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BEIJING REVIEW

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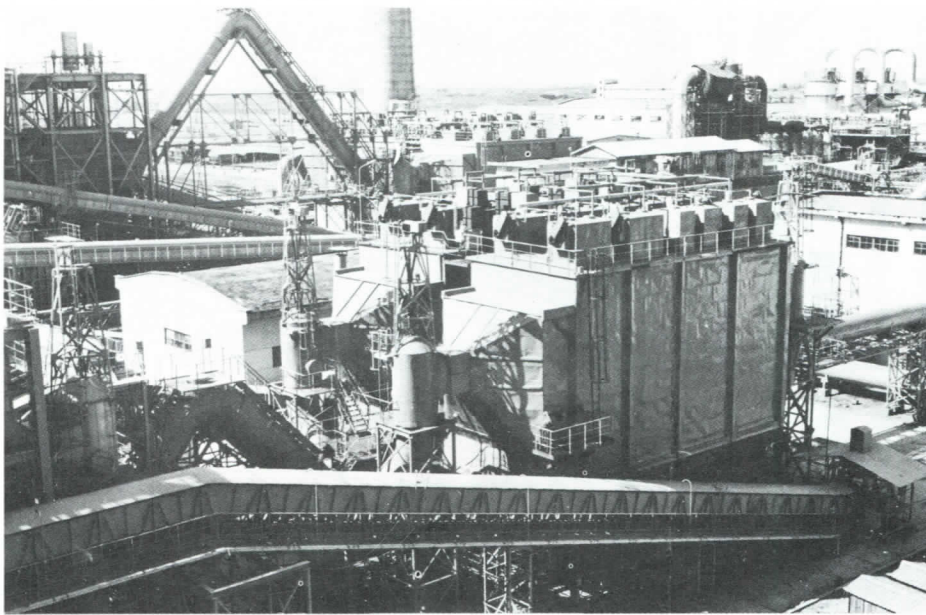
A CHINESE WEEKLY OF
NEWS AND VIEWS

China, US Agree to Run Huge Coal Mine

Law on Sino-Foreign Economic Contracts, Accounting Law



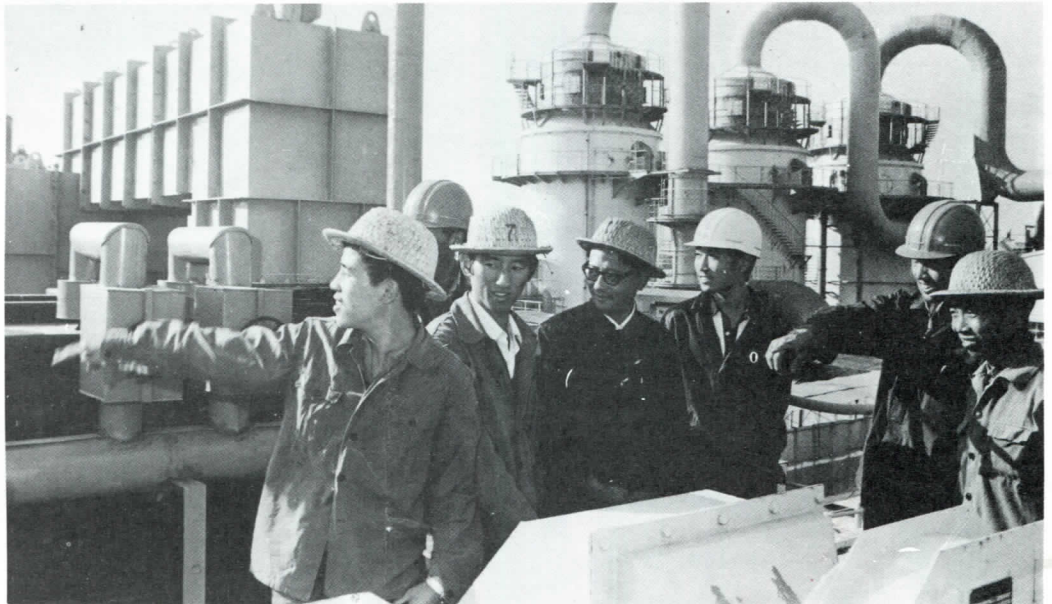
Helping the Poor Catch Up



Copper Mines Under Construction

Construction of a copper mining centre with 6 mines and a smelter is being stepped up in Jiangxi Province. The centre, scheduled to go into production this September, will produce 70,000 tons a year.

The smelter.



Technicians help workers learn new production techniques.



SPOTLIGHT

The copper ore crusher.

BEIJING REVIEW

HIGHLIGHTS OF THE WEEK

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COVER: Developing sideline occupations has helped poor peasants in Lixian County, Hebei Province, improve their living standards. Here, a local family is busy making buttons.	

Photo by Zhao Liansheng

Relations With US and Canada Reviewed

On the eve of President Li Xiannian's visit to the United States and Canada, *Beijing Review's* international editor reviews China's relations with these two countries (p. 4).

In discussing Sino-US economic relations, a Chinese official calls for changes in the restrictive trade legislation of the United States to allow for the free flow of goods and technology across the Pacific (p. 20).

Contract Signed for Giant Coal Venture

A US\$650 million Sino-US venture contract was recently signed in Beijing to develop in Shanxi Province one of the world's largest opencut coal mines. Chinese leader Deng Xiaoping said the project marks a good beginning for long-term Sino-US co-operation, which will bring in its wake increased economic co-operation between China and other countries (p. 29).

Anti-Poverty Battle Waged in Hengshan

Hengshan, a county with 80,000 peasant households in Hunan Province, has distinguished itself in the nation's drive to help the poor. By encouraging poor peasants and providing them with loans, technology and information about commodity production, cadres have helped lift 7,450 families from destitution (p. 14).

Gezhouba Hydroelectric Project Revisited

A series of successes have been won since the first stage of the Gezhouba project was completed four years ago. The builders are now focusing their attention on a new dam site in the Three Gorges (p. 16).

A Look at the American Press

A veteran Chinese reporter formerly stationed in Washington gives his views of the US media. In this searching article, he finds much to applaud — and deals out some pointed criticism as well (p. 22).

Laws Facilitate Sino-Foreign Economic Ties

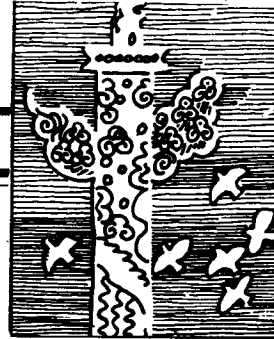
We published in this issue the Contract Law and the Accounting Regulations of the People's Republic of China for the Joint Ventures Using Chinese and Foreign Investment. The promulgation of the two laws represents part of China's efforts to perfect its legislation concerning its economic relations with other countries (Centrefold).

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President Li to Visit US, Canada

by **MU YOU LIN**
International Editor

President Li Xiannian departs this week for a 17-day visit to the United States and Canada at the invitation of the two governments. The July 14-31 North American tour, the second by a Chinese leader in the last 19 months, is aimed at increasing understanding and friendship, strengthening economic ties and safeguarding world peace.

Friendship and co-operation are the key words in the relations between China and Canada. Since the two countries established diplomatic relations in 1970, ties have developed rapidly. Former Canadian Prime Minister Pierre Trudeau travelled to China on several occasions and high officials of the two governments have frequently exchanged visits. Over the past 10 years or more Chinese-Canadian trade has increased eight-fold, making Canada one of China's major trade partners. Economic, technological and cultural exchanges have proliferated. Both China and Canada have observed the Five Principles of Peaceful Coexistence in their relations and the friendly nature of their relationship is an indication that their fundamental interests are in harmony despite their different systems.

During his visit, Li will hold talks with Canadian Prime Minister Brian Mulroney on more co-operation opportunities.

Since 1979, when China and the United States established formal diplomatic relations, political, economic and cultural ties have been forged. Over the past two years such ties have grown even stronger. Last year witnessed the first exchange visits of heads of state

when Premier Zhao Ziyang visited the United States in January and President Ronald Reagan toured China in April. The two leaders held friendly, frank and significant talks. During his visit, Li will again meet with Reagan and other top US leaders. Generally speaking, Sino-American relations are stable and have great potential.

Sino-American economic co-operation constitutes an important component of their bilateral relations. Between 1979 and 1983, trade volume between China and the United States grew at an annual average rate of 45 percent. Last year the trade total reached a record US\$6.1 billion, making the United States China's third largest trade partner. American investment in China has also boomed, reaching US\$700 million last year. US investors are now the most active foreign investors in China. The number of Sino-American joint ventures has increased to some 60, and they are producing everything from energy to snack foods. What's more, the United States has also relaxed some of its trade restrictions so that technological goods may be shipped to China.

The scope of Sino-American economic and technological co-operation, however, is still not impressive when the huge potential is considered. US trade laws still discriminate against China, and there are still unreasonable restrictions on the export of many high-tech items and the import of Chinese goods. These restrictions should be removed so as to further expand economic co-operation and improve relations.

Facing one another across the Pacific Ocean, the peoples of

China and the United States and Canada desire peace and stability in the Pacific region and around the world. China and Canada speak a common language when it comes to international affairs. Both stand for the relaxation of international tensions, improved North-South relations and more economic co-operation between the developed world and the third world. A friendly relationship between China and the United States as two of the world's largest and most influential nations is essential to world peace and stability.

There exist differences of principle as well as common points on international issues. Taiwan has always been the major stumbling block in Sino-American affairs. In recent years, however, the two countries have concluded three communique in connection with this issue. And US leaders have on many occasions promised to put the principles of the communique into effect by following "one China" policy and refraining from interfering in China's internal affairs.

Taiwan is part of China and people on both sides of the Taiwan Straits stand for peaceful reunification. The Chinese government has declared many times that it seeks peaceful reunification. When the Hongkong issue was settled satisfactorily, the government declared that the "one country, two systems" idea can work in Taiwan as well, and with even more liberal terms. We hope the United States will abide by the principles of the communique so that the Taiwan issue can be resolved and Sino-American relations can move forward.

World View of World War

As someone who has been reading *Beijing Review* for about 20 years, first I should like to tell you how much I think the paper has improved over the last few years. It has a franker, wiser and altogether more open attitude these days, and I'm sure most readers will agree that we really feel we know so much more of the 'ups' and 'downs' of life in China when we read it. In order to get a deeper knowledge of China's socialist development, it is essential to read the Chinese press and know what the Chinese government and its people have to say about themselves. To depend on the Western media gives us a less-informed view: The news is often slanted and sometimes hostile and downright anti-communist.

