five-Year Plan period (1991-1995), in order to meet the need for social and economic development, the structural reform of administration will intensify decision-making functions, perfect the macro-control system, enhance the authority of administrative command, readjust the arrangement of functions, impact local organizations and perfect the mechanism of administrative functions. Tentative ideas for the reform are as follows:

— **Continue to rationally deploy functions and bring relations into better balance.** On the one hand, functions should be rationally deployed in domestic political affairs, foreign affairs and in the economy and culture and the relevant organizations set up. On the other hand, functions will be rationally deployed in the government at various levels. On the premise of the unified decree of

the central government and in accordance with the principle of identification of rights and responsibilities, it is necessary to handle properly the relations between the central and local governments.

— **Perfect the decision-making system and assume a scientific approach towards decision making.** China's Constitution and laws stipulate that administrative organizations implement the system of overall leadership through administrative cadres at various levels. While strengthening the system of overall leadership by leading cadres, it is also necessary to further promote the administrative decisions at various levels in a scientific and democratic way and avoid as many errors in decision-making as possible. The reform is intended to achieve the following: 1. Perfect administrative decision-making procedures according to law, formulate procedural laws and regulations and ensure that major decisions are based on scientific proof, wide consultation and democratic discussion. 2. Establish and perfect necessary decision-making auxiliary organizations, gradually set up a team of highly qualified staff officers, gradually perfect decision-making and non-governmental consultative organizations and attract the participation of influential and competent experts and scholars in the decision-making process.

— **Expand executive administrative organizations and intensify the authority of the administrative command.** At present, there exists a situation of overly independent action in some administrative departments. They have

adopted "counter-measures" towards the decisions taken by the central government and thus seriously affected the implementation of some decisions. In the future, reform will follow the principle of identifying rights and responsibilities, encouragement of moderate management in order to readjust the setup, streamline the staff, improve the leading method of administrative organizations, determine the responsibility of the administrative cadres at various levels and conduct unified command and action so as to prevent a deformation of policy. At the same time, a principle for handling affairs, procedures and rules shall be established scientifically. A situation of disputing minor matters and shifting responsibility onto others will be eliminated. It is necessary to improve the work efficiency of the executive organizations, strengthen coordination of various departments at all levels, and augment the ability of administrative organizations to adapt.

— **Perfect the system of administrative supervision and strengthen supervision over violations of discipline.** This reform will contain the following aspects: 1. Administrative organizations at all levels should be clear about their obligations, work out the rules of actions for administrative personnel and cultivate an administrative order for handling affairs according to law and regulations. 2. Establish a better administrative and supervisory system, particularly regarding the supervision of government disciplines and formulate and perfect the laws and regulations of adminis-

trative punishment. Through self-supervision by administrative organizations, the inspection and supervision by supervisory departments and the reporting system of the masses, it is necessary to seriously and conscientiously investigate and deal with violations of disciplines. 3. Expand the functions of supervisory organizations, bring into better balance the relations between the supervisory departments, particularly relations between the Party and government disciplinary departments and the auditing department and set up an effective supervisory system.

— **Implement the system of government functionaries and**

raise their quality. It is necessary to reform the existing cadre system, implement the system of government functionaries and bring up a contingent of government personnel having high political performance and a strong devotion to their work.

— **Improve the work of government at the grass-roots level and build closer relations between the government and the people.** The lower levels of government departments are the direct “forward organizations” that maintain frequent contacts with the masses and future reform will define their duties and their rules for handling affairs. It is necessary to gradually perfect re-

levant laws and regulations and implement established administrative procedural law so as to eliminate the unhealthy tendency of bending power for personal interest and promote the construction of a clean and industrious government. It is necessary to simplify the procedures that “forward organizations,” go by in handling affairs, set rigorous rules on time limit for handling affairs and breaks away from the way of dillydallying in handling affairs. It is also necessary to make the work system of the “forward organizations” known to the public and strengthen the construction of a legal system for administration. ■

Economic Restructuring in the 1990s

by Ni Jixiang

Three noted Chinese economists recently aired their opinions about China's reform and opening to the outside world in the 1990s.

Developing Enterprise Groups. A fundamental step is to continue the reform in enterprises, says Ma Hong, director of the Research Centre to Advise on Economic, Technological and Social Development under the State Council. He points out that developing enterprise groups is a significant way to further reforming Chinese enterprises. Significant, because it has been written into the 8th Five-Year Plan (1991-96) and in the Ten-

year Development Programme. Taking large enterprises as the “core” and regrouping numerous enterprises around the core along a specialized line in light of their technological and economic relations. An enterprise group, Ma says, is better able to make full use of the advantages of group management and specialized cooperation. Developing enterprise groups will contribute to the development and sales of new products, specialized production and management of scale, thus reducing costs and increasing economic returns. Developing enterprise groups will prove to be significant for deepening enter-

prise reforms in the following respects. First, it is conducive to the separation of the government and enterprises, long a basic target of China's economic restructuring. Although progress has been made with the efforts to expand the autonomy of enterprises, it is far from satisfactory. Experience proves, however, that developing enterprise groups can lead to a final separation of the government and enterprises and make enterprises responsible for its losses and profits. Allowing large enterprises to take charge of run-of-the-mill enterprises and “milk-producing” enterprises to proliferate will prove to be

a revolution for China's industrial management system.

Should the principles for developing enterprise groups be adhered to in reorganizing China's industry, we would be able not only to improve the relationship between the government and enterprises but also improve the management of Chinese enterprises.

Second, developing enterprise groups will provide favourable conditions for the steady development of a joint-stock system in state-owned enterprises. This will not bring about social unrest, like price reform, nor will it increase financial pressures. It will improve the management of state-owned assets and take the interests of the central and local governments and enterprises into proper consideration.

Open Wider to the Outside World. China will open wider to the outside world, says Dong Fureng, deputy director of the Financial and Economic Committee of the National People's Congress (NPC).

The world economy, he says, has become increasingly interrelated, mutually co-operative and interdependent. Economic co-operation and trade are playing a more and more significant role in developing the national economy of different countries.

China opening wider to the outside world and expanding its exchanges with other countries is theoretically based on the fact that different countries have different advantages. For example, developed countries have technological superiority while developing countries are rich in labour resources. Co-operation and

exchanges between them can make use of these advantages.

The achievements China has made over the past decade under the open policy are internationally recognized and continuation of the open policy makes sense to the Chinese people. While summing up the experiences of the past decade, he says, it is necessary to deal properly with the relationship between the open policy and protection of China's national economy. Mishandling the relations in the past resulted in over-import of such non-productive products as cosmetics, electrical appliances and luxury cars while urgently needed funds and technology were not imported. These problems deserve close attention in the coming years. Imports should be carefully selected in order to properly protect national industries. To protect "properly" does not mean putting the national industry into a hothouse separate from the outside world. Rather, China should expose its industry to the outside world in order to raise its competitiveness on the international market. Although many products are already on the international market, we should expand the list."

The Joint-Stock System. It is encouraging, says professor Li Yin-ling of Beijing University, that in the 8th Five-Year Plan and the Ten-Year Development Programme the joint-stock system based on public ownership has been taken as a way to further reforming Chinese enterprises.

"In recent years I have always advocated differentiating the target pattern of enterprises from the present feasible form. For ex-

ample, the contract responsibility system is a feasible form right now, but it is also transitional in nature due to its drawbacks. While the separation of profit and tax is in itself not an enterprise form, it represents a step in the right direction—investors harvest the profit, government the tax. The adoption of this method is helpful for the transformation of the contract responsibility system into the joint-stock system, the target of the reform of large and medium-sized enterprises."

To achieve this transition, he says, three steps need to be taken: First, state-owned assets should be appropriately appraised and evaluated in order to protect them from any erosion. Second, laws concerning the joint-stock companies in regard to conditions and procedures for establishing joint-stock companies, organization of joint-stock companies and transfer of stocks should be formulated as soon as possible so that the establishment of joint-stock enterprises will be standardized from the start. Third, the management system for state-owned assets should be improved so as to protect the interests of state assets. If these three steps are taken gradually and relevant measures worked out, a joint-stock system based on public ownership will be established for a majority of large and medium-sized enterprises in the 1990s, a solid micro-economic foundation for the operation of the socialist planned commodity economy will be in place, and the fundamental task for restructuring China's economy will thus be fulfilled. ■

Attuning Taxation to Investment Climate

by Our Staff Reporter Han Guojian

In the past two years, China has rectified its taxation concerning foreign-funded enterprises by improving its tax rules and regulations. This provides a balanced environment for foreign business investment.

When taxation became an outstanding issue in dealing with foreign-funded enterprises after the adoption of the policy of opening to the outside world, China's tax authorities were confronted with two problems. On the one hand, the local governments were providing, without approval from higher authorities, preferential tax reduction and exemption in order to attract more foreign investment, actions which threw China's taxation situation into confusion. On the other hand, some foreign businessmen were taking advantage of loopholes in China's imperfect tax laws and enterprise management to evade taxes.

According to a Beijing economist, the tax environment is a main criterion for judging whether the investment environment is good or not. A good tax environment has a low tax rate and, most important, ensures

investors that their investments are safe and treated equally. In the last two years, the Chinese tax authorities have adopted some measures to rectify local tax rules and any unauthorized regulations and to deal with tax evaders. Such action has shown the determination of the Chinese government to improve the investment environment for foreign businessmen.

The current tax rectification work has guaranteed a solution to these two problems and strengthened management of tax collection over foreign-funded enterprises. It has also provided an environment for equal competition among foreign businessmen and attracted increasing foreign investment for construction of factories.

Local Regulations

Starting in 1988, the central government has rectified local

tax rules and regulations of foreign-funded enterprises which were formulated without authorization.

Su Xiaolu, an official from the Department of Foreign Taxation Management under the State Administration of Taxation, said that by the end of 1990, a total of 31 provinces, autonomous regions and municipalities as well as cities which plan separately, including Anhui, Shandong, Henan, Sichuan, Shanxi provinces, the Guangxi Zhuang Autonomous Region as well as Shenyang, Harbin, Xiamen, Qingdao and Chongqing, rectified and revised their unauthorized tax preferential rules and regulations. The same action is being taken in Hebei, Liaoning, Guangdong and Jiangxi provinces, and in the cities of Wuhan and Guangzhou.

Since 1980, China has established special economic zones and opened coastal cities and

Statistical Communique of the State Statistical Bureau of the People's Republic Of China on National Economic and Social Development in 1990

(February 22, 1991)

In 1990, people of all nationalities in China, under the leadership of the Party Central Committee and the State Council, achieved significant progress in implementing the policy of economic rectification, improving the economic environment and deepening economic reforms. The gap between demand and supply was narrowed, a bumper harvest was achieved, major economic relations were adjusted, price increases were put under control and China improved its balance of payment. The favourable development of the national economy has contributed to political and social stability of the country. Progress was also made in the fields of science and technology, education, culture, public health and sports. Preliminary statistics indicate that the annual gross national product (GNP) of China was 1,740 billion yuan, a 5 percent increase over 1989, and the national income was 1,430 billion yuan, a 4.8 percent rise. The major problems in the economy were: an increase in the stock of finished products, the continued decline of economic efficiency, the deteriorating financial situation of the government and the mounting inflationary pressure.

I. Agriculture

In 1990, local governments at all levels attached great importance to the development of agriculture by organizing large-scale farm and water conservancy projects and promoting ap-

plication of science and technology in agriculture. A favourable climate also contributed to the overall development of farm cultivation, forestry, animal husbandry, fishery and sideline production. The gross agricultural output value in 1990 was 738.2 billion yuan, up 6.9 percent over 1989. The output value of farm cultivation grew by 8.3 percent, forestry grew by 2.2 percent, animal husbandry rose by 5.9 percent, sideline production rose by 3.4 percent, and fishery was up 6.7 percent.

Production of all major farm products increased. The total grain output reached a historical record high of 435 million tons, or 6.7 percent more than production in 1989. There was a notable increase in the output of cotton, oil-bearing crops and sugar crops and the production of vegetables and fruits registered good harvest. However, the good agricultural harvest in 1990 did not mean that the comprehensive production capacity of agriculture had taken a new step forward.

The output of major cash crops was as follows:

	1990 (ton)	Increase over 1989 (%)
Cotton	4,470,000	18.1
Oil-bearing crops	16,150,000	24.7
Of which: Rapeseed	6,930,000	27.5
Sugarcane	57,270,000	17.4
Beetroot	14,530,000	57.2
Jute, ambary hemp	720,000	9.5
Cured tobacco	2,260,000	-6.2
Silkworm cocoons	530,000	9.4

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Tea	530,000	-0.3
Fruits	18,760,000	2.4

New achievements were made in forestry as the quality of afforestation further improved. The construction of fast-growing and high-yield timber bases was accelerated. The second phase of the project to build "shelter forest belts" in northern China progressed smoothly, the shelter forest project along the middle and upper reaches of the Yangtze River was begun, and new progress was achieved in afforestation in plain areas. Remarkable achievement was made in prevention of forest fire. The total consumption of forest resources began to drop while the forest coverage rate rose. Plant diseases and insect pests were still a severe problem.