I was particularly impressed by your article in *Beijing Review* No. 18 "Commemorating the 40th Anniversary Over Fascism" — a pity you changed the title at the head of the actual article to "Historical Tragedy Must Not Be Repeated," which is less precise and could commemorate any number of events. However, what concerns me is much more important. You write of the Axis powers — Germany, Japan and Italy — as "imperialist forces," but when referring to Britain, France and the USA you use the term "capitalist." The nature of the allies was, and is, essentially imperialist, too, and none more than the USA, which was enormously strengthened in relation to other imperialist countries at the end of World War II. These imperialist countries played a dual role both before, during and after the war: One as a part of the anti-fascist united front, but still retaining their basic imperialist policies. Their anti-fascist mask

wore very thin at times, and many examples could be given of this if space would permit.

However, in general the article was excellent, giving a world view of a world war. All the articles or television that I read or watched over here concentrated almost entirely on Europe (with the excuse I suppose that it was V-E Day), with never a mention of other forces in the world fighting fascism. Not once did I see or read about China's long, bitter and tremendous fight against Japan. As usual we showed a narrow Eurocentric view.

Betty Paterson
Britain

Suggestions

Your articles about politics and the economy are very good. But I hope you will give more effective reports on physical culture, education, tourism, and the lives of workers and peasants.

Beijing Review is a magazine mainly reporting on China's politics and economy. It is difficult to make such subjects interesting, but if you try to write them lightly, the articles will be better.

Eiichi Ishisaki
Toyama, Japan

As someone who has been reading *Beijing Review* for more than 10 years, I am glad to tell you that more and more Westerners are interested in your magazine, which had improved over the past few years.

In addition, I would like to suggest that you set forth again your position on "human rights" in a given future issue. It is a very important and urgent issue to China's friends, including me. The human rights movement is gaining

strength in the West, especially in France. Facing this situation, it is necessary for you to take a clear-cut stand.

Henri Fernandez
Nimes, France

Your materials and makeup are simple and clear. I would like to know more about the transformations in China's politics, economy, culture and society after Mao.

I am a sincere reader of the Asian press. I have read all the articles in your magazine and am interested in them, especially the articles about culture, science, and co-operation between China and African countries, which of course includes the co-operation between China and Guinea.

Diallo Bheikh Oumar
Bonakry, Guinea

Real Life in China

I like your magazine. From your articles, I get realistic descriptions of your people, economy, and culture. Your magazine provides detailed reference materials about what is happening in China. Even China's relations with the Arab countries and what is happening in my country have been caught by your magazine.

Daboulouafa Said
Casablanca, Morocco

Beijing Review is a magazine people need and the layout is very good. It gives the true facts and China's views on many subjects.

I benefit from the documents published in your magazine. But if you would also provide documents relating to other stories, your magazine would be much better. For instance, the joint communiques between China and other Eastern countries could be published.

Carmona Patrice
Donges, France

China Marks Signing of UN Charter

In marking the 40th anniversary of the signing of the United Nations Charter, China has called upon all nations to adhere to the Charter and has expressed the hope that the United Nations will play a greater role in future international affairs. China was one of the original signatories to the UN Charter and a founding member of the international peace-keeping organization.

In an editorial on June 26, *Renmin Ribao* (People's Daily) reviewed the purposes of the UN Charter: Maintenance of world peace and security, prevention of aggression, co-ordination of international actions, and the development of international relations and co-operation. The editorial also recounted the charter's principles: That each state is sovereign, that no state should interfere in the internal affairs of another and that all countries should refrain from the use of force in disputes.

"These purposes and principles are in full conformity with the wishes of the people of all nations to maintain peace and promote international co-operation," said the editorial. "Although the charter was signed 40 years ago, its principles are still of great practical significance and enormous vitality."

Renmin Ribao went on to comment that the development of the United Nations is proof that its charter has been supported by the overwhelming majority of the nations.

The increasingly important role of third world, non-aligned and other peace-loving countries in maintaining the principles of the

charter and resisting power politics has made it harder for major powers to manipulate and control the UN, said the editorial. "But we mustn't fail to see that the governments of a few countries are still pursuing policies contrary to the principles of the charter in defiance of the will of the people."

Ignoring the wishes of the overwhelming majority of the member states, the editorial noted, some nations continue to build weapons, openly invade the territory of other countries and interfere in the internal affairs of neighbouring states. They refuse to implement resolutions passed by the United Nations. Their actions have violated the purposes and principles of the charter, undermined the international relations and seriously threatened world peace. "Therefore," said the editorial, "maintaining the purposes and principles of the UN Charter is crucial to the maintenance of world peace and has great significance under the present tense and turbulent international circumstances."

Speaking at a June 25 San Francisco meeting marking the charter's 40th anniversary, China's permanent representative to the United Nations, Ling Qing, said, "The purposes and principles of

the United Nations Charter have stood the test of time and displayed great vitality."

He stressed that in today's world, where justice and laws are often ignored, "It is of special significance to strictly adhere to these principles and oppose in international relations the practice of the big bullying the small, the strong oppressing the weak and the rich exploiting the poor."

While praising the achievements and contributions made by the United Nations, Ling said it should play an even greater role in international affairs. "It has become an important task for all of us to endeavour to make this organization play a better role in preserving world peace and promoting the cause of human progress against today's new historical background," he said.

China has established a commission headed by State Councillor and Foreign Minister Wu Xueqian to organize celebrations to mark the 40th anniversary of the actual founding of the United Nations this October 24. The 33 members of the commission include leading officials and noted members of academic and cultural circles.

More Army Cuts Hit Supply Ranks

The Chinese army supply department will halve its personnel following Deng Xiaoping's recent announcement of 1 million man troop reduction.

Logistics Section Director Hong

Xuezhi said the 50 percent cut would apply not only to the department's headquarters, but also to military factories, research institutes, colleges and hospitals.

The streamlining did not mean

less supplies for the armed forces, the director said. "We will reorganize sections within our headquarters, identify their responsibilities and establish a rational and more efficient working system."

"We will also encourage scientific research and technical innovation, and raise the educational level of our serving officers and men," Hong said.

The staff reduction will result in a surplus of barracks, warehouses, and other facilities and equipment. But measures would be taken to better use these by setting up more farms, hotels, hospitals and factories, he said.

The government has allocated 1 billion yuan for resettling and re-employing the million men who will be demobilized within the next two years.

Civil Affairs Minister Cui Naifu said his ministry would help 100,000 officers and 400,000 soldiers. The rest will be employed through labour and personnel organizations.

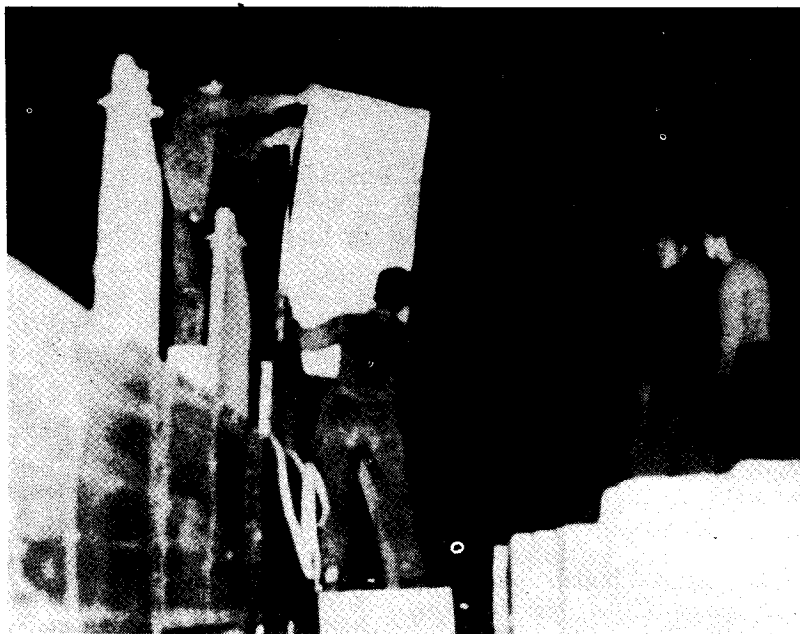
"Civil affairs departments will make every effort to support the army streamlining," He said. The ministry will receive 47,000 officers this year. They will begin leaving the army this month.

Nationwide, 30,000 apartments have been set aside for retired officers. Arrangements have also been made for their education, employment, medical care and care of their families, Cui added.

Cargo Handlers Rough Up Fridges

Nearly 400 refrigerators — the most coveted durable goods in China — were seriously damaged by rough cargo handlers at a Beijing railway terminal on June 1.

The damaged goods were part of a shipment consisting of 1,500



A newspaper photographer managed to catch the freight handlers at the Beijing Dongjiao Railway Terminal in the act. By standing on the goods and rolling them off the freight cars, the workers damaged much of the shipment.

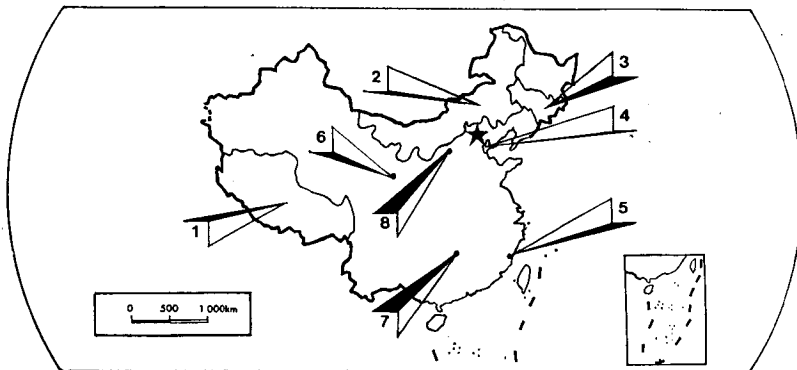
top-of-the-line refrigerators to be displayed and sold at the Shanghai Light Industry Product Exhibition in Beijing by the Shanghai Refrigerator Factory.

When workers at the Beijing Dongjiao (East Suburb) Railway Terminal failed to find a forklift to unload the refrigerators, railway officials ordered them to unload the cargo by hand. According to a newspaper reporter who witnessed the incident, the

workers then unloaded the refrigerators in a rough manner, even rolling them off the freight cars on to the ground. And when a factory agent, assigned to look after the cargo, protested, the workers told him, "Mind your own business."

The incident echoed the notorious 1983 Shuangchengbu case, when railway workers in Heilongjiang Province damaged hundreds of washing machines, causing

PLACES IN THIS ISSUE



1. Tibet (p. 8)
2. Inner Mongolia (p. 9)
3. Jilin (p. 9)
4. Tianjin (p. 9)
5. Fuzhou (p. 9)
6. Lanzhou (p. 9)
7. Hengshan (p. 14)
8. Antaibu (p. 29)

widespread indignation which resulted in a shake-up of the local railway bureau.

In another incident, workers at Beijing's Yongdingmen Railway Station damaged 81 refrigerators last month and then forced the consignee to sell them the nine undamaged units.

Rough handling at the capital's railway terminals has resulted in such widespread damage that most refrigerators now on sale in Beijing's stores are visibly dented or scratched — to the exasperation of anxious buyers.

Fear of Retribution Following the Dongjiao Terminal incident, the Shanghai Refrigerator Factory agent asked the newspaper reporter "not to disclose" the rough handling "lest the railway department make things difficult for the factory in the future."

The similar fears of retribution were expressed by others who must deal with the cargo handlers. "Our wholesale department deals with railway terminals every day," said an official of the Beijing Department Store. "Quite often, the cargo, though packed well when shipped, is found to be damaged when it reaches consignees. We know, of course, where the wrong lies, but we dare not criticize the transportation departments for fear of being 'given tight shoes (retaliation).'" The store official asked *Jingji Ribao* (Economic Daily) to keep his name secret.

The Porters' Explanation When questioned, porters at the Dongjiao Terminal said they were unaware of any written rules about how to load or unload goods such as refrigerators, washing machines and TV sets. They indicated that it was normal procedure to stand on refrigerators as they unloaded a shipment. In fact, they said, they had no idea that their procedures were out of

line until they received the press criticism.

A terminal official told reporters that railway rules forbid the unloading of high-grade goods at the small cargo platform. He said the June 1 incident was the first time this had happened. But one porter said he had never heard of the rule and admitted that the rough treatment was not out of the ordinary.

"Fish begin to stink at the head. It is the leaders of the terminal who are to blame for neglecting their duties," said a consignee.

The Ministry of Railways apologized on June 21 for the rough handling. Shi Xiyu, deputy minister of railways, said the ministry will compensate the refrigerator factory. He also said the incident will be used as a lesson in an upcoming shake-up of railway departments. He declared that the ministry will severely punish departments if they intimidate those who criticized their sloppy work.

Ethnic Studies Show Progress

Research institutes devoted to studying China's major ethnic groups have proliferated in recent years, but there is a need for more research into the culture, art and language of the minority nationalities, say Party officials.

Wu Jinghua, the newly appointed Party secretary of Tibet, has called for the scheduling of an international seminar devoted to Tibetan studies in Lhasa.

Wu, a member of the Yi minority from Sichuan Province, recently succeeded Yin Fatang as secretary of the Tibet Autonomous Region Communist Party Committee. He is also first vice-minister of the State Nationalities Affairs Commission.

Noting the existence of a number of Tibetan studies institutes and the number of prominent Tibetan scholars, Wu said that Lhasa is the logical focus for the international interest in Tibetan history, literature and culture.

A publishing house for Tibetan-language classics was recently set up in Lhasa. The company plans to issue new editions of rare Tibetan books and manuscripts, some from private collections, with the emphasis on history, language, astronomy and medicine. The publisher will also issue reproductions of ancient inscriptions on wooden slips, bronzes and stone tablets, as well as Tibetan-language books compiled before 1950.

A woodblock printing house has also opened there. It will be issuing a new edition of the Kanjur, the 1,100-volume collection of Lamaist scriptures. Allocated 550,000 yuan by the regional government, the press will also publish other Buddhist scriptures.

Wu has urged Tibetan scholars to carry out their work and appealed to the Dalai Lama and other Tibetans abroad to contribute to national unity.

Wu compared Buddha's teachings that all life is sacred with the Communist Party's call to serve the people wholeheartedly. "This indicates that we have the same aspirations to work for the benefit of the people," said the Party secretary. "The difference in beliefs is secondary."

Mongolian studies have also progressed in China since 1979. Some 500 scholars from more than 50 Mongolian research units have issued 3,000 academic papers over the past six years. Research was initiated in long neglected fields such as the history of Mongolian philosophy, religion, local chronicles, medicine and folk art.

A modern Mongolian grammar

book by Professor Qinggeltai is among the more than 700 papers and books on linguistics and philology that have been recently published in Mongolian. A series of 21 books on Mongolian dialects is also being compiled and will soon go into print.

China has the largest Mongolian population in the world. The Inner Mongolian Autonomous Region, inhabited by 2.6 million Mongolians, is naturally the country's Mongolian studies centre.

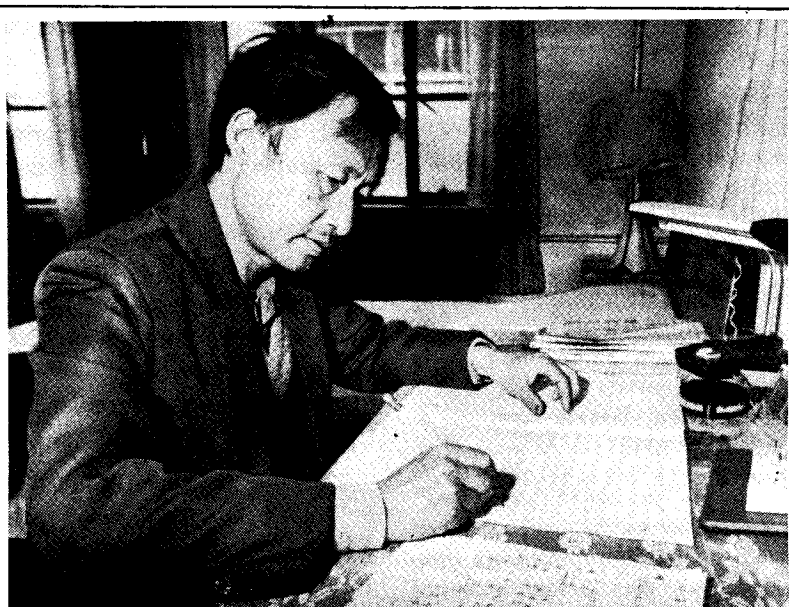
In northeast China, there is a drive to collect Manchu cultural relics before they disappear altogether. Research conducted over the past few years has focused on the Manchu language, religion, music, dance, folklore and mythology. One book compiled by Manchu studies specialists describes more than 300 goddesses.

The Manchu nationality, with a population of some 4 million, evolved from the Nuzhen tribe in northeast China. Ethnic Manchus are now scattered throughout Liaoning, Heilongjiang, Jilin and Hebei provinces, and in the cities of Beijing, Chengdu, Xian and Hohhot, but many of them would like to see their own autonomous region established, said Pu Jie, vice-chairman of the Chinese Nationalities Committee and a Manchu himself.

Life Gets Better For City Dwellers

Chinese city dwellers have seen a steady, if not remarkable, rise in their living standards as a result of recent efforts to improve the country's urban environment.

Tianjin, for example, built 13.4 million square metres of new apartments for its 7 million res-



Son of Zhang Daqian Joins CPC

Composer Zhang Xiao, son of the late Chinese artist Zhang Daqian, who died in Taiwan two years ago, joined the Communist Party of China (CPC) on its 64th birthday — July 1. A former member of Chinese People's Liberation Army and a model worker after his demobilization, Zhang, 51, is now an editor of the musical magazine "Qilian Songs" in Gansu Province. Since 1979, he has been a member of the Chinese Musicians' Association.

idents from 1981 to 1984. Housing shortages, always a serious problem for the north China city, became critical when an earthquake damaged at least 70 percent of its buildings in 1976, leaving many people homeless and forcing hundreds of thousands to live in tents, sheds and other makeshift structures.

Tianjin's traffic has also improved following projects which widened 14 roads and built several new routes in addition to 13 bridges and 11 overpasses. Only three years ago, local people said "Cars moved slower than bicycles" there.

Upgraded technology has helped the city's 403 factories cut pollution, although much work still remains to be done to clean up Tianjin's air. As a preliminary

move, 90 factories have been moved out of the city centre and 300 electroplating workshops have been ordered to close down because of serious pollution.

Similar achievements have also been made in other cities, including the Gansu provincial capital of Lanzhou, where the government has allocated 1 million yuan for school construction and 800,000 more for sanitation equipment, and the south China city of Fuzhou, which has spent 4 million on urban landscaping.

Nationwide, China built 12 million apartments with 600 million square metres of floor space from 1979 to 1984. The figure nearly equals the total put up in the first 30 years after liberation, and raises the country's average per-capita living space from 3.53

square metres in 1978 to 4.8 square metres in 1984.

However, experts say there is much to be done if China wants to reach its goal of eight square metres for every urban dweller by the end of the century.

Describing that target as "ambitious but reachable," housing specialists added that China will have to invest 35 billion yuan in building between 120 million to 150 million square metres of apartment space every year from now through the year 2000.

The per-capita eight-square-metre goal is humble when compared with the 14 square metres enjoyed by urban Japanese — not to mention the 18 square metres found in American cities or West Germany's 25 square metres. However, it could be referred to as a "well-to-do" or "civilized" housing standard when China's future population of 1.2 billion people is taken into account, the specialists said.

Keep Prices Down, Profiteers Warned

Party organizations at all levels must take sharp action against arbitrary price hikes, says a circular issued by the Communist Party Discipline Inspection Commission recently.

Severe punishment must be meted out to offending units and individuals, especially those exploiting the country's economic reforms for personal gain, the document warns.

In spite of this, however, some organizations are ignoring state policies and raising prices recklessly. Their actions not only damage the interests of the state and consumers, but also disrupt social

stability and efforts to reform prices, the circular says.

Citing Beijing as a good example of the way local authorities are keeping the situation under control, it notes that a general check by municipal officials between last October and March uncovered nearly 1,000 violations. By discovering the cases, the city recouped about 3.3 million yuan of its losses in confiscated illegal earnings and fines.

The main offenders included the Beijing No. 6 Cake Factory, which was fined for doing shoddy work and using inferior ingredients, and the Five Star and Beijing Breweries. The beer distributors were caught overcharging their customers on 300,000 bottles of brew, but all their illegal earnings were confiscated.

The Beijing authorities also took quick action to stabilize the city's vegetable prices after legal price hikes threatened to send them spinning out of control. State shops intervened to steady prices, while the municipal government offered suburban vegetable growers protective subsidies.

Between May 31 and June 3, Beijing bought 1.78 million kg of vegetables — six times the figure for May 27 to 30. As a result, prices have begun falling. The prices of cabbages dropped from 1.20 yuan per kilogramme in late May to its present 20 to 30 fen.

Heilongjiang Province also reports stable pork prices since state controls on non-staple food were removed. In its 18 major free markets, pork averages 3.40 yuan per kilogramme. Pork prices in the province's six cities, including Harbin, are floating at around 3.70 yuan.

China & the World

Island Leader in Beijing

Chinese President Li Xiannian on June 28 met with Ieremia Tabai, first president of the South Pacific Island Republic of Kiribati in Beijing. Li pointed out that China will develop friendly relations with any country, big or small, poor or rich, on the basis of the Five Principles of Peaceful Coexistence.

Iran Speaker Honoured

Hashemi Rafsanjani, speaker of the Iranian Islamic Consultative Assembly, was given a red-carpet welcome by the Chinese government in Beijing on June 27.

On June 29, Rafsanjani met Chairman Deng Xiaoping. Deng said China is concerned with the Iran-Iraq war, and hopes it ends as soon as possible under terms both sides can accept.