Steady progress was made in animal husbandry with the continued growth in the output of meat, poultry, egg and dairy products.

The output of major animal products and livestock was as follows:

	1990	Increase over 1989 (%)
Pork, beef and mutton	25,040,000 tons	7.7
Cow milk	4,130,000 tons	8.2
Sheep wool	240,000 tons	1.8
Pigs slaughtered	310,000,000 head	6.2
Pigs in stock (year-end figure)	360,000,000 head	3.0
Sheep and goats in stock (year-end figure)	210,000,000 head	-0.8
Large animals in stock (year-end figure)	130,000,000 head	2.7

The fishery industry continued to develop. The total output of aquatic products in 1990 was 12.18 million tons, up 5.7 percent over the previous year. Of this total, the output of freshwater aquatic products was up 6 percent and that of marine products was up 5.5 percent.

There was improvement in the general conditions for agricultural production. By the end of 1990, the aggregate power of the nation's farm machinery was 285.4 billion watts, up 1.7 percent over 1989. There were 820,000 large and medium tractors, down 3.6 percent; 6.98 million small and hand tractors, up 6.6 percent; 620,000 trucks; down 1.3 percent; and irrigation and drainage equipment with a total power capacity of 70.6 billion watts, up 3 percent. A total of 26.07 million tons of chemical fertilizers (100 percent effective content equivalent) were used,

up 10.6 percent. Rural consumption of electricity was 83.5 billion kwh, up 5.7 percent. Irrigation and water conservancy facilities in rural areas were further reinforced, resulting in expanded acreage of irrigated farmland.

The rural economy kept expanding. The total output value of rural society in 1990 was 1,625.3 billion yuan, an 8.8 percent growth over the previous year. Taking a 54.6 percent share in the total output value of rural society, the output value of rural industry, construction, transportation, trade and catering rose by 9.9 percent.

II. Industry

The industrial production kept up its momentum of growth. The gross industrial output value in 1990 was 2,385.1 billion yuan, up 7.6 percent over 1989. If industrial enterprises at and below the village level were excluded, the industrial output value would be 1,962.9 billion yuan, up 6 percent over 1989. Of the total industrial output value, that of the state-owned industry grew by 2.9 percent, collective enterprises grew by 9.1 percent (of which the township industry increased by 12.5 percent), private enterprises grew by 21.6 percent, and joint-venture enterprises and foreign enterprises rose by 56 percent. The output value of state and collective enterprises accounted for 91.4 percent of total industrial output value.

The output value of light industry in 1990 was 1,179.9 billion yuan, up 9.1 percent, and the output value of heavy industry was 1,205.2 billion yuan, up 6 percent. Consumers had more choices as many new products were put into the market. The shortage in supply of key raw materials and energy products was alleviated as production increased. However, the changing market brought out a decline in the production of some electric and mechanical products used for investment purpose and of the most expensive consumer durables. The progress of adjustment in the industrial structure was slow and imbalances were still prominent.

The output of major products was as follows:

	1990	Increase over 1989 (%)
Yarn	4.5 million tons	-5.6
Cloth	18,000 metres	-4.9
Woollen fabrics	280 metres	0
Machine-made paper and paperboard	13.3 million tons	-0.2

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Sugar	5.71 tons	14.0
Salt	19.84 tons	-29.9
Cigarettes	32.9 cases	3.0
Synthetic detergents	1.484 tons	1.2
Daily aluminium ware	0.0727 tons	-11.6
Bicycles	31.41	-14.6
TV sets	26.62	-3.8
Of which: colour sets	10.23	8.8
Tape recorders	29.7	26.4
Cameras	1.899	-22.6
Household washing machines	6.526	-20.9
Household refrigerators	4.754	-29.2
Total energy production (standard fuel equivalent)		
Coal	1,040 tons	2.4
Crude oil	1,080 tons	2.5
Electricity	138 tons	0
Of which:		
Hydro-electricity	618,000 kwh	5.7
Steel	126,000 kwh	6.5
Rolled steel	66.04 tons	7.2
Cement	51.21 tons	5.4
Timber	203 tons	-3.3
Sulphuric acid	54 cub m	-6.9
Soda ash	11.69 tons	1.4
Chemical fertilizers	3.746 tons	23.3
Chemical insecticides	19.12 tons	6.1
Power-generating equipment	0.2293 tons	10.3
Machine tools	11.43 kilowatt	-2.7
Motor vehicles	0.1178	-34.1
Tractors	0.5091	-12.8
Locomotives	0.039	-1.5
Steel ships for civilian use	0.000655	-3.7
	1.23 tons	-13.4

The economic returns for enterprises continued to fall. In 1990, state-owned industrial enterprises covered in the state budget turned over a total of 127.1 billion yuan in profits and taxes, an 18.5 percent drop compared with the previous year. Of this the drop in profits was 58 percent. The stock of finished products increased, with the turn-over time for circulating funds increasing from 109 days in 1989 to 127 days. The ratio between capital and profit/tax dropped from 100:19.39 to 100:13.76. There was a slight rise of 0.8 percent in overall labour productivity. The quality of certain products was unstable and production cost continued to rise. The number of losing enterprises increased with a readjusting overall expansion of losses.

The enterprise contract system was further improved. By the end of last year, 44,604 state-owned industrial enterprises extended their responsibility contracts, some 88.6 percent of all

enterprises whose contract expired in 1990. For the extended contracts, improvements were made with regard to the basis and contents of the contract. At the same time, experiments were carried out in selected areas on "separating taxes from profits, repaying loans and setting the contractual basis after taxation."

III. Investment in Fixed Assets and Construction

Investment in fixed assets rebounded in 1990 after the State Council decided to expand investment demand to an appropriate level in order to stimulate the market and promote production. The completed investment in fixed assets of the country in 1990 was 445.1 billion yuan, an increase of 18.5 billion yuan or 4.5 percent over 1989. The investment of state-owned units was 292.7 billion yuan, up 10.5 percent; that of collective units was 55 billion yuan, down 2.8 percent, and individual investment was 97.4 billion yuan, down 5.6 percent. Construction projects were put under control. There were 123,000 capital construction projects and technical updating and transformation projects by the state-owned units which were under construction in 1990, or 3,536 projects less than the year before. These 123,000 projects had a total investment of 1,155.4 billion yuan, or 16 percent more than that in the previous year. However, there was no significant change in the poor investment return.

The investment structure was adjusted. The preferential investment policy of the government helped to reinforce construction projects in agriculture, energy, transportation and posts and telecommunications departments. Of the total investment of state-owned units, the investment in agriculture took 8.1 billion yuan, up 31.2 percent; its share in total investment rose from 2.5 percent in 1989 to 3 percent; the investment in energy industry took 81.4 billion yuan, up 15.6 percent, and its share rose from 27.8 percent to 29.9 percent; and the investment in transportation, posts and telecommunications took 39.3 billion yuan, up 46.1 percent, and its share rose from 10.7 percent to 14.4 percent.

In 1990, the investment in capital construction projects by state-owned units (including the purchase of motor vehicles and ships) was 170.3 billion yuan, up 12.3 percent over 1989. Of this total, the investment in productive projects was 123 billion yuan, with a share in capital con-

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struction investment rising from 68.6 percent to 72.2 percent; and the investment in non-productive projects was 47.3 billion yuan, and its share dropped from 31.4 percent to 27.8 percent. Construction of office buildings, hotels and other non-productive projects was effectively controlled. The investment in technical updating and transformation projects in 1990 was 82.8 billion yuan, up 5.8 percent over 1989. Of this total, investment aimed at energy conservation and at increasing the variety of products and improving the quality of products increased by 14.1 percent, its share rising from 23.3 percent in 1989 to 25.3 percent.

The construction of key state projects made rapid progress with a number of projects completed and put into operation. An investment of 42.6 billion yuan was put into 200 key projects which were organized by the state to be completed within a reasonably defined construction span, more than meeting the annual plan. In 1990, a total of 95 large or medium-scale capital construction projects were completed. Among the key projects that were completed in 1990 were: Malan Coal Pit at Gujiao Mining Area in Shanxi Province with an annual mining capacity of 4 million tons of coal, Shidongkou Power Plant in Shanghai with an installed power-generating capacity of 1.2 million kw, Yangtze 300,000-ton ethylene project in Nanjing, Yizheng Chemical Fibre Complex which is the largest chemical fibre production base in China, the first phase of 410-km Datong-Qinhuangdao Railway (an electrified double-track railway dedicated to the transportation of coal using heavy-load trains), the 375-km Shenyang-Dalian Express Highway, the gigantic construction projects for the 11th Asian Games, and China's first high-energy particle accelerator—the Beijing positive-negative electron collision set.

Newly increased production capacity in 1990 through capital construction projects includes: 20.16 million tons of coal mining, 9.12 million kw of power generation, 13.32 million tons of oil extraction, 1.03 billion cubic metres of natural gas extraction (all including capacity through technical updating projects and investment in other types of projects); 600,000 tons of soda ash, 250,000 tons of chemical fertilizers, 260,000 cubic metres of timber felling, 1.69 million tons of cement, 2.5 million weight cases of plate glass, 127 km of new railways put into operation, 349 kilometres of double-track railways, 551 km of electrified railways, 2,141 km of new

highways, and 22.56 million tons of cargo-handling capacity of coastal harbours.

The economic returns of construction enterprises continued to drop. The gross output value of state-owned construction enterprises was 90.3 billion yuan, down 3.9 percent compared with 1989, and the total floor space of buildings under construction was 197 million square metres, down 7.9 percent. Overall labour productivity per person was 14,547 yuan, down 1.5 percent. Losses in the construction industry increased and the number of panprofitable Enterprises expanded.

New progress was made in geological surveys. Two hundred and sixty-seven mineral deposits were discovered or proven as industrial deposits, and progress was reported in the survey of 102 mineral areas. Geological surveying units completed a total drilling of 9.05 million metres. The number of verified reserves increased for 57 kinds of minerals. Important progress was made in surveying oil and natural gas reserves in Tarim of the Xinjiang Uygur Autonomous Region, in the East China Sea and in the southern area of Songliao Basin.

IV. Transport, Post and Telecommunications

The pressure on transportation relaxed and transportation order improved as communications and transportation steadily developed. Freight transported by various means increased. Ocean shipping was encouraged under a fierce competitive situation in the world shipping industry.

The volume of transportation by various means was as follows:

	1990 (billion)	Increase over 1989 (%)
Volume of freight transport	2,632.2 ton-km	2.9
Railway	1,059.3 ton-km	2.1
Highway	344.1 ton-km	2.0
Waterway	1,165 ton-km	4.1
Of which: Ocean shipping	819 ton-km	6.5
Airway	0.8 ton-km	17.4
Pipelines	64.2 ton-km	2.1
Volume of passenger transport	561.2 person-km	-7.6
Railway	261.6 person-km	-13.9
Highway	260 person-km	-2.3
Waterway	17.8 person-km	-5.3

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Airway	21.8 person-km	17.1
Cargo handled at major coastal harbours	0.46 tons	-1.7

Revenue from transport increased. The price increase in railway transport brought about a 29.7 percent growth in revenue. However, there was no significant improvement in the economic returns. The daily output of railway locomotive for freight transportation was 859,000 ton-km, only a slight increase of 0.7 percent over the previous year. The economic results of local highway and waterway transportation enterprises remained poor.

Fairly rapid progress was made in post and telecommunications service, with business transactions in 1990 totalling 8 billion yuan, up 24 percent over 1989. A growth of more than 20 percent was registered for fast postal services, express delivery service, faxes and international telephone calls. By the end of 1990, urban telephone subscribers reached 5.2 million, up 22 percent. Programme-controlled telephones accounted for 43.5 percent of the total urban telephone capacity.

V. Domestic Trade, Supply and Marketing of Materials

Domestic market sales recovered gradually in 1990 and steadily developed. The total value of retail sales was 825.5 billion yuan, up 1.9 percent over 1989. The retail sales of consumer goods were 722 billion yuan, up 1.9 percent, of which 72.3 billion yuan worth of commodities were sold to institutions, up 4.3 percent. The retail sales of the means of agricultural production were 103.5 billion yuan, up 1.7 percent.

Analyzed according to urban and rural markets, the retail sales in cities rose by 6 percent for the whole year, with the growth rate approaching the level for a normal year of 13.4 percent in the last quarter of 1990. On the other hand, sales on the rural market at and below county level showed no sign of rising until October, with the annual sales dropping by 2.4 percent.

In terms of different category of commodities, the sales of food items were stable, and the volume of sales of edible vegetable oil, sugar, pork and aquatic products rose as compared with the previous year. Among items of clothing and items for household use, the sales of colour TV sets rose by 39.9 percent and that of electric

fans were up 1.9 percent, whereas the sales of most other commodities declined by various margins, including cotton cloth, woollen fabrics, sewing-machines, bicycles, wrist-watches, tape recorders, black and white TV sets and washing machines.