Yao's Soviet Visit Set

Chinese Vice-Premier Yao Yilin will visit the Soviet Union in the first half of July at the invitation of the Soviet government, a Foreign Ministry spokesman announced recently.

During his visit, Yao will sign a Sino-Soviet economic and trade agreement for 1986-90.

Kampuchea

Rains Aid Resistance Drive

Changes favouring resistance coalition forces have taken place on the battlefields of Kampuchea, although a fierce rainy season fight still lies ahead.

by YANG XUECHUN

THE situation along the Thai-Kampuchean border has gradually cooled since February, when Vietnamese troops overran more than 10 important resistance bases. The brunt of the fighting, however, has shifted to the interior, where coalition forces are conducting operations that are now larger and more intense than any seen in previous years.

In fact, changes have been made by both sides since the recent dry season, although the war still remains in a deadlock with a large Vietnamese presence on the Thai-Kampuchean border while the guerrillas make new inroads into the centre of the country. The present situation may be an important turning point for the anti-Vietnamese forces, who are now fighting on three main battlefields.

The first is located near the fertile central Kampuchean plain, the country's main agricultural region, and covers most of Kompong Thom, Siem Reap, Battambang, Pursat and Kompong Chhang provinces. Kampuchean forces in this area, together with the local guerrillas, have attacked Vietnamese garrisons, towns and cities and ambushed Vietnamese convoys. They have also blown up bridges and cut railroads between Battambang Province and Phnom Penh, sometimes conducting operations only some 10 kilometres from the capital.

The second front is a guerrilla

war near the Thai-Kampuchean border, where Vietnamese forces are attempting to cut Kampuchean supply lines and mount a blockade against the resistance forces. The effort has been hampered, however, by the long border, high mountains and dense forests, as was shown by the recent Kampuchean recovery of the Phnom Malai base.

The third battle centres around the Mekong River in Ratanakiri, Kompong Speu, Kompong Cham and Takeo provinces, where Democratic Kampuchean guerrillas have launched hit-and-run attacks on Vietnamese supply lines including the Phnom Penh-Kompong Som railroad.

These developments indicate that the Vietnamese, with their Soviet arms and supplies, have

failed to extend their conquests past the border areas in western and northern Kampuchea. The main Kampuchean forces remained unharmed. The coming of the rainy season will thus favour the Kampuchean resistance forces.

The failure-weary Vietnamese, meanwhile, have also changed their strategy, and this year will mount a rainy season offensive. The two-pronged drive will be based in Viet Nam, adjacent to east and southeast Kampuchea, and in the border areas of western and northern Kampuchea. Simultaneous attacks will be launched from both directions against resistance forces hiding in the centre of the country. The resulting fighting will likely be fierce. But the onset of the monsoon will make large-scale troop movements and supply operations difficult, and the drive may yield results no better than those seen in the previous dry season offensive.

For the Kampuchean coalition, the monsoon will be an opportunity to make new headway in a long, difficult struggle.

Mozambique

Moving Ahead Despite Difficulties

Despite problems ranging from rebel attacks to a devastating drought, Mozambique has made great strides in the first decade following independence. Infant mortality has been reduced, education is on the rise and a series of economic adjustments have put the economy on the right track.

by LI HONG

AS the People's Republic of Mozambique on June 25 celebrated the 10th anniversary of its independence from Portuguese rule, President Samora Moises Machel and the Mozambique Liberation

Front were able to look back on a string of victories scored in the face of adversity.

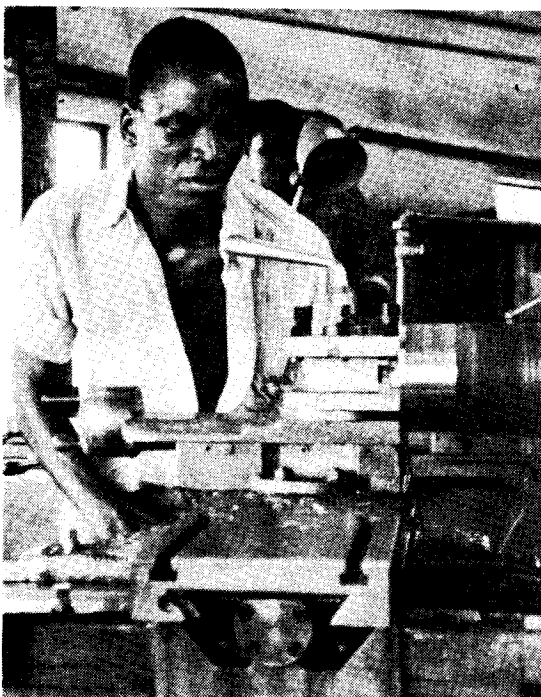
In its first decade of freedom after five centuries of colonial rule, the nation's leadership has taken a series of measures to ensure its sovereignty and develop its econ-

omy and culture. Land was turned over to public ownership and rural co-operatives were encouraged. The government nationalized banks, insurance companies, transportation enterprises and many other businesses, thus ending the days of foreign monopoly capital rule.

The government also worked to improve education and health care. Over 90 percent of the population was illiterate when the nation gained its independence. Since then, the government has stressed the importance of education. Primary school enrolment has tripled and middle school enrolment has doubled. Free medical service has improved health standards and reduced the infant mortality rate.

But the path to progress has been a very difficult one. On the eve of independence, foreign capitalists fled the country, leaving factories and farms deserted and machinery damaged. The economy was reduced to rubble. Adding to the woes were the frequent attacks

A machinist at Mozambique's Maputo Rolling Stock Plant.



launched by the racist Rhodesian administration and the attempts at subversion made by the South African regime. South Africa worsened Mozambique's economic problems by supporting armed rebels.

The economic crisis in the West also slowed Mozambique's progress. Trade was crippled and interest rates on foreign loans skyrocketed. And if man-made calamities weren't enough, Mozambique also suffered natural disasters in recent years. An acute drought has affected some 4 million people.

Faced with this myriad of problems, the government readjusted its policies. In 1983 the Mozambique Liberation Front decided to concentrate on developing agriculture, strengthening national defence and carrying out substantive reforms in the economic structure. The government actively supported individually owned businesses, raised agricultural product prices

and encouraged individual peasants. It also attempted to boost small industrial enterprises, establishing a system of pay based on output.

Mozambique has practised an independent, non-aligned foreign policy. It firmly supports the national-liberation movement, African unity, South-South co-operation and the struggle for a new world economic order. In recent years Mozambique's leaders have made a number of diplomatic forays. In 1983 President Samora Moises Machel visited several West European countries and signed a 10-year co-operation treaty with Portugal. In March 1984 Mozambique agreed to a non-aggression treaty with South Africa, ending the long years of hostility between the two. Last autumn the country joined the International Monetary Fund, the World Bank and the third Lome Convention. Meanwhile, Mozambique worked on attracting foreign investors to set up joint ventures.

Central America

Peace Moves Fail Again

The failure of the third round of talks involving the Contadora Group and five Central American countries dealt a blow to peace efforts in the region.

by ZHU MANTING

THE latest round of the plenary conference involving the Contadora Group and five Central American countries was suspended on June 19 after a day and a half of squabbling over an agenda, giving new indications that the situation in Central America is worsening.

The meeting opened under a cloud of continuing tension between Nicaragua and neighbouring Honduras, Costa Rica and El Salvador — conflicts which earlier caused the failure of a regional

peace proposal designed by the Contadora Group.

In order to get its initiative moving again, the Contadora Group called for a new meeting, to be attended by nine countries — Mexico, Venezuela, Colombia, Panama, Nicaragua, Honduras, Costa Rica, El Salvador and Guatemala. However, the first round foundered in February, when Costa Rica refused to return a Nicaraguan student who had taken refuge in its embassy in Managua to avoid military service.

Following that incident, border clashes between the two countries worsened. Costa Rica condemned

Nicaragua for attacking one of its patrols on May 31 and causing some casualties. But Nicaragua rejected the censure, stating that the attack is similar to US strategy of creating trouble in the area. The clashes brought relations between San Jose and Managua to their lowest level in recent years. The Organization of American States and the Contadora Group have opened mediation efforts, but no results have been seen so far.

Meanwhile, another crisis was brewing in Nicaraguan-US relations, which have been marked by tough policies and strong political, economic and military pressures from Washington.

After the United States imposed its trade embargo on Nicaragua in early May, the Congress again voted to give anti-Sandinist forces US\$27 million in aid.

This created a strong backlash in Managua. On June 18, as the Contadora-sponsored conference opened, the Nicaraguan government scored the congressional resolution as severely harmful to the Central American situation and increasing the chances of a US invasion of its country.

The Nicaraguans also suggested changing the conference agenda to deal with the new tensions and the heightened risk of war in the region.

The Managua move met strong opposition from Costa Rica, El Salvador and Honduras, which insisted on discussing the draft peace agreement and charged Nicaragua with boycotting the Contadora Group mediation effort. The meeting broke up when Nicaragua left the conference table after continued disagreements over the agenda.

Although spurred by regional conflicts, the failure of the mediation effort can mainly be pinned on external interference, especially increasing US pressure on Nicaragua. But although the

peace conference failed, there are no signs that the Central Ameri-

can countries want to end the dialogue.

Italy

Economy Makes Belated Recovery

Although its economic recovery came more slowly than the rest of Western Europe, Italy scored dramatic economic gains last year.

by YUAN JINLIN

FINALLY shaking off its economic doldrums, Italy chalked up a remarkable economic achievement in 1984 when its growth rate outpaced the other nine members of the European Economic Community (EEC).

Italy's gross national product (GNP) rose to 612,112 billion lira (about US\$306 billion), 2.8 percent more than in 1983. And industrial output climbed 3.1 percent. With the exception of the iron and steel industry, Italian industry had a banner year. Investment increased 7.7 percent, the foreign trade volume grew by 19.1 percent, the international payment deficit was reshaped into a surplus, and the inflation rate dropped from 15.1 percent to 9.6 percent, the lowest rate in 10 years.

According to Italian economists, there are several reasons for the belated but strong economic recovery.

First, the rejuvenated international market, which was sparked by the recovery in the United States, Federal Germany, Britain and Japan, benefited Italy, which relies heavily on foreign trade. Italy's imports and exports grew by 21.5 percent and 16.7 percent respectively last year.

Second, Italy's top-quality goods, which sell well on the international market, have helped spur domestic production while attracting many foreign investors.

Third, the fact that Italy's government is more stable now

than in recent memory has helped the economic turn around. Since taking power, Prime Minister Bettino Craxi's government has worked out a series of economic policies to readjust production structures and to reward enterprises with investment based on the quality of their products, especially their strength in the international market. In addition, the government has adopted measures to expand foreign trade, develop tourism, reduce inflation and trim public spending. The government moved in February 1984 to put the brakes on wage hikes, and, though the decision sparked protests, some economists believe it has played a key role in controlling inflation.

Fourth, it is important to note that tens of thousands of medium-sized and small factories all over Italy, especially in the industrialized north, have played a role in bringing about economic recovery.

To be sure, Italy's economy still has serious problems. Economic development is still uneven, the unemployment rate is still high and an over-growing financial deficit threatens to refuel the inflation rate.

In outlining his economic goals for 1985, Craxi stated that his government will work to adjust the economic structure, to modernize production techniques, to control the deficit and limit inflation, and to increase employment. But it is believed, Italy will be hard pressed to match its rapid pace of economic recovery.

Hengshan: Battle Against Poverty Is On

With more money to spare, Chinese peasants are now buying tractors, motorcycles and expensive consumer goods on a rural market once dominated by small commodities and crude farm tools. But the gap between rich and poor still exists. What is to be done with those still in poverty? With this question in mind, a "Beijing Review" correspondent filed the following report from Hunan's Hengshan County, which distinguishes itself in the nation's drive to help the poor. — Ed.

by **YANG XIAOBING**
Our Correspondent

THE 80,000 peasant families in Hengshan, Hunan Province, could have been faring better than they are today, had they made good use of their natural resources. The county has large tracts of well-irrigated, highly productive farmland hemmed in between the Hengshan Mountain and the Xiangjiang River. It also has many mountain slopes suitable for afforestation and fruit orchards, and vast low-lying areas which could make excellent fishing grounds.

But despite these advantages, Hengshan remains poor, and it was "leftist" ideas that did the local people in. From the late 1950s onwards, peasants there followed the policy of "taking grain as the key link," and levelled all their land to grow grain. That did raise grain output slightly, but made little improvement in their living standards. In 1978, an average Hengshan peasant made only 130 yuan, supplemented by a yearly grain allowance of 250 kilogrammes. Most people lived a hand-to-mouth existence, but about 13 percent of the rural families had trouble making ends meet.

Help

China's government-fixed poverty line has been rising as the country's economy improves. Today, a family whose members each make less than 120 yuan and consume less than 200 kilo-

grammes of grain a year is considered poor. Many of the poor in Hengshan, however, are a notch above that line, because the majority of the people there are now getting more than 200 kilogrammes of grain.

All the needy in Hengshan now receive government assistance ranging from relief for those, who are no longer able to work and have no relatives to support them, to loans and technical advice for those who are able to work but lack funds and expertise.

When the county government began its drive against poverty more than five years ago, the best it could do was to help peasants improve their farmwork and pig and poultry breeding in order to earn enough for food and clothing. Later, the county turned to helping them get into commodity production.

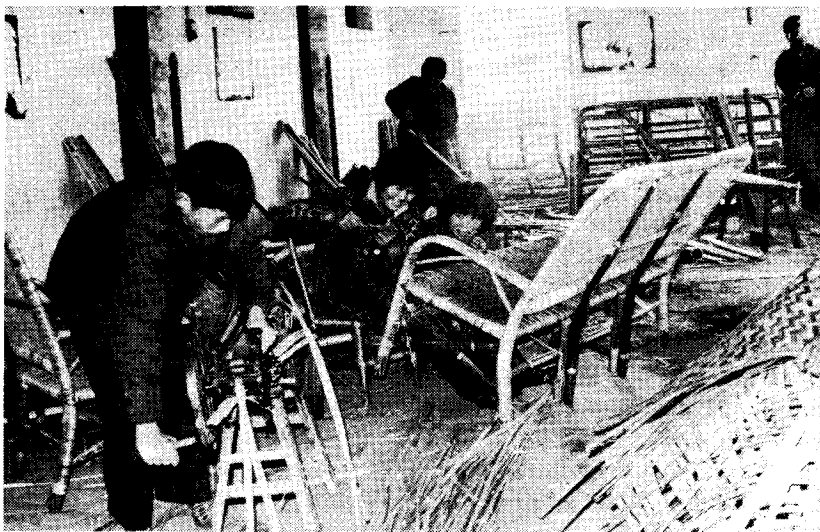
After years of hard work, the programme paid off: Hengshan has raised 7,450 families from destitution. Of that total, 3,130 families are now making an average of 500 yuan per member a year, while producing 7 million yuan worth of farm and sideline products. The county has embarked on a new campaign to help its remaining poor shake off their poverty by the end of next year.

People are poor for many reasons, so each has to be helped in a specific way. In Hengshan County aid comes in three major forms.

Encouragement. Tan Chunsheng and his wife were both in poor health and had to spend much of their income on medicines. They had also three small children and an aged mother to support. When their mother died a few years ago, the Tans ran up hospital and funeral bills of 500 yuan — no small amount in the Chinese countryside.

The Tans were at their wit's end when Liu Yi, the county head, visited them and offered to

Making rattan, bamboo products has proved effective to beat poverty.



help. A man of ideas, Liu told the Tans that the rural economic situation had turned in favour of those who wanted to get rich through hard work. "Why don't you pull yourselves up when the time is right?" he asked. Together, hosts and guest sat down to choose the best path to affluence.

With Liu's help, the Tans got fodder, fertilizer and a 100-yuan interest-free loan from the county government. This material assistance sparked the Tans to fresh efforts. The husband and wife bought a brood of chickens and buckled down to improving their own lot. Last year, their five-member family earned 4,000 yuan.

The Tans' experience shows that where there is a will there is a way. But although self-confidence must be fostered if anyone is to be helped, encouragement alone is not enough. More than anything else, the poor need market information so they can make the correct decisions about what to produce.

With that need in mind, Hengshan County's Songbai Township has set up an information centre for peasants. Among the centre's many beneficiaries is Xiang Wen Yue, who went into earthworm breeding with the centre's help and soon was making 10,000 yuan a year.

Financial Support. A lack of ready cash has often held back even the most energetic peasants. In Hengshan, government financial support may come as interest-free or low-interest loans. In 1984, the county chipped in 1.03 million yuan to help poor families boost production. The impoverished peasants were also given priority in supplies of timber, coal, fertilizer and other necessary materials.

Peng Huanran, a peasant in Changjiang Township, was deep in debt after borrowing money to

help his bedridden father. Later, he applied for and got an 800-yuan government loan which he used to start growing mushrooms. Last year, he earned 4,000 yuan for his four-member family. He has since cleared off his debts and begun a happy life.

Hengshan County has also opened employment in industrial and sideline production enterprises to penniless peasants who could not establish their own businesses.

In three months, a rattan and bamboo work factory in the county seat hired 40 workers, 20 of them under a government assistance programme. These people now each make 60 yuan a month, as much as a Chinese university graduate, and are expected to earn more when production increases further. By January, Hengshan had set up 72 such factories employing 1,116 poor people and generating an estimated total output value of 6.05 million yuan.

Technical Aid. Ignorance of science and technology can often frustrate hard work and dash hopes for a better future; in Hengshan there is no lack of examples of this maxim. Liu Jine, a peasant woman, bought chicks with a government loan early last year. Despite her best efforts, however, all perished from disease. Her plight and that of many others prompted the township government to sponsor training classes in chicken and pig breeding. It was at that class that Liu learnt the causes of her failure. With the new knowledge, she started afresh and by the end of last year had earned 1,700 yuan.

The Hengshan County government last year spent 10,000 yuan on providing poor peasants with technical assistance. Altogether 5,660 people attended 283 classes in agriculture, animal husbandry and fruit planting.

Massive Endeavour

The county's civil affairs bureau keeps archives on all local poor peasants. It maps out aid plans and sees that every poor family benefits from its efforts.

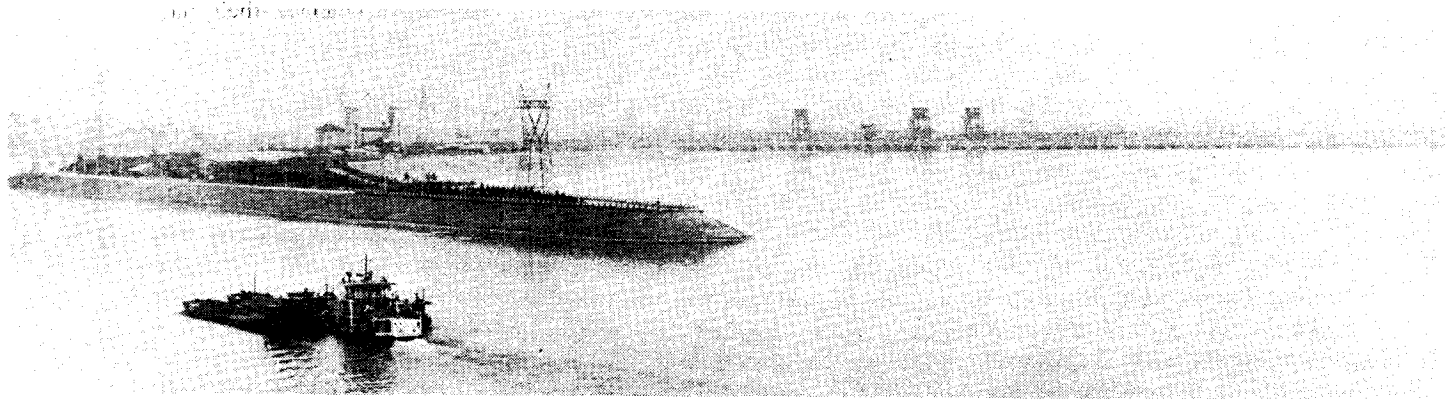
Other organizations have also been involved in the "help the poor" campaign. Virtually all county department heads are members of an ad hoc group, which, with its many township agencies, formulates guidelines for the anti-poverty drive.

Today each Party and government official in the county is personally responsible for helping one or two poor families. Whether the official does a good job or not has become a yardstick for appraising their job performance. Those who acquit themselves well in helping the poor are commended at the end of each year. This "responsibility system" has proved effective in improving living standards. A total of 2,300 families have raised their average annual income from 100 yuan to 300 yuan with the help of officials at the county, district, township and village levels.

The families who prospered first have also lent a hand to their neighbours in the battle against poverty. Many are themselves fine examples of how poverty can be beaten by hard work. Hu Yizhong, a peasant from Hejia Township, went into weaving bamboo baskets, an operation which grossed 15,000 yuan for each of the five members of his family. Over the last couple of years he has lent 6,000 yuan, interest free, to help those still in poverty develop production. He has also hired five young people who were once so poor that they had trouble finding spouses. Today, all of them make 1,000 yuan a year and all are happily married.

The 700 prosperous families in

(Continued on p. 19.)



Gezhouba Hydroelectric Project Revisited

Since the completion of the first stage of the Gezhouba project four years ago project engineers have scored a series of successes: The rare Chinese sturgeon, thought to be threatened by the dam, is being bred successfully; the dam's power plant has generated 18 billion kwh of electricity; navigation through the Three Gorges of the Changjiang (Yangtze) River has been improved; and the dam has stood up to record flood waters. With Gezhouba in place, the builders are now shifting their attention further upstream to a new dam site in the Three Gorges.

by **ZHOU ZHENG**
Our Correspondent

GEZHOUBA, China's largest hydroelectric project and the first dam on the Changjiang River, became a symbol of the nation's determination to harness its vast resources when it was begun 15 years ago.