Of the total retail sales, that of the state-owned retail units rose by 3.2 percent, the collective units dropped by 3.5 percent (of which the supply and marketing co-operatives were down 0.7 percent), joint-ownership units of various types rose by 24.8 percent, and individual units rose by 5.8 percent. Sales by farmers to non-agricultural residents increased by 7.9 percent.

The economic results of commercial departments dropped by large margins. In 1990, the profit and taxes of state-owned commercial enterprises and supply and marketing co-operatives were 85 percent less than in 1989, and the total losses by unprofitable enterprises rose by 45.5 percent. The turnover time for circulating funds was prolonged.

The market for the means of production reversed its trend of decline in September of 1990. The total sales of means of production by material supply and marketing departments were 238.2 billion yuan, up 1.7 percent over 1989, of which the rise in the fourth quarter of 1990 was 21.8 percent. Volume of rolled steel sold was 34.97 million tons, up 3.8 percent; coal 260 million tons, up 3.5 percent; timber 19.78 million cubic metres, down 10.2 percent; cement 27.56 million tons, down 10.7 percent; motor vehicles 556,000, up 0.4 percent; and machinery and electric equipment 50.4 billion yuan, up 4.6 percent.

The general level of market prices continued to rise in 1990, though the margin of rise became notably smaller. The general retail price level for the whole year indicated a 2.1 percent rise over 1989, much lower than the 17.8 percent price increase of the year before. Retail prices at the market in 1990 were characterized by the following: 1) retail prices for most food items maintained stable; 2) prices for farm and sideline products at free markets continued to go down; and 3) prices for certain goods and service items were adjusted in most areas during the last quarter of 1990 with the rate of increase was fairly big in some large or medium-sized cities.

General costs of living of urban and rural residents rose by 3.1 percent over 1989.

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The changes in prices of commodities and services were as follows:

	Price increase in 1990 over 1989 (%)	Urban increase in Dec. over Dec. of 1989 (%)
Food	0.3	1.8
Grain	-4.8	-6.3
Meat, poultry and eggs	-2.1	-3.1
Of which: Pork	-4.0	-4.3
Fresh vegetables	-0.4	13.9
Aquatic products	-0.7	5.7
Tobacco, alcohol and tea	0.9	1.6
Pastry and cakes	7.8	9.8
Clothing	7.1	6.3
Articles for daily use	1.9	1.4
Medicine and medical goods	2.4	1.7
Fuels	8.2	32.0
Means of agricultural production	5.5	--
Services	20.9	11.6

VI. Foreign Economic Relations—Trade and Tourism

China had a foreign trade surplus in 1990. Customs statistics showed that the import and export of merchandise totalled US\$115.41 billion, an increase of 3.3 percent over 1989. The value of exports were US\$62.06 billion, up 18.1 percent, and the value of import were US\$53.35 billion, down 9.8 percent. If import and export transactions involving no payment in foreign exchange were excluded, China had a trade surplus of US\$13.1 billion, the first time since 1984. The foreign exchange reserves of China increased, hence strengthening its capacity for payments to foreign countries.

Steady development was achieved in the utilization of foreign capitals. In 1990, China signed new agreements for the utilization of foreign capital worth US\$12.3 billion, up 7.4 percent over 1989. Foreign capital actually utilized during the year was US\$10.1 billion, of which US\$3.4 billion was in the form of direct foreign investment, both figures higher than 1989.

There was new progress in economic and technical co-operation with foreign countries. Construction projects and labour service con-

tracted by China with foreign countries totalled US\$2.5 billion, up 13 percent, and the accomplished operation revenue reached US\$1.7 billion, up 0.8 percent.

International tourism began a gradual recovery. China received 27.46 million international tourists for sightseeing, visits or other activities, 12.1 percent more than the previous year. Foreign exchange income from tourism was US\$2.22 billion, up 19.2 percent.

VII. Science and Technology

New successes were scored in science and technology. In 1990, China gained 2,914 national scientific and technical results. The state approved 59 natural science prizes, 224 invention prizes and 505 prizes for progress in science and technology.

Various scientific and technical programmes initiated by the state continued progress smoothly with notable results. Over 90 percent of the tasks embodied in the key state scientific and technical contracts during the Seventh Five-Year Plan period were fulfilled, including some major breakthroughs, such as high-resolution seismic prospecting technology and batch production of 300,000-kw power generating sets. Another 11 state key laboratories were accepted and opened to scientists at home and abroad.

In 1990, the National Natural Science Foundation approved a total of 135 million yuan to support 3,531 scientific research projects, up 8.9 percent and 11.4 percent respectively over the previous year.

There were 9,156 full-time technical development institutions in large and medium industrial enterprises in the previous year, 1,941 institutions more than in 1989. Some 46,500 technical development projects were organized, 11,500 projects more than in the previous year.

By the end of 1990, there were 3,000 product inspection and supervision centres in China, of which 104 were state centres. A total of 853 state classifications of various types were formulated or amended. Weather forecasting systems were established in over 1,000 weather stations and centres in China. There were 876 staffed seismographic stations, 4,187 seismic measuring and reporting outlets and 20 regional or local remote-measuring networks. The state approved five national ocean environment preserves and established 151 new ocean monitoring and ob-

servation stations. Mapping departments surveyed and prepared 24,953 maps of varying scales, and 430 maps were published.

Rapid progress was made in patent work. Patent offices received 41,469 domestic and foreign patent applications, up 26 percent over 1989, of which applications from industrial and mining enterprises rose by 59.9 percent. A total of 22,588 patent applications were approved, up 31.9 percent.

Scientific and technical personnel grew in number. By the end of 1990, China had 24.32 million professionals and technicians of various categories, of whom 10.97 million were specialized in the natural sciences, an increase of 6 percent over 1989. There were 5,410 state-owned independent research and development (R&D) institutions and 410 scientific and technological information and documentation centres above the county level in China with 420,000 scientists and engineers. Some 780,000 people were engaged in scientific and technical activities in institutions of higher learning, of whom 86.5 percent or 675,000 persons were scientists or engineers. There were 7,600 scientific associations in industrial and mining enterprises, which promoted public participation in scientific activities.

VIII. Education and Culture

The size of general higher education was checked in order to improve the quality of education. In 1990, enrollment of new graduate students was 30,000, up 3.9 percent over the previous year, and the total number of graduate students was 93,000, down 8.2 percent. Institutions of higher learning took in 609,000 new undergraduate students in 1990, up 2 percent, and the total number of undergraduate students was 2,063,000, down 0.9 percent.

Secondary vocational and technical education steadily developed. There were 6,048,000 students studying in various types of secondary vocational or technical schools (including 1,332,000 students in technical workers' training schools), accounting for 45.7 percent of the total student enrollment of 13,220,000 at senior secondary school level.

The coverage of compulsory education programme was further improved. In 1990, there were 38.69 million students in junior secondary schools and 122.42 million pupils in primary schools. The enrollment rate of school-age child-

ren was 97.9 percent, or 0.5 percentage point higher than in 1989; and 74.6 percent of primary school graduates continued their study in secondary schools, 3.1 percentage points higher than the previous year. Some 1,459 counties had universal primary education; 70 counties more than the previous year.

Progress was made in the rectification of adult education. In 1990, institutions of adult higher education took in 492,000 new students, a total student enrollment of 1,740,000, down 0.1 percent over 1989. There were 1,588,000 students in adult secondary specialized schools, down 6.9 percent, 12.82 million students in adult technical training schools, up 1.1 percent, and 23.69 million students in adult junior secondary schools and adult primary schools, up 15.7 percent. Remarkable achievement was made in eliminating illiteracy, with 3,972,000 people becoming literate in 1990.

By the end of 1990, there were 2,819 artistic groups, 3,000 cultural centres, 2,527 public libraries, 1,012 museums, 3,630 archives, 640 radio broadcasting stations, 673 radio transmitting and relaying stations, 510 television stations, 938 television transmitting and relaying stations with a capacity of over 1,000 watts, and 145,000 film-projection units throughout China. In 1990, China produced 100 feature movies and distributed 199.5 new, feature length movies. Eighteen Chinese movies were awarded prizes at international film festivals. National and provincial newspapers issued 15.87 billion copies; magazines, 1.91 billion copies; and books, 5.58 billion copies.

IX. Public Health and Sports

The year 1990 saw continued development of public health undertakings and further improvement of medical facilities. By the end of 1990, there were 2,624,000 hospital beds in the country, up 2.2 percent over 1989; 3,898,000 full-time health workers, up 2.3 percent, of whom 1,763,000 were doctors (including 1,303,000 senior doctors of traditional Chinese and Western medicine), up 2.6 percent; and 975,000 nurses, up 5.7 percent.

There was striking headway made in sports. Last year 61 Chinese athletes won 54 champions in world championships or world cup contests, 8 athletes and 3 teams broke 14 world records on 16 occasions, 34 athletes and 2 teams broke 40 Asian records on 49 occasions, and 131 ath-

letes and 30 teams broke 132 national records on 221 occasions. At the 11th Asian Games successfully hosted by China in 1990, Chinese athletes spared no efforts and walked away with 183 gold medals. The Asian Games stimulated the mass participation in sport events. By the end of 1990, some 259 counties were chosen as advanced counties in sports, and 74.78 million youths in the country reached the National Standards for Physical Exercises. In the previous year, 21.88 million athletes participated in 70,381 sports meets above the county level.

X. Standard of living

The consumption demand of residents picked up. Data from sample surveys showed that the per-capita cash income of urban residents that could be used for living expenses was 1,387 yuan, up 10 percent over the previous year, or a real growth of 8.6 percent if increases in prices were excluded. The per-capita net income of farmers was 630 yuan, up 4.7 percent, or a real growth of 1.8 percent if increases of commodity prices were excluded. However, economic development in different areas was unbalanced, and the actual income of some households declined.

Employment kept increasing in urban areas. Some 4 million people were given jobs in cities and towns in 1990. By the end of the year, staff and workers in China numbered 139.89 million, or 2.47 million persons more than at the end of 1989. Of this total, the number of workers employed on a contract basis by state-owned units was 13.52 million, or 1.62 million persons more than the previous year. There were 7 million individual workers in urban areas, 500,000 persons more than that at the end of 1989.

The total wage bill for staff and workers in 1990 was 296 billion yuan, up 13 percent; the per-capita wage of urban employees was 2,150 yuan, a real increase of 9.7 percent if price hikes were excluded.

Savings deposits scored large gains in both urban and rural areas. By the end of 1990, the value of savings deposits by residents totalled 703.4 billion yuan, 188.7 billion yuan or 36.7 percent more than at the end of 1989.

Urban and rural living conditions further improved. A total of 180 million square metres of new buildings was completed in urban areas and 660 million square metres of new houses were built in rural areas in 1990.

Social welfare work continued to develop. In

1990, there were 761,000 beds in social welfare institutions of various types in China, with 580,000 clients. Some 44.81 million people in need received relief aid from the state. A social security system was established in 25.1 percent of rural townships. In 1990, there was a rapid development of urban community service network, with 88,000 community service facilities established.

Progress was made in insurance services. The premium for property insurance of various kinds in 1990 totalled 2,574.9 billion yuan, up 12 percent over 1989. Some 540,000 enterprises participated in enterprise property insurance, 90.89 million households participated in household property insurance and 217.36 million persons in life insurance programmes. The insurance companies took 2.78 million claims for property losses and paid out 8.11 billion yuan. Another 2.6 billion yuan were paid to 9.25 million persons for life insurance.

XI. Population

In 1990, the birth rate for China was 21.06 per thousand, and the death rate was 6.67 per thousand, resulting in a natural growth rate of 14.39 per thousand. The total population was 1,143.33 million by the end of 1990, or 16.29 million more than at the end of 1989.

Notes: 1) All figures in this communique are preliminary, it does not include data for Taiwan Province.

2) Values of gross output quoted in the communique are at current prices, whereas growth rates are at comparable prices.

3) Base year (mainly 1989) figures are from the official statistics of the *Statistical Yearbook of China* except for population figures at the end of 1989, which were adjusted according to 1990 population census data, and the figures for investment, which were adjusted according to new statistics for commercial housing apartments.

4) The figure of per-capita net income of 630 yuan for farmers was obtained with their own-consumed products calculated at state prices, and were thus comparable with figures for previous years. If the own consumption of such products are calculated at contract/state-purchase mixed average prices, the per-capita net income of farmers will be 683 yuan. ■

new technological development areas for attracting foreign investment. At the same time, China has promulgated a series of preferential rules and regulations on taxes of foreign investors. These rules and regulations are strictly limited to certain areas and industries.

But some local governments published even more preferential tax policies without the approval of the central government in order to attract more foreign investment. Such steps were taken frequently between 1987 and 1989 as local governments competed with each other for providing even more preferential treatments to foreign investors. Of the 30 provinces, municipalities and autonomous regions on the mainland, only the three municipalities of Beijing, Shanghai, Tianjin, and Heilongjiang, Jiangsu, Yunnan and Hainan provinces and the Ningxia Hui Autonomous Region did not make any unauthorized regulations for tax reduction and exemption.

The State Administration of Taxation examined and checked local tax rules and regulations stipulated by 15 provinces and autonomous regions, and found that 77 of their articles were against current state tax law. The administration pronounced them out of effect. Such articles had extended the period and the number of items for which foreign-funded enterprises could enjoy preferential treatment of reduction and exemption from enterprise income tax. Hunan Province, for example, stipulated

that, in addition to export-oriented and technically advanced enterprises which pay income taxes according to the state tax law, businessmen who invest in the development of energy and raw materials resources or the construction of undeveloped areas in the province shall enjoy income tax reduction and exemption in accordance with the state tax law in the first five years of operation and enjoy a reduced rate of 50 percent after approval beginning in the sixth year. State tax law, however, stipulates that the income tax reduction and exemption are limited to a five-year period.

Moreover, some local governments unauthorizedly increased preferential treatment with regard to the reduction of and exemption from the industrial and commercial consolidated tax and individual income tax, enlarged the scope of preferential treatment for Taiwan investment and changed the tax rebate rate on reinvestment. Some areas also stipulated tax regulations in line with those implemented in the new technological development areas and coastal open cities.

Foreign businessmen were confused by these locally stipulated tax reductions and exemptions. A businessman from Europe said that tax laws should be unified in one country. The different local tax policies puzzled foreign investors and, in a long-term view, would dampen the interest of foreign investors.

Chen Lianbo, deputy director of the department of tax collec-

tion under the State Administration of Taxation, pointed out that the central government has a final say on tax collection from foreign-funded enterprises. However, some local governments stipulated unauthorized rules and regulations of tax reduction and exemption in total disregard of the seriousness of the tax laws. Their actions do nothing to attract foreign investment and advanced foreign technology but instead cause confusion in tax collection and, as a result, create the impression in the minds of foreign businessmen that China has unstable policies. Chen said the rectification of the tax rules and regulations does not affect the implementation of a series of state preferential tax policies but, on the contrary, helps stabilize the investment environment.

The rectification of local, unauthorized tax rules and regulations has progressed steadily. Most areas have revised those rules and regulations which violated the state tax law. Of the 77 unauthorized articles, 65 have been revised and corrected.

But a few local governments still emphasize their own needs and refuse to revise the unauthorized articles, an official of a tax bureau said. The central government will thus adopt necessary measures to deal with them.

Tax Evasion

Tax evasion by foreign businessmen has occurred frequently in south coastal areas which were

opened to the outside world earlier than other areas of the country. An official of the State Administration of Taxation said that if the situation continues it will cause problems for those who are honest and obey the law. In fact, it offers an opportunity for unfair competition and already caused losses to state tax revenue. China therefore has listed prevention of tax evasion as one of the main steps needed to strengthen administration of taxation on foreign-funded enterprises.

Tax evasion in this case refers to those international corporations or their related subsidiaries which avoid taxes in one country by transferring their profits and property to another. Su Xiaolu from the State Taxation Administration said that tax evasion by foreign businessmen in China is mainly seen in two fields. First they raise the price of imported raw materials and equipment to increase the production costs within the country and thus lower their listed profits gained in China. Second, they sell the finished products at low prices to decrease their income within the country and lower their profits.

An enterprise established in Shenzhen exclusively by a transnational corporation is one example of tax evasion. The enterprise has more than 2,000 employees and produces tape recorders, colour TV sets, audio amplifiers, motors and other electronic goods. The annual sales volume reaches HK\$400

million. Most of its products are sold to a related company of the transnational corporation in Hong Kong which in turn provides 90 percent of the parts it needs. The Shenzhen enterprise was put into operation in 1983 and enjoyed tax holiday in 1984-85. After 1986, however, it claimed losses for two years in a row of up to HK\$88,970. An investigation showed that the enterprise was using two price systems. The products sold to its related company were 20 percent to 40 percent cheaper than those sold to the companies with which it had no relations. The manager of the Shenzhen enterprise frankly told investigators that the profit margin was decided by his overseas administrators. If they decided to show a profit in the Shenzhen company, it did. Otherwise, it suffered losses. Obviously the Shenzhen enterprise's declaration of profits or losses was not an indicator of whether it was operated efficiently or not. Instead, the company did make a profit but reported a loss in order to avoid taxes in China.

As of now, China has approved the establishment of 25,000 foreign-funded enterprises, half of which have been put into operation. The Chinese government provides them with tax reduction and exemption for a certain period of time. Of the enterprises in operation, many have declared losses. The 1989 statistics show that 34 percent of operating enterprises reported losses of 680 million yuan. Clearly, experts agree that there is an

attempt to avoid taxes.

A survey by the State Administration of Taxation on Guangdong and Fujian provinces where tax evasion is a serious problem shows that many enterprises which listed a loss were in fact profitable.

In 1989, of the foreign-funded enterprises in Guangdong Province, 35.14 percent declared losses and, in Fujian Province, the percentage was 42.7. The figure was still higher in certain enterprises in Fujian Province—48 percent in Quanzhou, 50 percent in Sanmin and 60 percent in Putian.

Many of these enterprises avoided taxes in the same way as the Shenzhen enterprise did. Take the Fulu Shoes Co. Ltd. of Fuzhou, for example, which went into operation in 1989. It sells its shoes to the foreign investor for US\$1.725 cheaper than it does on the international market. In the first year of operation, the foreign investor bought 380,000 pairs and brought in US\$650,000 from the price difference. In contrast, the raw materials supplied to the company was 2.42 times higher than the market price. By the end of the year, this enterprise still claimed a loss of US\$120,000.

Some foreign businessmen also reduced their profit by listing higher overseas labour fees and extra service items and "cooking" their accounts according to the difference between the official foreign exchange rate and the market rate. The tax official

also discovered that some foreign businessmen establish branch companies in name only and thus continue to enjoy tax reduction and exemption after the time for their enterprises' tax reduction and exemption expire.

Shao Minjun, director of the Shenzhen Tax Bureau, said that tax evasion by investors is common throughout the world but that it is unusual in China because of the high incidence.

As a country's rights and interests suffer from tax evasion, most countries adopt measures to deal with the problem. The struggle against tax evasion has a long history and measures to prevent it have become stricter. Even the United States, through the Internal Revenue Service, has included many articles to control tax evasion in its domestic tax code.

The tax official pointed out that tax evasion by foreign businessmen not only encroaches on China's rights and interests and also runs against the international principle of equal taxation. Tax evasion thus requires the most stringent measures. Chinese tax authorities have adopted and will continue to adopt a series of measures to effectively deal with tax evasion. These measures include:

—Including in a contract the price for purchasing raw materials and selling products and make them the basis for accounting checks;

—Strengthening examination and approval of new foreign-invested enterprises and prohibiting new enterprises from

being set up by the same shareholder, with the same operation scope, methods and location;

—Strengthening market price information and informing tax authorities which deal with foreign-funded enterprises in a timely manner.

In 1988, the Shenzhen Special Economic Zone published China's first local law against the tax evasion after a study of the laws in other countries. According to this law, foreign businessmen should conclude transactions with their related companies according to the principle of independence. If not, the Chinese tax bureaus may collect taxes on the checked profits. If the enterprise purchases raw materials and spare parts from its related company at a price higher than the market price or sells its products to its related company at a price lower than the market price, the tax bureau will check its profits and collect tax based on the profits it makes when it purchases raw materials and sells its products at market price.

The publication of this law received great attention abroad. A well-known accountants firm in Hong Kong issued a memorandum to its clients in the mainland. It said the law is temporarily carried out in the Shenzhen Special Economic Zone but is applicable throughout the country and will be implemented in other areas sooner or later. The office required that its clients be prepared to follow the regulations.

The measures against tax evasion in Shenzhen won good re-

sults. After a check by the tax bureau, those foreign-funded enterprises in the zone which listed lower profits for several years were found to have listed higher profits since the introduction of the regulations. The tax revenue thus increased. Enterprises which declared losses over several years and did not pay any taxes began to change their attitude towards taxation. In 1989, the zone collected a total of 200 million yuan in tax revenue from foreign-invested enterprises, a 22 percent increase over the year before.

The practice in the last two years proves that the rectification of taxation of foreign-funded enterprises did not hamper foreign investment in China. In 1989, China approved the establishment of 5,779 foreign-funded enterprises and another 6,254 in the first 11 months of 1990. In 1989, Shenzhen still signed 711 contracts with businessmen from 15 countries and regions, 24 percent more than the previous year. Of this investment, US\$458 million of foreign investment was put to use, a 3.1 percent increase over 1988. Also, 80 foreign-funded enterprises were established in 1989, equal to the total in the three years before 1989. In the first six months of last year, the foreign investment continued to increase as a total of 338 foreign-funded enterprises registered their establishment, 18 percent more than in the same period of 1989. ■

Two decades of family planning efforts have reduced births by nearly 200 million in China, a reduction equal to the total population of the United States. Today, as China faces another baby boom, the government will persist in its national policy and try to lessen any surge in population growth.

Family Planning: the Way Out

by Our Staff Reporter Cheng Gang

Peng Peiyun, minister of the State Family Planning Commission, is one of only a few women ministers in China. She is fond of tennis but has had to cut down her playing time because of her busy schedule.

The fourth national census, taken on July 1, 1990, the last year of the Seventh Five-Year Plan for Economic and Social Development (1986-90), shows that the population in China's mainland is 1,133,682,501. The figure indicates that the nation had 20 million more people than was expected during the Seventh Five-Year Plan period. China has set the goal of keeping the population within the 1.2 billion mark by the turn of the century, but if the natural population growth rate in 1990 remains unchanged, the target will have been exceeded no later than 1995.

Troubles and Worries

At a national conference on family planning held by the end of last year, Peng met Chen Yaobang, vice-minister of agriculture, and congratulated him on the 1990 bumper grain harvest of 420 million tons. Chen, however, responded with a sobering remark, "If the present average annual level of 400 kg per capita in grain consumption remains unchanged, by the year 2000 grain output should exceed 520 million tons. This target will be difficult to reach, however, and we are not overly optimistic."

Peng, who became China's top family planner in 1988, understands quite well the impact which a large population, one which is twice that of the United States and the Soviet Union and Japan's and one for which the annual increase is equivalent to the Australian population, has

on the nation's economic development. She knows that it will be more difficult to reduce the population growth by 100 million than to increase grain production by 100 million tons because China is in the middle of its third baby boom which began in 1986 and will last until the end of the century.

Estimates indicate that 322 million women will reach child-bearing age (15-49 years old) every year during the Eighth Five-Year Plan period (1991-95) and, of these people, 121 million will be 20-29 years old. They represent an 8.2 percent and 16.4 percent increase over the number of people in this age group during the previous five-year plan period.

Family planning is more difficult in rural areas because there is a larger gap between the farmers' family planning views and government family planning pol-

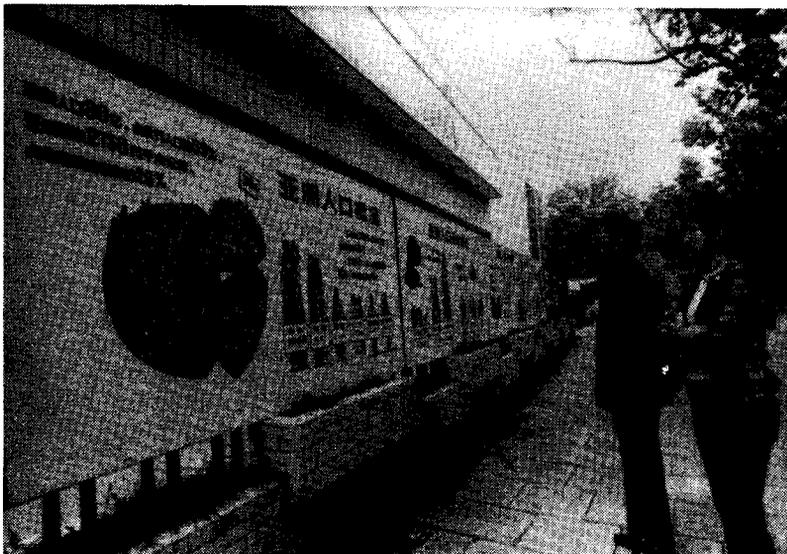
icy. It is still common for many couples to have a second or third child. Also, many farmers prefer to get married and have babies earlier than their counterparts in cities. One out of ten mothers with newborns is under 20. Given such a situation, Peng knows her job is tough.

Appraisal

Peng's concern does not mean China is making no progress in family planning.

Manfred Kulesa of Germany, a UN official stationed in China, is very satisfied with China's progress in its family planning programme. He said that China's family planning was one of the most successful examples in the world and he attributed the 20 percent thousand decrease in the world population growth rate to China's family planning work.

His praise does not go far enough. Although China is confronting a grim population situation, the country's achievements of the last two decades are remarkable. Statistics released by



Street posters in Shanghai explain the importance of family planning. WANG ZIJIN

the State Family Planning Commission show the great progress China has made.