I visited the site four years ago after the completion of the first stage. The builders at that time were celebrating their success, but they were somewhat apprehensive about the way the generators, spillways and ship locks would work.

On a recent return visit, I discovered that the project had fulfilled the hopes of its planners and is well on the way towards paying back its huge price tag.

Gezhouba and the neighbouring city of Yichang have taken on a new look since 1981. The dusty, crowded streets have given way to clean, tree-lined boulevards graced with gardens at many intersections. Crowded alleyways lined with old houses have been replaced by row

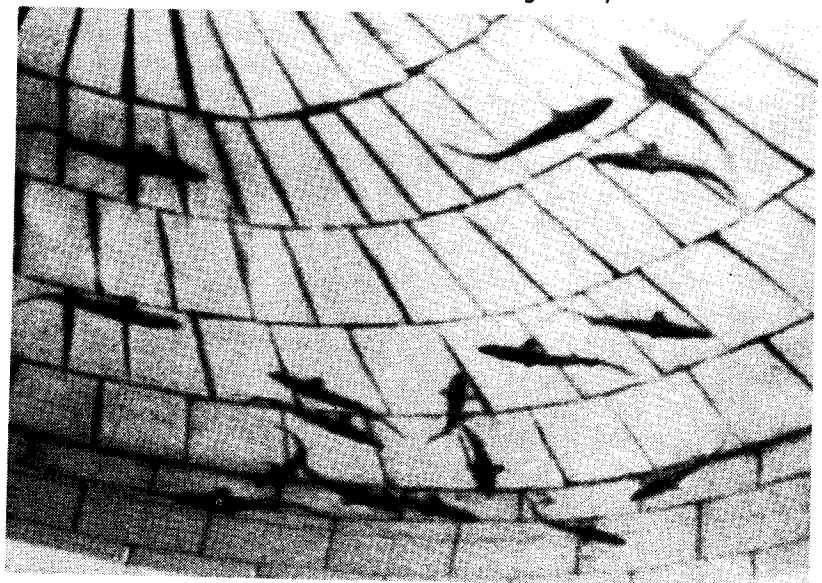
after row of modern apartment buildings.

Making Way for the Sturgeon

Gezhouba, while providing protection for flood-prone areas downstream and supplying power to much of central China, posed a threat to one of the nation's oldest

residents — the Chinese sturgeon, also known as the river dolphin. The sturgeon, a living fossil, has been swimming in China's rivers for an estimated 100 million years. Though the fish spends most of its existence in the seas, it begins life in the Jinsha River on the upper reaches of the Changjiang. The females, when they reach their

Artificially bred Chinese sturgeon fry.



ninth year, make the upstream journey of several thousand kilometres to return to the Jinsha to spawn.

When the Gezhouba project was launched, many of China's conservationists feared that the dam would block the sturgeon's path to its spawning grounds and bring about its extinction.

Naturalists began to work on a method for artificially fertilizing the sturgeon eggs to ensure the survival of the species. They achieved success and last year placed 6,000 fry in the Changjiang waters downstream from the dam.

While the method is not ideal, it seems likely to ensure the survival of the river dolphin. The natural survival rate was very low, as the sturgeon eggs are the favourite food of the Tong fish and the fry were often eaten by other fish. Actually, less than 1 percent of the sturgeon hatched in the Jinsha River lived to return to the sea. Now, with the success of the artificial fertilizing, biologists wait until the young fish weigh three grammes before returning them to the river, thus improving their odds for survival.

There is also evidence that the

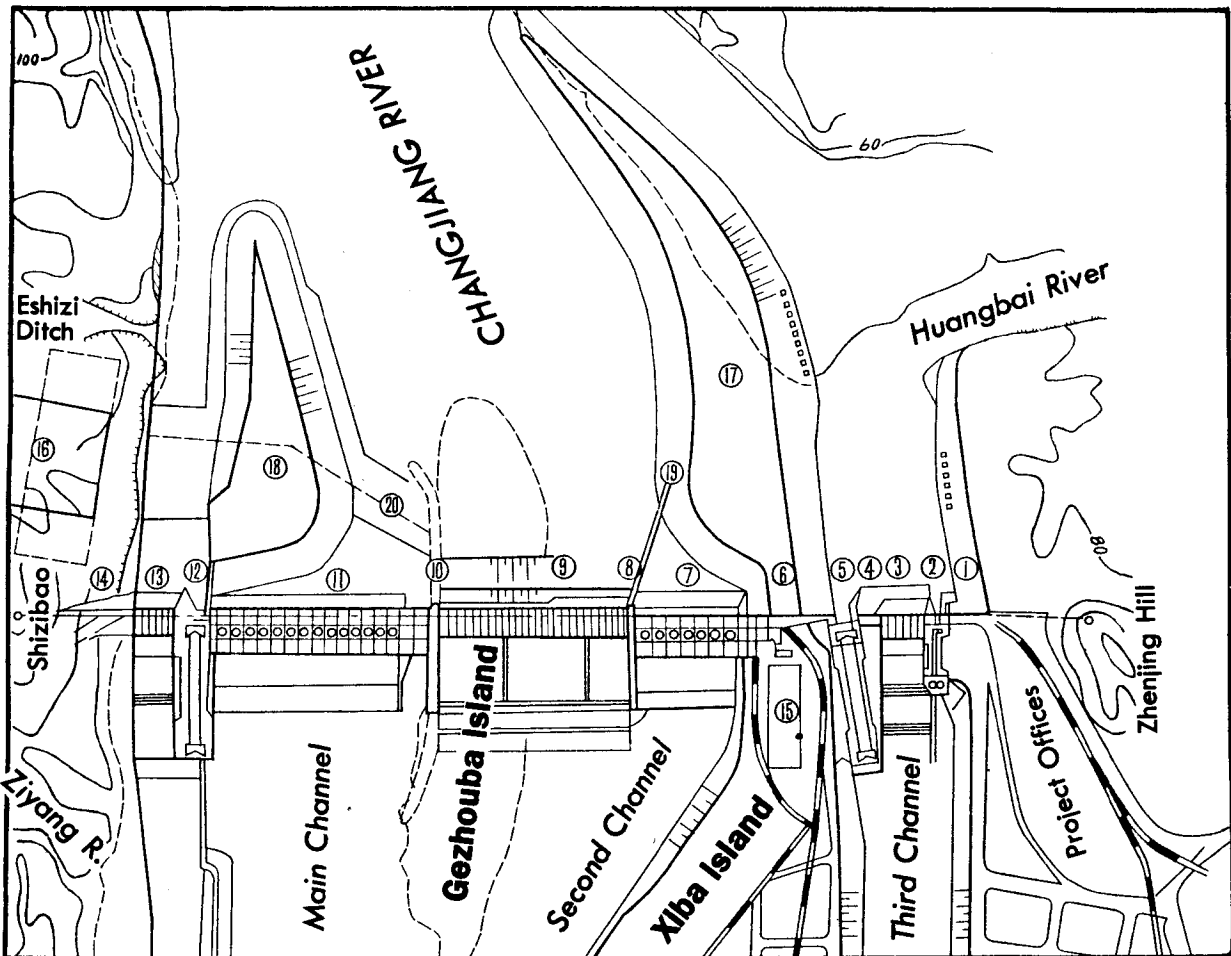
sturgeon have changed their habits to ensure their survival on their own. Field biologists have recently discovered sturgeon eggs in the stomachs of Tong fish downstream from Gezhouba, an indication that the sturgeon have adapted to spawning on the downstream side of the dam.

Navigation Route Improved

In addition to fears that the dam would block fish on their way to spawning, some shipping experts feared the dam would cripple navigation on the river.

Known as the gold waterway,

Gezhouba Water Control Project Layout

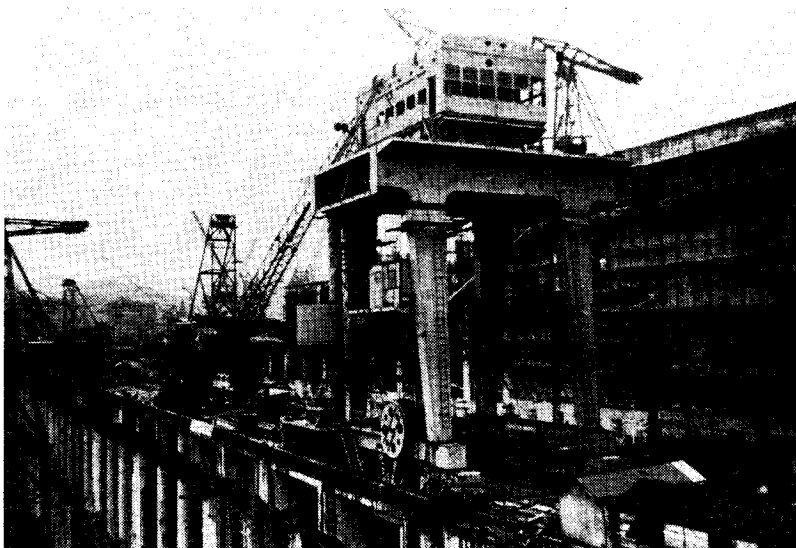


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|---------------------------------------|--|--------------------------------------|--|
| 1. Left bank earth and rockfill dam | 2. No. 3 ship lock | 3. Third channel silt-discharge gate | 4. Third channel concrete dam section |
| 5. No. 2 ship lock | 6. Huangcaoba concrete dam section | 7. Second channel power plant | 8. Guide wall between power station and spillway |
| 9. Second channel spillway | 10. Concrete cofferdam between spillway and main channel power plant | 11. Main channel power plant | 12. No. 1 ship lock |
| 13. Main channel silt-discharge gate | 14. Right bank earth and rockfill dam | 15. 220,000-volt switchgear station | 16. 550,000-volt switchgear station |
| 17. Third channel silt-diversion dike | 18. Main channel silt-diversion dike | 19. 20. Silt-control wall | |

the Changjiang's transport capacity is equivalent to that of 12 railway lines. But, in the past, the route was somewhat precarious through the Three Gorges between Yichang and Chongqing.

The completed dam raised the water level upstream, putting the rocks and dangerous shoals in a 120-km stretch deep under water. The higher water level improved navigation and cut three hours off the sailing time between Chongqing and Yichang.

The dam's construction necessitated the closing of the river in 1981. But when the first two ship locks opened in 1982, shipping quickly returned to normal. In 1983 the volume of shipping surpassed the 1982 level, and in 1984 it was 160 percent higher than in 1980. Over the past three and a half years, navigation was suspended only 28 days, averaging just 9.5 days a year, and it only stopped two days in 1984. Before the dam was built, navigation was ceased whenever the flow of the river exceeded 36,000 cubic metres per second. With the improvement of the navigation route, the figure has been raised to 49,500 cubic metres per second. Last year some 1.78 million pas-



Main channel power plant under construction.

sengers passed through Gezhouba's ship locks and cargo totalled 5.52 million tons, both record figures for the Changjiang.