In comparison with the 1970s, the average birthrate in the 1980s dropped from 24.16 per thousand to 19.73 per thousand (the figure was 20.98 per thousand in 1989 against 33.59 per thousand in 1970). The natural

growth rate decreased from 17.1 per thousand to 13.21 per thousand (14.7 per thousand in 1989 compared with 25.83 per thousand in 1970). The average births per woman dropped from 4.01 to 2.42. The average age for first marriage of women rose from 21.8 years old to 22.36 years old. The percentage of women of the child-bearing ages who use contraceptives rose from about 50 percent to 80 percent. The first births to the newborns increased to 51.9 percent in 1989 from 20 percent in 1970 while the number of third or more births decreased to 18 percent from 62.2 percent.

Even after the third baby boom began in 1986, the number of births per woman has continued to drop. In 1989, the number of women of child-bearing age rose by 24.4 percent compared with 1981 and that of high child-bearing ages by 34.7 percent. Despite this, the birthrate in 1989 increased by only 12.5 percent over 1981.

Peng Peiyun has noted that if the 1970 birthrate had stayed the same, the population in the mainland would now be 1.3 billion. A total of 200 million less

A children's painting show held by family planners in Chengduo.



people were born in the last two decades and that saved the nation a lot of child-care money, an amount equal to 2.15 times the 1988 gross national product when calculated on the 1986 consumption level.

In addition, the country's average death rate dropped from 14.77 per thousand in the 1950s to 6.28 per thousand in 1990 and the infant mortality rate decreased from 107.64 per thousand in the 1950s to 38.28 per thousand in 1988. Individual li-

fespan increased from 35 years old before the founding of New China in 1949 to 69.05 years old in 1987.

Stable Current Policy

Peng hopes to maintain and expand on the good results achieved so far. She believes that so long as the current population policy is resolutely implemented and the ranks of population management personnel, family planning service workers and the people who practise family planning on a voluntary basis continue to grow, the average number of births per woman may drop to two children and the population growth rate be reduced to the replacement level by the turn of this century.

The current population policy is to control the population growth, improve the quality of population, ensure the production of healthy children and improve their upbringing. A couple is generally encouraged to have only one child while, in some rural areas, couples can have the second child several years after their first birth if their first child is a girl or disabled.

To implement this policy, there will continue to be an emphasis on education and publicity, the use of contraceptives and regular systematic work. Given the fact that in the last few years, since China has had some 10 million induced abortions a year, some people believed China was relying on abortion to control its population growth. This is not the case however, as statistics show that 75 percent of married women of child-bearing age are using contraceptives. Family planning publicity is everywhere—on the streets, TV programmes, opera scenes and songs. China's abortion rate is average, Peng said, and the majority of abortions are done vol-

untarily. Without the widely publicized family planning policy and the use of contraceptives, she noted, there would have been many more abortions in China.

Some people worry that China, faced with such a rigorous population situation, will adopt a stricter family planning policy. Shen Guoxiang, a spokesman from the State Family Planning Commission, said that facts indicate the current population policy is effective. The governments at various levels should implement the policy strictly but no more severe methods will be adopted. Any changes in work methods should be in the provision of better services for the future, emphasized the spokesman of the State Family Planning Commission.

A 30-year-old woman living in a village with poor communication facilities near the Three Gorges on the Yangtze River complained about how hard it was to obtain contraceptives. Although married government functionaries and enterprise employees get contraceptives free from a nationwide contraceptive distribution network manned by 1 million workers at the grassroots levels, some people in remote areas still find it difficult to get contraception devices. To remedy this, the State Family Planning Commission is in continuous contact with family planning departments in various places to ensure that all kinds of contraceptives for the women of child-bearing age are available and instructions are given for their safe and scientific use.

In some places the people who have induced abortions, sterilization operations and medical treatment resulting from misuse of contraceptive devices can receive the assistance of family planning workers and other volunteers for their house and farmwork.

The State Family Planning



WANG ZIJIN

A motor co-ordination test is given by a doctor of the Paediatrics Hospital affiliated to the Shanghai Medical University.

Commission has also helped to explain the connection between an improved standard of living and family planning. The households which limit their family size enjoy some priority in receiving economic aid, loans, technical instructions and employment.

The family planning workers also show much consideration for the elderly and take it as one of their main jobs to change such traditional ideas as "more sons more happiness."

Sichuan Experience

In the same way as China influences the world population growth, the nation's big provinces greatly affect the nation's total population. Of the 30 provinces, municipalities and autonomous regions in the mainland, nine have a population exceeding 50 million and the situation in five out of them is grim. The family planning work in Sichuan Province, China's largest, however, is satisfactory. The fourth census shows that the province's population exceeds 100 million, but its natural population growth rate is only 10.72 per thousand and the average births per wom-



The 37,000 babies born each day in China pose a dilemma for the country.

WANG CHENGXUAN

an is two. These are a major achievement for Sichuan, a province with a big and youthful population base. When calculated on the growth rate in the 1970s, the province has had 20 million less people in the last two decades. Zhong Kan, head of the Sichuan Provincial Family Planning Commission, said that in addition to the wide publicity given to education about population science and sex, the promulgation of the Regulations on

Family Planning of Sichuan Province at the provincial people's congress in 1988 and the more than 2,000 stations serving couples of child-bearing age have played major roles in bringing down the province's population growth rate.

Of the 30 provinces, municipalities and autonomous regions in the mainland, 26 have formulated their own rules and regulations for family planning. Sichuan Province was the earliest and did a lot of popularization work in the last three years. The regulations have been publicized in every village and neighbourhood. Posters to explain the regulations are everywhere and slide shows on the regulations are shown before opera performances and film shows. Zhong said that people have taken the regulations as part of the law because they are strict but reasonable. Although different areas have different provisions, the regulations stipulate that a couple in the densely populated areas is allowed to have only one child but those in the labour-intensive mountainous areas where productivity is low can have two children. Minority couples in the

A family planning poster on a Beijing street.

BAI LIANSUO



province are allowed to have three children. The regulations thus conform to reality and are accepted by the majority of the public, Zhong said.

The work of family planning service stations is to deliver contraceptives, give instructions on their use, provide consulting services on birth control and give pre-marital sex education. These stations also have provided abortions and sterilization operations and dealt with the aftereffects of operations and infertility. Abortions are done voluntarily with the majority within the first 42 days of pregnancy. Abortions on women who are 4-5 months or more pregnant are not encouraged. Some abortions on women in the later stages of pregnancies do occur in remote areas because family planning work is not good but abortions of fetuses older than five months have been eliminated.

Zhong did not deny that there is a fee levied on couples who have more children than allowed by the regulations. Such local rules have played a certain role in birth control. Although some foreign friends do not understand the reasons behind this, it is done because of public requests. Children born outside of the plan cause trouble for society and it is reasonable that their parents shoulder part of the cost for bearing children.

When infanticide of girl babies occurred in Sichuan province, the criminal action was immediately dealt with in strong measures by the government, Zhong said. Now the sex ratio of children born in the province is normal, 100 for female and 104 for male.

Population in Tibet

An American tourist group claimed after its visit to Tibet from Garze through Qinghai several years ago that a baby was

killed in a few minutes by abortion operations in Tibet. Cering Zholma, a woman official of the Public Health Bureau of the Tibet Autonomous Region, said, "Facts disprove this claim. Maybe the American tourists are mistaken in their memory or they have their own reasons for saying this."

The results of the fourth census tend to corroborate Cering Zholma. Tibet has a population of 2.196 million. Of this, 2.0963 million are Tibetans who account for 95.46 percent of the total. In 1951, the year before the peaceful liberation of Tibet, the figure was less than 1 million. In the country as a whole, the annual natural growth rate of Tibetans in 1989-90 was 18.57 per thousand, higher than the rate of 10.8 per thousand of the Han people.

The increase of Tibet's population is attributed to the developed economy and improved medical conditions in the region. Cering Zholma said that Tibet had a high birthrate, high death rate and low natural growth rate before its peaceful liberation. At that time, the region had only one hospital providing services to the upper class people. Rampant infectious diseases threatened the life of the local people and caused a high death rate in the region whose average life expectancy was only 35 years old. A woman gave birth to 18 children before the peaceful liberation but only four survived. Today, the region has more than 1,000 public health institutions, hospitals, epidemic prevention stations and maternity and child care centres. These organizations form a vast network and employ 10,000 workers (including 6,200 minority workers). Infectious diseases have been brought under control and the lifespan has extended to 65 years old. Now, the population has a birthrate as high as that found in pre-

liberation days, a low death rate and a high natural growth rate.

Although family planning policy is implemented in Tibet, there are different rules for Han and Tibetan people. The rules pertaining to Han people in the region are the same as those found in other parts of the country while those followed by Tibetans are more relaxed.

The Tibetan couples in the farm and pastoral areas can have as many children as they like. But reality and family planning publicity for several years have made the local people aware that too many children will lower their quality of life. Therefore, most people are voluntarily sterilized in the hospital after they have three or four children. Some villages have included birth control as part of their local rules. The rules of a village in the Nedong County, for example, stipulate that the village government will cover the communication fee for women having a sterilization operation in the hospital after they have their third child and provide subsidy for a three-month holiday.

In the past, there was no difference in family planning policy between Tibetan urban residents, farmers and herdsman. In 1985, however, many local leaders said it was the duty of all Chinese people, including Tibetans, to implement the family planning policy. Since then, the Tibet Autonomous Region began to encourage urban couples to have two children each or three at the most should the health of the second be poor.

Cering Zholma said that it was easier to publicize the family planning policy among Tibetan people because it is not so important to Tibetans whether their child is a girl or a boy and they do not believe that to be happy one needs many children. ■

PEOPLE

Deputy Mayor Has a French Mother

by Our Special Correspondent Luo Xiaolu

The daughter of Chinese and French parents and a non-Communist, He Luli is a leader of the Beijing municipal people's government who won the trust of the public the hard way.

At present, two of the six deputy mayors of Beijing, China's capital with a population of 12 million, are women. He Luli is responsible for public health, epidemic prevention, social welfare, family planning, culture and art, and matters concerning overseas Chinese, nationalities and religion in the city.

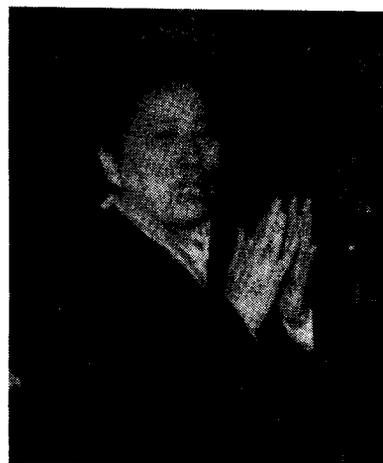
He Luli is the only high-ranking Chinese official of foreign lineage. Medium in height, she has inherited the white skin, curly hair and large eyes from her European mother. She has won the trust and respect of Beijing citizens not because of her unique family history but because of her own remarkable achievements since she assumed the office of Beijing deputy mayor three years ago.

A Woman of Action. In 1986, after serving as a paediatrician for 27 years, He Luli was elected deputy head of the Xicheng District. During her two-year tenure, she helped resolve problems which had been left unresolved for many years. One, the thorny problem of cleaning up the 11.6-km Western Second Ring Road, required the relocation of 513 families, the rebuilding of many dump sites and the planting of trees on many streets. After she took the office, she immediately devoted herself to the work, persuading residents to relocate, participating in the planning for tree

planting project and taking the time to check the environmental sanitation on her own. The road was cleaned up within a year. Today, it is clean, tidy and lined with trees and flowers. Her capability and her down-to-earth work style quickly won her the support of Xicheng District's 800,000 citizens.

At the election of the Beijing municipal people's congress of new leaders for the municipal government, the deputies to the people's congress from Xicheng District introduced He to the deputies from other districts. They pointed out that she was a good leader, steadfast in her work and concerned herself in public affairs. In early 1988 she was elected one of six deputy mayors from among ten candidates at the competitive election.

The first day He became deputy mayor of Beijing, she pledged to improve public health by bringing health care within the reach of every citizen. During the past three years, she has never neglected in the slightest her public health and epidemic prevention work. After she took office, she urged the government to increase appropriations for disease prevention and personally went to hotels, restaurants, government organizations and factories to check hygienic conditions in canteens. In her third year in office, the city's incidence of epidemic diseases dropped by 40



SHI LI
He Luli at a civil affairs work conference in 1991.

percent and over 60 percent respectively from the rate three and five years prior to her assuming office.

After He Luli took charge of the affairs of overseas Chinese, her first step was to appoint a highly capable returned overseas Chinese person to head the office for overseas Chinese and encourage overseas Chinese and Hong Kong and Macao compatriots and their relatives at home to help promote the city's friendship, co-operation and exchange with the outside world. The office from that point onward quickly developed. The staff of the office does its best to help returned overseas Chinese and relatives of Chinese residing abroad to solve their problems



ZHENG SHUFU

left: He Luli (right) with kindergarten children; Right: He Luli (second left) delivers a speech at the meeting to mark Overseas Chinese and Hong Kong, Macao and Taiwan Compatriots Day during the Beijing Daxing County Watermelon Festival in 1990.

SHI LI

and by doing so has won much trust and respect. They have attracted more overseas Chinese and Hong Kong and Macao compatriots to concern themselves with Beijing's development. During the 11th Asian Games last year, for example, more than 400 overseas Chinese and foreign nationals of Chinese descent visited Beijing to see the games and increasing numbers are now seeking economic opportunities in the capital city. Many returned overseas Chinese and family members of the Chinese residing abroad are also actively participating in the work of governments at different levels.

He Luli is known for her friendliness, sincerity and honesty. She often pops into citizens' homes in the small lanes typical of Beijing and has a chat about their problems and concerns. She frequently visits department stores, food stores and groceries in downtown areas to help with their work. On the eve of Spring Festival (China's New Year), she rushed around the city visiting workers, farmers, doctors, nurses and the self-employed to bring them New Year greetings. On February 10 (a Sunday), she travelled to mountainous Yanqing County in the northwest tip of Beijing to visit her country friends.

Father Is a Doctor. He Luli has a legendary family history.

Her father, He Siyuan, studied at Paris University in his youth. After China's democratic revolution broke out, he returned to Guangzhou and joined the Northern Expeditionary Army, serving as deputy head of the army's political department. He Luli was born in Shandong when her father served there as the head of the education department of the provincial people's government. He later became mayor of Beiping (Beijing). On the eve of China's nationwide liberation, He, willing to co-operate with the Communist Party, participated in the liaison work for the peaceful liberation of Beijing. For this, the Kuomintang special agents planted a bomb in an attempt to kill him. In the explosion, He Luli's arm was hurt while her only sister was killed.

He Luli's mother, Yeuonne James, a girl from Bordeaux with dark brown hair and eyes, fell in love with He Siyuan when she was also studying at Paris University. In 1928, a year before she was to graduate from the university, she travelled all the way to China and married He Siyuan in Shanghai. Despite the fact that her life in China was difficult, she never returned to her own country because she loved China,

her husband and children.

During World War II, her only brother was killed in the front while defending his own country. In China, as the wife of an anti-Japanese figure, she had to flee to the inland area where life was extremely hard. Since she still held a French passport, many of her friends encouraged her to take her children to the United States but she stayed in China. She did not want to leave her husband and she didn't want her children to live in a foreign country. To the surprise of her friends, she decided to give up her French nationality and become a Chinese citizen.

Life was also difficult during the "cultural revolution" when her house was searched three times. Thanks to the concern of Premier Zhou Enlai, however, her family was protected and spared further persecution.

Yeuonne was a kind mother. When her children were young, she told them a story every day after supper. Although she taught them French (they all spoke French), she herself could understand Chinese but never speak it.

In late 1976, Yeuonne contracted hemiplegia and she died in 1978. She remained a Christian during her 50 year stay in China, never regretting the life she had

chosen for herself and the road she had travelled.

None of He Siyuan's offspring ever thought they would inherit their father's profession and become mayor of Beijing. One of Hu Luli's brothers teaches traditional Chinese painting at a university in Sichuan Province while the other two are senior electrical machinery engineers in Beijing.

Varied Pursuits. He Luli first came to Beijing when her father became the mayor of the city. To help her better understand life, her father sent her to a girl's school where most of the students were children from common families. In 1952, He Luli graduated from the school and enrolled in the Beijing Medical College. After graduation, she became a paediatrician at the Beijing Children's Hospital and later at the Beijing No. 2 Hospital.

He Luli is a lively and cheerful person. She liked to hike, mountaineer and swim when she was a student in the medical college. In her younger days, although she always felt challenged by her family background and foreign lineage, she never felt discouraged and could always find something to cheer herself up.

In college, she fell in love with a schoolmate, Rong Guohuang, and later married him. Their two sons have inherited their grandmother's dark brown eyes, curly hair and white skin.

He Luli loves her mother and has cherished a deep affection for her mother's country. In 1981, as a member of the China Medical Delegation, she went to France to participate in an exchange programme with her French colleagues. She also visited the university where her parents studied.

She speaks fluent French and English and likes reading French classics during her free time. Balzac's novel *Song of the Valley* is her favourite. She also loves music, particularly the works of Strauss. She and all the members of her family like French food. ■

Women Today: A Force to Be Reckoned With

Today, China has more than 51 million female workers, some 37 percent of the total workforce. In the light industry and service trades, women make up 47.1 percent of the total payroll, and in joint ventures and foreign-financed enterprises and institutions, they account for more than 50 percent of the workers and staff.

Of the nation's scientists and technicians, one-third are women and more than 10 percent of them hold professional titles such as professor, associate professor and senior engineer. There are 17,087 professors engaged in teaching in China's institutions of higher education and in research establishments and 1,570, or 9.2 percent of all professors, are women. Some 811 women, or 52 percent of all female professors, work in the medical field, but very few are in law. In 1989, of the country's 445 state invention prize winners, 68 were women.

Today, China has more than 8.7 million women cadres and those who work in women's federations can be found across the country. By the end of 1988, a total of 98,589 full-time female cadres worked with women's federations. At present, more than 35,000 women work committees have been established in Party and government organizations, and in education, scientific, cultural and public health departments. Despite this, the proportion of female leading cadres is still small in China. According to 1989 statistics, of the nation's cadres at and above the county (division) level, only 7.99 percent were women cadres; women cadres accounted for 6.18 percent of the cadres at the prefectural and bureau levels; and there were basically no women

cadres at the top decision-making stratum of the Party and government.

In recent years, remarkable achievements have been scored in work by the women federations to eliminate illiteracy. In 1990, China saw the best results in its literacy drive since 1981. The elimination of illiteracy among women is important because women make up over 70 percent of the country's 180 million illiterate people. The majority of the new-born illiterates (2 million a year) are girls and of the country's 2.73 million children unable to go to school in 1988, 83 percent were girls. Since the founding of the People's Republic, China has educated 155.52 million people, 70 percent of whom were women. By 1989, 344,000 women had received adult education training in China and 12.70 million women were educated in correspondence institutions of higher learning. Of the nation's women employees, 6.92 percent received a college or higher education.

So far there are 37 newspapers and magazines, including six for children, run by China's women federation departments. The country has 19 colleges and universities and vocational universities for women cadres. All these establishments provide important information on women to society and on society to women, and offer the best conditions for training women cadres.

In 1990, China's women's federations cited 211 "March 8" (International Women's Day) pace setters, including 93 women athletes who distinguished themselves at the 11th Asian Games. In addition, a number of "March 8" outstanding collectives were praised in 1990. ■

China Deepens Commercial Reform

SHANGHAI SHANGBAO
(Shanghai Commercial Daily)

In a discussion about how best to deepen commercial reform, Tian Jiyun, vice-premier of the State Council, recently made the following points:

Presently, control over state-owned stores is tight, that over collectively owned stores is loose, while private stores are unregulated. This is a result of a hand-off policy and the fact that workers in state-owned stores do not go out of their way to develop businesses. Therefore, a policy of preferential treatment should be introduced in order to stimulate initiative of workers in state-owned stores. The problems in the commercial departments, he said, should be solved by a reform of the existing situation.

State-owned commercial departments should concentrate on wholesale business and those industries which directly relate to the state plan and people's daily needs. Goods directly purchased wholesale from factories should be under the control of the state commercial departments.

Regulations should be promulgated for those enterprises which produce and sell their own products, because some factories keep much-needed goods for themselves and only sell surplus goods to commercial departments. Industrial and agricultural as well as their side-line products should also be regulated.

In order to revitalize retail sales, commercial department stores should form more business groups. Except for certain

goods, prices should be allowed to float freely.

(January 10, 1991)

Strategies Drawn for Three Open Areas

XINXI RIBAO
(Information Daily)

During the Eighth Five-Year Plan period (1991-95), China will gradually implement strategies especially for the coastal areas, Changjiang (Yangtze) River valley and border areas.

- The coastal areas. Current strategies that have been implemented during the past ten years in the coastal areas.

- The Changjiang River valley. An economic corridor is forming along either side of the Changjiang River, the longest in China. Thus far, six important areas in the valley have been designated for expanded development. They are the Wujiang River hydropower station on the upper reaches of the Changjiang River and mineral resource development areas on the upper reaches; the Pan Xi-Liupanshui development area; the Chongqing-Yichang industrial and agricultural development area that will focus on the development of hydropower; the development area on the middle reaches of the Changjiang River with Wuhan as the hub; border areas of Hunan, Hubei and Jiangxi provinces; and the Shanghai-Ningbo-Hangzhou development area on the lower reaches. The lower reaches of the Changjiang River will be built into China's largest economic, personnel training and information centre.

- The border areas in Northeast China. The western Xinjiang, Yunnan, Guangxi and other portions of southern

China will primarily be devoted to border trade.

(Nov. 26, 1990)

Shanghai Conducts First Sex Survey

LIAOWANG
(Outlook Weekly, Overseas Edition)

Beginning in early 1989 through the end of May 1990, China's first investigation on sexual education was conducted by the Sexual Sociology Research Centre of Shanghai in co-ordination with 530 people from various parts of the country.

Involving 15 provinces, municipalities, autonomous regions and 24 other smaller areas, the investigation covered such questions as puberty, sexual knowledge, people's concepts about sex, the relationship between couples, family planning, and sexual crimes. The 23,000 people that participated in the sample survey were middle school and college students, couples in urban and rural areas, and those who had committed sexual crimes. This type of investigation is useful in understanding and solving such problems as early puberty, sexual relationships between couples, and sexual crimes.

The investigation obviously proved that China's youth are maturing earlier than before. Among the middle school students surveyed, the percentage of female to male students was equal. Male students experiencing their first seminal emission under the age of 14 accounted for 54.2 percent of the total surveyed. The first period of female students under the age of 14 accounted for 91.5 percent of the total female students surveyed. Puberty in both sexes occurred 1.3-1.5 years earlier

than students living in the 1950s.

According to the investigation, 71.5 percent of middle school students had received some form of sex education. The importance of scientific sexual knowledge, ideological and physiological education courses in middle schools has been stressed, although this may differ greatly from region to region. Work in this area has been executed much better in Beijing, Shanghai, Chengdu, Qingdao, and some other larger cities. Sex education in Shanghai has been taught at hundreds of schools comprising a total of 82.7 percent of the student population. In 1987, Shanghai promulgated Regulations on Protecting Youth, which includes sex education during adolescence. The investigation, however, reflected the imbalance in the aspects of sex education stressed, for example, 71.28 percent emphasized education on puberty while only 2.88 percent on sexual morality.

This investigation, which was conducted for the first time in China, touched upon couples' lives and revealed some problems with a close relationship with society. Among the 8,000 sample surveys taken in urban and rural areas, only 2-3 percent of the married couples surveyed are not satisfied with their sexual lives. Upon further analyses, however, it was discovered that 6-7 percent of them were not satisfied with their sexual lives. In urban and rural areas, 27-50 percent couples separately indicated indifferent attitudes towards their dissatisfaction. Which influence couples' feelings and a stable marriage. Because of this, it is said, that 25-33 percent of couples divorced their spouses.

(August 6, 1990)

Night Life in Beijing's Hotels

RENMIN RIBAO
(People's Daily, Overseas Edition)

The most fascinating places in Beijing to visit these days are the city's 181 plushy hotels, which provide their foreign guests from around the world with de luxe accommodations. Many foreigners are used to evening entertainment and the night life in the luxury hotels are geared to meet their needs.

Since China implemented the policy of reform and opening to the outside world in 1978, the country's hotel business has flourished. For many years, though, travellers complained about monotonous stays with visits during the day and nothing to do in the evening.

The situation caused staff members of the tourist business to consider how to meet the needs of foreign tourists. The upper echelons in Beijing Administration of Tourism acknowledged that although the accommodation for travellers had improved, entertaining night life had not been placed on the agenda. In 1988, officials decided to put some spice into the guests' evenings, they began to show in-house movies, domestic and martial art films, American westerns, prize winning movies and documentaries. All hotels above three star level were then equipped with satellite television systems, so that dwellers can easily keep abreast of international and domestic news.

More recently, 54 hotels established karaoke bars and ballrooms offering high-quality musical performances and gracious surroundings. Since guests come from different regions,

the Kunlun Hotel opened both Japanese and Hong Kong-Taiwan karaoke bars while the karaoke bars in Heping and Taiwan Hotels are a major recreational site for many Hong Kong and Taiwan travellers. The Great Wall Sheraton Hotel offered famous piano and traditional instrument performances in its newly renovated atrium and recently introduced musicals and dance parties in the hotel restaurant.

The night entertainment programmes were given boost when the hotel invited a variety of artists to play in the hotel. The Qianmen Hotel invited the Beijing Opera Troupe to play in its Liyuan Theatre, used captions to translate librettos and provided brilliant acrobatic performances. Foreign guests like such entertainment and, in addition to Beijing Opera history and art handicrafts exhibitions, can have them photo taken with stage costumes and facial makeup. The Great Wall Sheraton Hotel has co-operated with many film studios to introduce famous Chinese movies, directors and artists in the hotel's cinema. Their move aroused the interest of many travellers and attracted many foreign students and businessmen from around Beijing.