The problem of silt accumulation has also been solved. Silt discharge gates work two or three times a year to clear away silt in the navigation channel. Excess silt is dredged by machines to keep the channel open.

Electric Power Supplier

Gezhouba's currently operating power plant has seven generators, with a combined generating capacity of 965,000 kw. Between the

end of 1981 and April 1985, the plant generated a total of 18 billion kwh of electricity. All of the plant's equipment was designed, manufactured and installed by Chinese engineers and workers. The two 170,000-kw low-pressure turbogenerators manufactured by the Deyang Electrical Machinery Plant are the largest of their kind in the world. Though the Deyang generators had troubles at first, they are now functioning smoothly. One electric engineer said he wished the second power plant now under construction could be wholly equipped with Deyang generators because of their large generating capacity. "A power plant thus equipped is equivalent to two," he said. Unfortunately, Gezhouba's planners have already ordered another kind of generator, because some experts felt the Deyang generators have not been tested long enough.

Solid Foundation

The early surveys of the Gezhouba site indicated that mud layers in the dam's rock foundation could cause problems. In designing and building the dam, the engineers were careful to make sure the base was solid, and they used many technical measures to fortify it. For instance, they dug many vertical wells and poured concrete into the wells to anchor the base. They also built under-

Gezhouba Multi-Purpose Project

The Gezhouba Dam is situated 2.3 km downstream from Nanjinguan Pass, the mouth of the famous Three Gorges at a bend where the 6,300-km Changjiang (Yangtze) River suddenly turns south and widens from 300 to 2,200 metres. The dam, the first on the Changjiang, is built at the point where two islands once divided the river into three channels, a physical feature which facilitated the construction of the project. The project is divided into two stages. The first, completed at the end of 1980, included

a 27-bay spillway, a 6-bay silt discharge gate, two ship locks and a power plant on the second and third channels of the river. The second stage was begun in early 1981 with the damming of the main channel. When completed, it will include a second power plant, another ship lock and another 6-bay silt discharge gate. The two power plants will have a combined generating capacity of 2.72 million kw. The average annual power output will be 14 billion kwh.

Foreign Economic Contract Law of the People's Republic of China

(Adopted at the Tenth Session of the Standing Committee of the Sixth National People's Congress on March 21, 1985)

Chapter 1

General Provisions

Article 1 This law is enacted with a view to protect the lawful rights and interests of the concerned parties to foreign economic contracts and promote the development of China's foreign economic relations.

Article 2 This law applies to economic contracts (hereinafter referred to as contracts), concluded between enterprises or other economic organizations of the People's Republic of China and foreign enterprises, other foreign economic organizations or individuals, but with the exception of the international transport contracts.

Article 3 Contracts should be made in conformity with the principles of equality and mutual benefit, and of achieving unanimity through consultations.

Article 4 Contracts must be made in accordance with the law of the People's Republic of China and without prejudice to the public interests of the People's Republic of China.

Article 5 The parties to a contract may choose the law to be applied to the settlement of the disputes arising from the contract. In the absence of such a choice by the parties, the law of the country which has the closest connection with the contract applies. Contracts for Chinese-foreign equity joint venture, Chinese-foreign co-operative enterprise and for Chinese-foreign co-operative exploitation and development of natural resources to be performed within the territory of the People's Republic of China shall be governed by the law of the People's Republic of China. The international practice may apply in case no relevant provision is stipulated in the law of the People's Republic of China.

Article 6 When an international treaty that relates

to a contract and which the People's Republic of China has concluded or participated into has provision(s) that differ from the law of the People's Republic of China, the provision(s) of the said treaty shall be applied, but with the exception of clauses to which the People's Republic of China has declared reservation.

Chapter 2

Formation of Contract

Article 7 A contract is formed when the clauses of contract are agreed in written form and signed by the parties. In case one party requests to sign a confirmation letter when the agreement is reached by the means of letter, telegram or telex, the contract is only formed upon the confirmation letter is signed.

Contracts, which are under the provisions of the law and administrative regulations of the People's Republic of China, shall be approved by the competent authorities of the state. They are only formed when the approval is granted.

Article 8 Appendices specified in a contract are integral parts of the contract.

Article 9 Contracts that violate the law or the public interests of society of the People's Republic of China are invalid.

In case that any clauses in a contract violate the law or the public interests of society of the People's Republic of China, the validity of the contract is not derogated if such clauses are cancelled or revised by the parties through consultations.

Article 10 Contracts concluded by means of fraud or under duress are invalid.

Article 11 A party who bears responsibility for the invalidity of the contract is obligated to pay the

other party for the loss arising from the invalidity of the contract.

Article 12 Contracts should generally contain the following items:

- (1) The corporate or personal names of the contract parties and their nationalities, principal place of business or residence addresses;
- (2) Date and place of signature of the contract;
- (3) Type of the contract and the kind, scope of the subject matter of the contract;
- (4) Technical conditions, quality, standard, specifications and quantities of the subject matter of the contract;
- (5) Time limit, place and method of performance;
- (6) Terms of price, amount and way of payment, and various additional changes;
- (7) Whether the contract could be assigned or conditions for assignment;
- (8) Compensation and other liabilities for breach of the contract;
- (9) Ways for settlement of disputes in case of disputes arising from the contract;
- (10) Languages to be used in the contract and their effectiveness.

Article 13 The limits of risks borne by the parties for the subject matter to be performed should be specified in the contract according to its requirement; and the coverage of insurance for the subject matter should be specified when it is necessary.

Article 14 With regard to a contract that needs to be performed continuously in a rather long period, the parties should set a valid term of the contract and may also set conditions for extension and early termination of the contract.

Article 15 A guarantee clause may be agreed upon in the contract by parties. The guarantor shall undertake responsibility within the agreed scope of guarantee.

Chapter 3

Performance of Contracts and Liabilities For Breach of Contract

Article 16 Contract formed in accordance with law is legally binding. The parties should fulfil their obligations stipulated in the contract. No party should arbitrarily alter or terminate the contract.

Article 17 A party may suspend performance of his obligations temporarily if it is proved by conclusive evidence that the other party cannot perform his obligations. However, the party who suspends performance should promptly inform the other party. When the other party provides a full guarantee of performance of the contract, the party shall perform the contract. The party who suspends performance of contract, in case of no conclusive evidence for proving the other party is not able to perform contract, shall be responsible for breach of contract.

Article 18 If a party does not perform the contract or its performance of the contractual obligations does not conform to the agreed conditions, that is in breach of contract, and the other party is entitled to demand compensation for losses or to adopt other reasonable remedial measures.

If the losses suffered by the other party still cannot be made up completely after taking remedial measures, the other party retains the right to claim for damages.

Article 19 The liability for damages by a party for breach of contract should be equal to the loss suffered by the other party as a consequence of the breach. However, such damages may not exceed the loss which the party in breach ought to have foreseen at the time of the conclusion of the contract as a possible consequence of the breach of contract.

Article 20 The parties may agree upon in a contract that a certain amount of liquidated damages will be paid to the other party if one party breaches the contract; and may also agree upon a method for calculating the damages arising over such a breach of contract.

The above-mentioned liquidated damages shall be regarded as compensation for the loss caused by breach of contract. However, if the liquidated damages agreed upon in the contract is much more or less than the loss, the parties may request an arbitration body or court to cut or increase it appropriately.

Article 21 In case both parties are in breach of the contract, each shall bear the corresponding liabilities respectively.

Article 22 A party who suffers losses arising from a breach of contract by the other party should take appropriate measures in time to prevent the loss from aggravating. If he fails to adopt appropriate measures and that leads to aggravate the loss, he shall have no right to claim damages for the aggravated part of the loss.

Article 23 If a party fails to pay on time the due amount agreed upon in the contract or any other due amount related to the contract, the other party is entitled to interest on the amount in arrears. The method for calculating the interest may be specified in the contract.

Article 24 A party should be exempted from his obligations in whole or in part in case he fails to perform all or part of his obligations as a result of force majeure event.

In case a party cannot perform his obligations within the time limit set in the contract due to force majeure event, he should be relieved from the liability for delayed performance during the period of continued influence of the effects of the event. An event of force majeure means the event that the parties could not foresee at the time of conclusion of the contract and its occurrence and consequences cannot be avoided and cannot be overcome.

The scope of force majeure events may be specified in the contract.

Article 25 The party who fails to perform all or part of obligations of the contract because of an event of force majeure should inform the other party in time so as to mitigate the loss which might possibly occur to the other party, and should also provide a certificate issued by the relevant agencies within a reasonable period.

Chapter 4

Assignment of Contract

Article 26 When a party intends to assign all or a part of his contractual rights and obligations to a third party, consent should be obtained from the other party.

Article 27 As for a contract which, as provided by the law or administrative regulations, is formed only after getting approval from the competent authority of the state, the assignment of the rights and obligations of such contract should be subject to the approval from the original approval authority, but with the exception of already approved contracts in which it is otherwise agreed.

Chapter 5

Modification, Cancellation And Termination of Contract

Article 28 A contract may be modified by the parties through consultations.

Article 29 A party is entitled to inform the other party to cancel the contract if one of the following situations occurs:

- (1) The expected economic interests are infringed seriously for the breach of the contract by the other party;
- (2) The other party fails to perform contract within the time limit agreed upon in a contract, and still fails again within a reasonable period of time allowed for delayed performance;
- (3) The whole obligations of the contract cannot be performed due to the occurrence of force majeure event;
- (4) The conditions agreed upon in the contract for cancellation of the contract have arisen.

Article 30 For a contract containing several independent parts, some of them may be cancelled and the other shall remain to be valid according to the provisions of the previous article.

Article 31 A contract should be terminated if one of the following situations occurs.

- (1) The contract has already been performed in accordance with the agreed conditions;
- (2) The arbitration body or the court decides to terminate the contract;
- (3) The parties agree to terminate the contract through consultations.

Article 32 Notices or agreements for modification or cancellation of the contract should be made in written form.

Article 33 Contracts that under the provisions of the law and administrative regulations of the People's Republic of China, are only formed after getting approval from the competent authority of the state, the significant modification of such contracts should be approved by the original approval authority and the cancellations of such contracts should be filed with the original approval authority.

Article 34 Modification, cancellation or termination of a contract does not deprive the rights of a party to claim for damages.

Article 35 The clauses agreed to in a contract on the settlement of disputes shall not become invalid because of the cancellation or termination of the contract.

Article 36 The clauses agreed to in a contract on settlement of account and winding-up shall not become invalid because of the cancellation or termination of the contract.

Chapter 6

Settlement of Disputes

Article 37 Any disputes arising from contract ought to be settled by parties, if possible, through consultations or mediation of a third party.