The Beijing-Toronto Hotel held an Oriental Festival, fashion and puppet shows, and acrobatic performances. One British guest was so moved by a performance of traditional music that he treated all of the artists to drinks.

Fashion shows and exhibitions of Chinese picture and calligraphy, flour figurines fabricating as well as seal cutting have also been presented at the Yanxiang, Jianguo and Capital hotels.

(Dec.7, 1990)

Bonded Market to Open in Shenzhen

China's first bonded market for means of production was opened for a trial run in Shenzhen, Guangdong Province, early this year. Already, the Regulations Concerning Management Over Bonded Market for Means of Production of the Shenzhen Special Economic Zone has been approved by the State Council.

According to regulations, bonded means of production enterprises can engage in such business as machinery and equipment, raw materials, components and spare parts, fuel, packaging materials used, and vehicles for productive purposes as well as spare parts for maintenance and supply of the local enterprises as they undertake the production and construction projects in the Shenzhen Special Economic Zone.

The regulations also point out that of the imported means of production supplied by the bonded market, raw materials, spare parts and packaging materials used for producing export products in enterprises within the special zone shall be given bonded treatment. The following means of production shall be exempt from tax with the approval of the relevant state departments.

- Mechanical and electrical equipment, building materials and goods necessary for infrastructural construction in the zone;

- Building materials, production equipment, fuel, materials, vehicles required in production and scientific research and spare parts for maintenance;

- Agricultural means of

production.

The regulations also stipulate that enterprises dealing in bonded means of production are limited to state-owned enterprises with an import and export power during the market's trial run. The enterprises must have a strong professional management ability and a sound commercial reputation, and can provide special bonded warehouses approved by the Customs.

The bonded market for means of production has simplified formalities for importing. And the Shenzhen local government has reportedly started work on the bonded market and begun to examine 23 enterprises which applied for permission to deal in bonded means of production.

by Yao Jianguo

EEC-Funds China's Agricultural Projects

Good progress has been made in 16 agricultural projects funded by the European Economic Community (EEC) for a total of over US\$150 million.

These projects mainly include shrimp cultivation in sea water in Dalian, rural water supply networks and vegetable production in Beijing, water and soil conservation projects in Sichuan Province, farmland irrigation and beet production in Gansu Province, fruit production and storage in Xian, orange cultivation in Chongqing City and Hunan Province and cashew planting and rubber production in Hainan as well as fish fodder processing and production in the city of Tianjin and Zhejiang Province. Construction of three or four of these projects is expected to be completed within the year.

The biggest of the 16 projects planned for the five-year period beginning in 1988 is the milk processing project. The EEC will provide 20 major Chinese cities with 15,000 tons of butter and 45,000 tons of milk powder, having a total value of US\$100 million. The cities are required to use the butter and milk powder to produce milk for the residents. In addition, the EEC also provided US\$5 million in fees for foreign experts who come to China for technical guidance.

Having made an inspection tour on these projects, Mr. Schellerup, an official in charge of the EEC aid to China, remarked, "The EEC is satisfied with the implementation of all the projects."

The 16 projects, begun in 1985, were proposed by the Chinese Ministry of Foreign Economic Relations and Trade and selected by the EEC.

by Kou Zhengling

Co-Manufacturing Music Instruments

To meet the needs of foreign musicians, musicologists and music lovers, the Beijing National Musical Instrument Factory will further expand its contact and co-operation with foreign countries.

Director Yu Bingru said that his factory's co-operation mainly consists of the following:

- Establish joint ventures or co-operative enterprises for producing traditional Chinese musical instruments;

- Process traditional Chinese musical instruments with supplied design and materials;

- Send technicians and players abroad to manufac-

ture and play traditional Chinese musical instruments, carry out technical exchanges and hold sale exhibitions of traditional Chinese musical instruments.

Yu also said that his factory will provide foreign investors and co-operating parties with preferential treatment and other conveniences.

The factory is a well-established maker of traditional musical instruments with a modern production line. Apart from its research institutes, it also has more than ten famous Chinese musicians as advisors and consultants. At present, it produces bowed, plucking, striking, pipe and beating musical instruments in addition to instruments used by Chinese minority nationalities. Altogether there are over 500 specifications and over more than 130 types of instruments. It has exported instruments to nearly 70 countries and regions worldwide.

The kinds and number of traditional Chinese musical instruments for export greatly increased in 1990, the value of which exceed 1.2 million yuan. The new-generation 402 dulcimers manufactured in 1990 were all sold to Taiwan.

Foreign Exchange Revenue Increases

By the end of 1990 China had a total of US\$45.05 billion in spot exchange earnings, a 10.7 percent increase over the previous year. The spot exchange disbursement totalled US\$39.5 billion, up 2.6 percent, and foreign exchange surplus reached US\$11.09 billion.

The increase is mainly attributed to the growing earnings

from exports. China had ample resources of export goods in 1990 and improved its foreign trade business. In 1989 and 1990 the Renminbi was devalued twice, which helped boost exports to a great extent. At the same time China had strengthened its control on foreign exchange earned from tourism and other non-trade industries.

Last year registered no increase in foreign exchange expenditure for imports due to economic rectification and resultant reduction in market demand. Western economic sanctions played a role, too, by making it difficult for China to buy high technology.

In the second half of last year, China adopted measures to stimulate the domestic market and control imports on an appropriate scale. This forced the Western economic restriction to loose and brought an upturn in China's imports.

This year, China will still emphasize imports of things which will facilitate technical upgrading, boost the ability to earn foreign exchange and minimize the use of foreign exchange. With limited foreign exchange, China will import advanced technology and key equipment as well as materials and equipment needed by the state key construction projects. The imports of luxuries, high-grade consumer goods, cigarettes, wines and fruits are strictly controlled. The production and development of goods which replace their imported ones should be supported and their replacement should be speeded up.

by Han Guojian

Joint Ventures Make Profits

According to the Beijing Commission for Foreign Eco-

nomical Relations and Trade, foreign-funded enterprises in the city operated well and economic returns were remarkable last year.

Statistics reveal that of the 382 enterprises which went into operation in 1990, the total output value reached 5.125 billion yuan, shooting up 42 percent over the previous year; sales income was 5.823 billion yuan, a 45.3 percent hike over 1989; and the total amount of profits earned was 574 million yuan and US\$103 million, a jump of 67.4 percent over the previous year. Apart from a few ventures which were in the red, most were profitable and had a surplus after their foreign exchange was balanced.

The Beijing Jeep Co. Ltd., a Sino-US joint venture, earned 138 million yuan in profit last year. Its sales shot up to 1.538 billion yuan. The 1990 output value for the Beijing Matsushita Electrical Appliances Co., a Sino-Japanese joint venture, was 670 million yuan and its profit 166 million yuan.

With growing profits, the capital's foreign-funded enterprises are playing a greater role economically. In 1990, the total industrial output value of foreign-funded enterprises in Beijing increased from 7 percent in 1989 to 9 percent as proportion of the city's total. The labour productivity in these enterprises was obviously higher than that of similar state-owned enterprises.

Chongqing Lures Foreign Investment

During the Eighth Five-Year Plan period (1991-95) and within the next ten years, Chongqing plans to use over US\$1.6 billion of foreign capi-

tal, of which some US\$800 million to US\$1 billion will be used during the Eighth Five-Year Plan period.

During this period, Chongqing will still emphasize the use of foreign capital for energy resources, transportation, telecommunications, and infrastructure, but will also use foreign funds for technical transformation and to undertake structural readjustments of the machine-building, electronics, chemical, pharmaceutical, light and textile industries so as to upgrade its old Chongqing industrial base. The city has initially mapped out 26 key projects, including the Huatanzi Hydroelectric Power Plant, the No. 2 Changjiang (Yangtze) River Bridge, Liangtuo Water Works, urban railway tracks, public transport, as well as 200,000-channel programme-controlled telephones and intensive processing of silk.

In addition, Chongqing plans to set up over 500 foreign-funded businesses and sign agreements for foreign investment of US\$300 million. The city will attract foreign capital by more flexible policies. At the same time, it will pay special attention to attracting investment from Hong Kong, Macao and Taiwan compatriots as well as overseas Chinese. ■

Carlsberg Beer Made in China

Huizhou Brewing Co. Ltd., in Huizhou city, Guangdong Province, has recently signed a long-term technical service and trademark license agreement with the Carlsberg International A/S of Denmark.

Under the agreement, the Huizhou brewery has been appointed Carlsberg's exclusive

licensee in China for the production, sale and distribution of Carlsberg beer within the mainland, excluding Hong Kong, Macao and Taiwan. This is the first time that Carlsberg has appointed a licensee to brew Carlsberg products in China.

The Huizhou brewery is a Sino-foreign joint venture company that started production in May 1987. Equipped with modern brewing equipment of the highest international standard imported from Germany and the United States, the company currently produces "China Beer" and "Dragon 8," which have become increasingly popular in southern China.

In addition to brewing, Huizhou brewery also operates a ring-pull can manufacturing plant with a designed production capacity of 130 million cans per year. It is one of eight can plants granted operating permits by the Chinese authorities after a nationwide inspection in 1990.

The agreement was promoted by Bond Corporation International Limited, an investment holding company registered in Hong Kong, which purchased an 85 percent of the Huizhou brewery's stocks in July 1989.

by Han Baocheng

Hainan Courts Foreign Investors

The Qinglan Economic Development Zone in Wenchang County, Hainan Province is attracting increasing investment from foreign businessmen because it has made a determined effort to improve its investment environment.

A zone official noted that since early 1990, a stream of businessmen from Japan, the

United States, Canada, the Soviet Union, Singapore, Taiwan and Hong Kong have visited the zone to discuss possible investment and have signed six contracts for tourism, food-processing and building materials and other projects.

In August 1990, an economic delegation of overseas Chinese from Thailand signed an agreement with the Hainan provincial government to lease 80 hectares of land. The 70-year agreement calls for the construction of tourist hotels, a golf course and other facilities. Investment for the first phase of the project, now under construction, amounts to more than 10 million yuan or about US\$2 million.

The Qinglan Economic Development Zone, one of the five major economic zones on the island, encompasses vast stretches of mangrove forest and coconut trees. The zone's silvery sand, well-protected bathing beaches, internationally famous Huashan mountain scenery and convenient transportation system provide a solid foundation for tourism. In addition, Qinglan Harbour's proximity to international navigation routes makes it ideal for import and export trade, and the coastal area's rich marine and agricultural products are favourable for development of processing industries.

Today, Qinglan Harbour has one 5,000-ton and four 500-ton berths in its wharf district, and 300 automatic telephone channels. The first phase of a water supply project to provide 5,000 tons of tap water daily is under construction and will soon be put into service. ■

'One-Day Tour' on the Sino-Soviet Border

With the development of Sino-Soviet border trade, tourism along the border is getting busier day by day. In Heihe City, Heilongjiang Province, the number of cross-border tour groups from both sides reached 875, some 35,407 people in 1990, twice than that of 1989.

Situated in the middle section of the Sino-Soviet border in Heilongjiang Province, Heihe City looks to the Soviet Far East city of Blagoveshchensk right opposite the Heilongjiang River. The "Heihe-Blagoveshchensk One Day Tour," begun in September 1988, is organized by the China International Travel Service, Heihe Branch and the Soviet Amur Prefecture Tourist Corporation. Since the tourists from both countries lack hard currency, those on the "one-day tour" are allowed to exchange their currency on a one-to-one basis.

The host side needs to provide communication services, lunch and supper, interpreters and guides. Generally, travellers are allowed to stay for a maximum of 12 hours abroad.

Since the "one-day tour" began, many people from the two cities have taken advantage of the opportunities. In the beginning, there were two groups (40 people per group) exchanged weekly. Currently, even though some twenty groups are exchanged weekly, more people want to take part. Among the "one-day tour" there are many business people because the procedures are relatively simple.

Through the "one-day tour," many people from the two sides are actively expanding into new fields of co-operation. In 1990 the Chinese side received the first Soviet tour group to come for convalescence. The 30 people had a tour of 24 days at five large volcano lakes which make up

a natural preserve. They enjoyed the charming scenery and the quality mineral water of the area as well as demonstrations of traditional Chinese acupuncture and *qigong* (deep breathing exercise). The convalescent tour involved a new form of barter trade in which the Soviet side paid tourist charges in commodities needed by the Chinese side. Both sides are now actively preparing a "three-day tour," "five-day tour" and "seven-day tour."

Tours allowing nationals from a third country are now being tried. During the first economic and trade talks between China and the Soviet Union and East European countries held in Harbin City, 100 or so business people from Eastern Europe entered China by way of Heihe City as tourists. An official of the travel service in Heihe Prefecture noted that the multi-national tourism would continue to develop in the future.

by Li Ping

International Tea Culture Festival in Hangzhou

Recently the director of the Zhejiang Provincial Tourism Bureau announced that the '91 China International Tea Culture Festival will be held from April 24 to 30, 1991 in Hangzhou, a scenic tourist city and the hometown of the famous *longjing*, green tea.

China is the birthplace of tea, and Zhejiang Province is well known for its tea. Its output of tea production ranks first among all provinces in China, accounting for 25 per-

cent of the nation's total. It is reported that the first international tea culture festival will focus on tea, but will integrate it with tourism, culture and trade. Main events of the week include:

- Famous tea and teaset exhibitions of past ages;
- Tea-making demonstrations and tasting famous tea;
- Demonstration of tea picking and processing;
- Calligraphy and painting exhibition on "tea culture," including artists' concerts and

seminars;

- A special tour to the hometown of tea;
- Arranging exhibitions and business talks on tea culture, particularly focusing on porcelain teaware, silk, fashion and tourist products.

The festival will be jointly sponsored by the National Tourism Administration and the people's government of Zhejiang Province.

by Yao Jianguo



Vice-Chairman of the NPC Standing Committee Ni Zhifu and others visit the exhibition.

Tibetan Monastic Art in Beijing

People in Beijing were able to feast their eyes on the unique butter art of the Qinghai Tar Monastery at the Butter Art Exhibition held recently at the Beijing Cultural Palace of Nationalities.

The Tar Monastery, situated in Huangzhong County, in northwest China's Qinghai Province, is the largest Tibetan Buddhist temple in Qinghai. It was built to commemorate Zongkapa, founder of the Dge-lugs-pa sect of Tibetan Buddhism.

Zongkapa, born into a Buddhist family in 1357, was tonsured at the age of seven and went to Tibet for further studies at 16. When he was 31 he initiated religious reform and was a strict disciplinarian. He restored celibacy and prohibited the consumption of wine and meat, thus forming a new generation of religious practice. He founded the Dge-lugs-pa sect and was publicly recognized as leader of Tibetan Buddhism. This Buddhist sect became the first large religious sect in Tibet.

The monastery, built in the 16th century, was a large architectural complex that consisted of groups of buildings in both the

Tibetan and Han styles. At the height of Buddhist popularity, there were as many as 3,600 lamas.

Each year four grand religious ceremonies are held, when lamas create butter sculptures, frescoes and relief embroidery—three exquisite traditional works of art—to express religious tales and legends.

There are many enchanting legends about the origin of butter art work. A story has it that Zongkapa once dreamt that fields of grass and fragrant wild flowers all changed into a sea of butter lanterns. Fairy towers and jade pavilions emerged amidst the sea of brilliant lanterns and numerous strange birds and animals danced together to music. Zongkapa's devout Buddhist disciples then sculpted a work of art consisting of a huge array of butter flowers according to those he had dreamt of and displayed them at an exhibition on his birthday. This practice has been carried on ever since.

Butter flower art is a three-dimensional art form requiring great skill. The rich sculptures depict various tales, mainly about Buddha, fairies, Bodhisatt-



A scene from *Princess Wencheng Enters Tibet*.

va, Buddha warrior attendants, birds, animals, flowers, insects, fish, rivers, mountains, trees, pavilions, terraces and towers, etc. These butter flower sculptures can measure anywhere from one or two metres for the largest to 10 or 20 millimetres for the smallest, and are bright and lively in colour.

For the past several hundred years, owing to the endless efforts made by generation after generation of Tibetan artisans, this craft has been gradually perfected and reached reaching its present state of exquisiteness.

The butter work *Princess Wencheng Enters Tibet* displayed at the exhibition depicts the story of Princess Wencheng, daughter of the Tang Dynasty emperor of the 7th century, married King Songtsan Gambo of Tibet. With the Tang capital Changan and Lhasa as its background, the butter sculpture has over 200 figures. Princess Wencheng is particularly graceful and dignified, yet pining for her home, while King Songtsan Gambo is magnificent and overjoyed with happiness and expectation. When viewing these butter art works,



Photos by YU NING
A Tar Monastery artisan giving a final touch to a butter art piece.

one can appreciate the artistic height attained by these Tibetan artists and their attention to detail in these historical stories.

Relief patchwork embroidery, where multi-coloured silk brocade pieces are cut into various

shapes of Buddhas, figures, birds, animals, rivers, mountains, flowers, grass, etc. and embroidered onto a cotton backing in which wool or cotton has been stuffed to give it a relief effect. It is dazzlingly gorgeous and the subjects chosen are usually well-known and highly appreciated. An outstanding piece of this is the 20-metre-wide and 30-metre-high portrait of dignified Sakyamuni

displayed in the Tar Monastery.

Frescoes and Tangkar paintings, Tibetan religious paintings on silk scrolls done in splendid green and gold colours using fine brush strokes and rich in nationality characteristics, make up the

majority Tar Monastery collection of paintings.

Also on display at the exhibition were masks worn by lamas when they perform dances in the monastery at ceremonies to drive away devils every year. In these striking and extremely impressive masks, they dance to rhythms in an unusual and mystical manner.

It is said that in 1989, it was the wish of the late Tibetan Buddhist Master Bainqen Erdini that Tibetan butter art work be put on display one day in Beijing. The recent exhibition in Beijing has made his long-cherished wish be realized, and will help promote mutual understanding and appreciation for various nationalities' cultural achievements.

by Yu Ning

Marrow Treatment Cures Cancer

Six months ago, Yang Wenjie of the Beijing Electrical Machinery Plant was diagnosed as having advanced lung cancer. He coughed blood, had a high fever and felt congestion in his chest. It was at this stage that Yang received the new marrow transplant therapy from doctor Wang Liangxu, director of the blood disease section of the No.3 Hospital of the Beijing Medical University.

After three weeks of preparation, Yang, wholly disinfected, was taken to an aseptic emergency ward. Wang and his assistants took 1,000 cc of marrow from Yang and preserved it. Then they carried out collision chemotherapy on Yang with twice the usual dosage for three consecutive days. Seventy-two hours later, at the end of the chemotherapy, Yang received his bone marrow back again.

Routine chemotherapy and nursing followed. At the end of one month, a miracle seemed to have happened. All Yang's medical test were normal and all his symptoms disappeared, including the shadow of phyma in his chest.

"Yang is not the first patient to receive the therapy, although he has made the best recovery," said Professor Wang. Prof. Wang's first case was a 72-year-old man. By the end of 1989, the old man had had three comas in addition to chest congestion, abdominal hydrops and anemia. The blood disease section of the hospital diagnosed the case as lung cancer at an advanced stage. Beginning last February, Wang gave the above treatment to the old man. One month later, the abdominal hydrops disappeared and the tumour shadow diminished in size.

So far, Wang has cured 11 cases of advanced cancer. Except for two patients who died due to excessive metastasis and delayed treatment, the others (among them eight lung cancer patients) had tumours that shrunk to various degrees and symptoms that became less severe or disappeared.

Why is the therapy so effective? According to Wang, while the double dose of chemotherapy forcefully kills the cancer cells, the retained marrow helps the patient recover quickly from the side effects brought on by the chemotherapy.

When Wang visited the United States for an academic exchange in the early 1980s, he found his American colleagues studying marrow therapy. After he returned to China, he carried out research in marrow therapy himself, accumulating information for seven years before his first clinical success in China last February.

by Cui Lili

Drawing Inspiration From Folk Art

Zeng Xiaofeng, a young painter from Yunnan Province, southwestern China, has distinguished himself as a promising artist with his original and creative paintings.

Zeng aroused public attention as a painter in 1981. That year, Zeng, a self-taught amateur painter, won the second award in the Second National Arts Exhibition for his oil painting, *Top of the Mountain*, which vividly and accurately presents the splendid and overwhelming stone forest in Yunnan Province. This work won high acclaim from well-known painters and art critics throughout the country.

Zeng later joined the Art Aca-

demy of Yunnan Province and created a large number of works which are diversified both in subject matter and technique. His work gradually developed into a simple and mystic style. During this period, Zeng won many awards. His woodcut print, *The Lake of the Stone Forest*, won an award from the magazine, *The World of Woodcuts*; his oil work, *Land of Peace*, won third prize at an exhibition marking the International Year of Peace; his woodcut, *Night*, and oil work, *The Forgotten Illusion*, won bronze medals at the Seventh National Art Exhibition. Some of his works have been exhibited in the United States, Japan, Australia and Hong Kong, and some

of them have been collected by Chinese and foreign museums.

Zeng's early paintings contain elements of the rich minority cultures and arts in Yunnan Province. Yunnan is populated by a great variety of ethnic groups and is abundant in folk culture. Zeng has devoted much time and energy to the investigation and study of this folk art. The ancient mythology, cliff paintings, bronze wares and the century-old customs now still practiced by some ethnic groups inspired his imagination and nourished his creativity. During this period, Zeng's paintings focused on two main themes: the first reflects the life of the Wa and Yi nationalities, simple and robust in composition and rich in national flavour; the second borrows some techniques used in cliff paintings and bronze wares.

Zeng also created several painting series, such as *Night* and *Tables*. In these works he penetrates even deeper into the evolution and representation of the cultural sources of the arts. Human feelings and natural mystery are combined to produce an artistic whole.

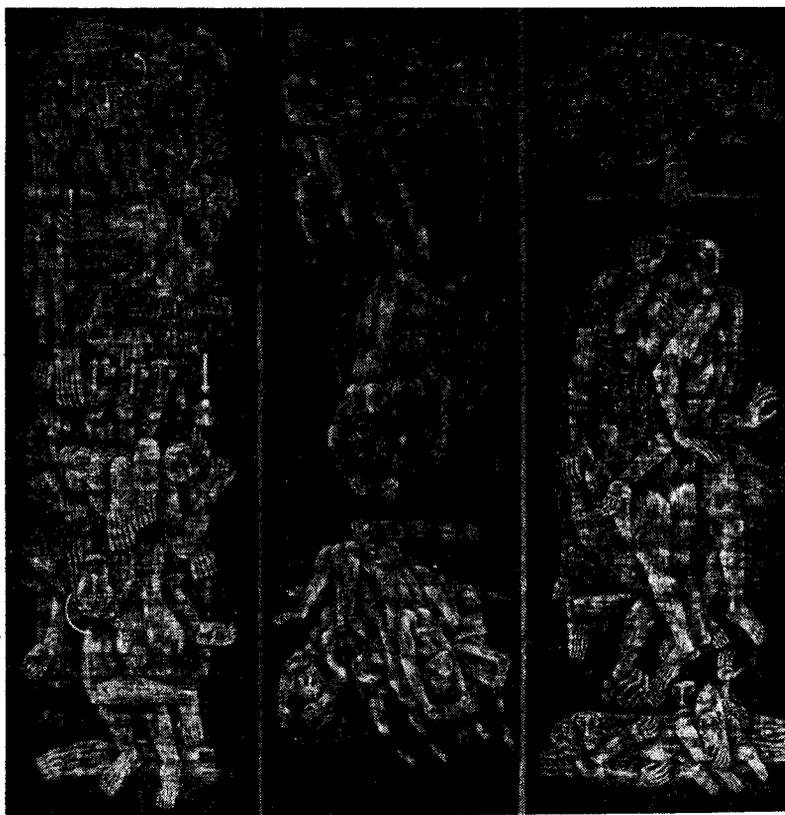
Zeng has grasped the essence of the local arts from a historical view. He always strives to trace the roots of life and create harmony between the primitive and the modern.

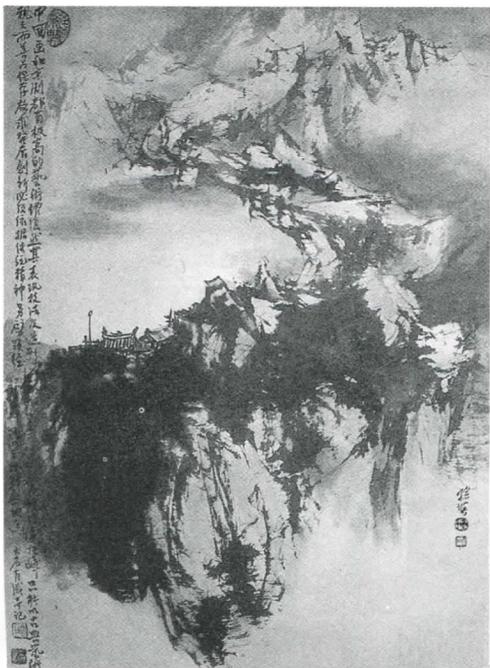
"I draw my inspiration from religion, the black mountains, the deep forest, the vast land and the stary night as well the living souls in this land," said Zeng.

"Modern culture has been spoiled by commercialization and materialism. As a result, art begins to repeat itself over and over, getting further away from the essence of life. Real art must be rooted in the rich land under one's feet," concluded the artist.

by Qi Yao

Woodcut print series, *Night*.





Snow-Clad Mountain Peaks.

Chinese Paintings by Sun Ying

Sun Ying, born in Gaotang County, Shandong Province in 1919, returned to live in Beijing in 1982 after residing in Taiwan and the United States. He is now a professional painter with the Chinese Painting Research Institute.

While devoting much attention to the outstanding tradition of Chinese painting, he focuses on the use of calligraphy with the Western genre of realistic paintings, an effort which has led him to create a unique style of modern Chinese art.



An Ink-Splash Landscape.



The Rising Wind.



A Mountain Village in Taiwan.



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