In case parties are unwilling to solve dispute through consultation or mediation, or fail to do so, the dispute may, in accordance with the arbitration clause provided in the contract or the written arbitration agreement reached by parties afterwards, be submitted to a Chinese arbitration body or other arbitration body.

Article 38 In case neither arbitration clause provided in the contract nor written arbitration agreement reached afterwards, parties may bring suit in the People's Court.

Chapter 7

Supplementary Provisions

Article 39 The limitation of action for litigation or arbitration concerning the disputes over contract of purchase and sales of goods is four years from

the time the party knew or ought to know his rights are infringed. The limitation of action for litigation or arbitration concerning disputes over other contracts shall be separately stipulated by the law.

Article 40 Even the law has new provision, contracts for Chinese-foreign equity joint venture, Chinese-foreign co-operative enterprise and for Chinese-foreign co-operative exploitation and development of natural resources to be performed within the territory of the People's Republic of China, which have already been approved by the competent authority of the state and formed, may still be performed according to the stipulations of the contracts.

Article 41 The contracts formed before the enforcement of this law may be governed by this law in case the parties agree through consultations.

Article 42 Rules for the implementation of this law shall be formulated by the State Council in accordance with this law.

Article 43 This law shall enter into force on July 1, 1985.

(The English version is an unofficial translation, for reference only.)

The Accounting Regulations of the People's Republic of China for the Joint Ventures Using Chinese and Foreign Investment

(Promulgated on March 4, 1985 by the Ministry of Finance of the People's Republic of China)

Chapter I

General Provisions

Article 1 The present regulations are formulated to strengthen the accounting work of the joint ventures using Chinese and foreign investment, in accordance with the provisions laid down in "The Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment," "The Income Tax Law of the People's Republic of China Concerning Joint Ventures With Chinese and Foreign Investment" and other relevant laws and regulations.

Article 2 These regulations are applicable to all joint ventures using Chinese and foreign investment (hereinafter referred to as joint ventures) established within the territory of the People's Republic of China.

Article 3 The public finance departments or bureaus of provinces, autonomous regions and municipalities directly under the Central Government as well as the business regulatory departments of the State Council shall be permitted to make necessary supplements to these regulations on the basis of complying with these regulations and in the light of specific circumstances, and submit the supplements to the Ministry of Finance for the record.

Article 4 The joint ventures shall work out their own enterprise accounting system in accordance with these regulations and the supplementary provisions made by the relevant public finance department or bureau of their provinces, autonomous regions or municipalities, or by the relevant business regulatory departments of the States Council, and in the light of their specific circumstances and sub-

mit their own system to their enterprise regulatory departments, local public finance department and tax authority for the record.

Chapter II

Accounting Office and Accounting Staff

Article 5 A joint venture shall set up a separate accounting office with necessary accounting staff to handle its financial and accounting work.

Article 6 A joint venture of large or medium size shall have a controller to assist the president and to take the responsibility in leading its financial and accounting work. A deputy controller may also be appointed when necessary.

A joint venture of relatively large size shall have an auditor responsible for review and examination of its financial receipts and disbursements, accounting documents, accounting books, accounting statements and other relevant data and those of its subordinate branches.

Article 7 The accounting office and accounting staff of a joint venture shall fulfil their duties and responsibilities with due care, make accurate calculation, reflect faithfully the actual conditions, and supervise strictly over all economic transactions, protect the legitimate rights and interests of all the participants of the joint venture.

Article 8 Accounting staff who are transferred or leaving their posts shall clear their responsibility transfer procedures with those who are assuming their positions, and shall not interrupt the accounting work.

Chapter III

General Principles for Accounting

Article 9 The accounting work of the joint ventures must comply with the laws and regulations of the People's Republic of China.

Article 10 The fiscal year of a joint venture shall run from January 1 to December 31 under the Gregorian calendar.

Article 11 The joint ventures shall adopt the debt and credit double entry book keeping.

Article 12 The accounting documents, accounting books, accounting statements and the other accounting records of a joint venture shall be prepared accurately and promptly according to the transactions actually taken place, with all required routines done and contents complete.

Article 13 All the accounting documents, accounting books and accounting statements prepared by a joint venture must be written in Chinese. A foreign language mutually agreed by the participants of the joint venture may be used concurrently.

Article 14 In principle, a joint venture shall adopt Renminbi as its book keeping base currency. However, a foreign currency may be used as the book-keeping base currency upon mutual agreement of the participants of a joint venture.

If actual receipts or disbursements of cash, bank deposits, other cash holdings, claims, debts, income and expenses, etc., are made in currencies other than the bookkeeping base currency, record shall also be made in the currencies of actual receipts or disbursements.

Article 15 The joint ventures shall adopt the accrual basis in their accounting. All revenues realized and expenses incurred during the current period shall be recognized in the current period, regardless of whether the receipts or disbursements are made. The revenues or expenses not attributable to the current period shall not be recognized as current revenue or expenses, even if they are currently received or disbursed.

Article 16 The revenues and expenses of a joint venture must be matched in its accounting. All the revenues and relevant cost and expenses of a period shall be recognized in the period and shall not be dislocated, advanced or deferred.

Article 17 All the assets of a joint venture shall be stated at their original costs and the recorded amounts are generally not adjusted whether there is any fluctuation in their market prices.

Article 18 A joint venture shall draw clear distinction between capital expenditures and revenue expenditures. All expenditures incurred for the increase of fixed assets and intangible assets are capital expenditures. All expenditures incurred to obtain current revenue are revenue expenditures.

Article 19 Accounting methods adopted by a joint venture shall be consistent from one period to the other and shall not be arbitrarily changed. Changes, if any, shall be approved by the board of directors and submitted to the local tax authority for examination. Disclosure of the changes shall be made in the accounting report.

Chapter IV

Accounting for Paid-in Capital

Article 20 The participants of a joint venture shall contribute their share capital in the amount, ratio and mode of capital contribution within the stipulated time limit as provided in the joint venture contract. The accounting for paid-in capital by a joint venture shall be based on the actual amount contributed by each of its participants.

(1) For investment paid in cash, the amount and date as received or as deposited into the Bank of China or other banks where the joint venture has opened its bank account shall be the basis for recording the capital contribution.

The foreign currency contributed by a foreign participant shall be converted into Renminbi or further converted into a predetermined foreign currency at the exchange rates quoted on the day of the cash payment by the State Administration of Foreign Exchange Control of the People's Republic of China (hereinafter referred to as the State Administration of Foreign Exchange Control). Should the cash Renminbi contributed by a Chinese participant be converted into foreign currency, it shall be converted at the exchange rate quoted by the State Administration of Foreign Exchange Control on the day of the cash payment.

(2) For investment in the form of buildings, machinery, equipment, materials and supplies, the amount shown on the examined and verified itemization list of the assets as agreed upon by each participant and the date of the receipt of the assets shall be the basis of accounting according to the joint venture contract.

(3) For investment in the form of intangible assets, i.e., proprietary technology, patents, trademarks, copyright and other franchises, etc., the

amount and date as provided in the agreement or contracts shall be the basis of accounting.

(4) For investment in the form of the right to use sites, the amount and date as provided in the agreement or contract shall be the basis of accounting.

The capital contributed by each participant shall be recorded into the accounts of the joint venture as soon as they are received.

Article 21 The capital amount contributed by the participants of a joint venture shall be validated by Certified Public Accountants registered with the government of the People's Republic of China, who shall render a certificate on capital validation, which shall then be taken by the joint venture as the basis to issue capital contribution certificates to the participants.

Chapter V

Accounting for Cash and Current Accounts

Article 22 A joint venture shall open its deposit accounts in the Bank of China or the other banks within the territory of the People's Republic of China and approved by the State Administration of Foreign Exchange Control or by one of its branches. All foreign exchange receipts must be deposited with the bank in the foreign currency deposit account and all foreign exchange disbursements must be made from the accounts.

Article 23 A joint venture shall set up journals to itemize cash and bank transactions in chronological order. A separate journal shall be set up for each currency if there are several currencies.

Article 24 The accounts receivable, accounts payable and other receivables and payables of a joint venture shall be recorded in separate accounts set up for different currencies. Receivables shall be collected and payables shall be paid in due time and shall be confirmed with the relevant parties periodically. The causes of uncollectible items shall be investigated and the responsibilities thereof shall be determined. Any item proved to be definitely uncollectible through strict management review shall be written off as bad debts after approval is obtained through reporting procedures specified by the board of directors. No "reserve for bad debts" shall be accrued.

Article 25 In a joint venture using Renminbi as bookkeeping base currency, its foreign currency deposits, foreign currency loans and other accounts

denominated in foreign currency shall be recorded not only in their original foreign currency of the actual receipts and payments, but also in Renminbi converted from foreign currency at an ascertained exchange rate (using the exchange rate quoted by the State Administration of Foreign Exchange Control).

All additions of foreign currency deposits, foreign currency loans and other accounts denominated in foreign currencies shall be recorded in Renminbi converted at their recording exchange rates, while deductions shall be recorded in Renminbi converted at their book exchange rates. Differences in the Renminbi amount resulting from the conversion at different exchange rates shall be recognized as "foreign exchange gains or losses" (hereinafter referred to as "exchange gains or losses").

The recording exchange rates for the conversion of foreign currency to Renminbi may be the rate prevailing on the day of recording the transaction or on the first day of the month, etc. The book exchange rate may be calculated by the first-in first-out method, or by the weighted average methods, etc. However, for the decrease of accounts denominated in a foreign currency, the original recording rate may be used as book rate. Whichever rate is adopted, there shall be no arbitrary change once it is decided. If any change is necessary, it must be approved by the board of directors and disclosed in the accounting report.

The difference in Renminbi resulting from the exchange of different currencies shall also be recognized as exchange gains or losses.

The exchange gains or losses recognized in the account shall be the realized amount. In case of exchange rate fluctuation, the Renminbi balances of the foreign currency accounts shall not be adjusted.

Article 26 In a joint venture using a foreign currency as its bookkeeping base currency, its Renminbi deposits, Renminbi loans and other accounts denominated in Renminbi shall be recorded not only in Renminbi but also in the foreign currency converted from Renminbi at the exchange rate adopted by the enterprise. Difference in the foreign currency amount resulting from the conversion at different exchange rates shall also be recognized as exchange gains or losses as stipulated in Article 25.

A joint venture using a foreign currency as bookkeeping base currency shall compile not only annual accounting statements in the foreign currency but also separate accounting statements in Renminbi translated from foreign currency at the end of a year. However, the joint venture's Renminbi bank deposits, Renminbi bank loans and the other accounts denominated in Renminbi shall still

be accounted for in their original Renminbi amounts, and be combined with the other items converted into Renminbi from foreign currency. The differences between the original Renminbi amount of the Renminbi items and their Renminbi amount from currency translation shall not be recognized as foreign exchange gains or losses, but shall be shown on the balance sheet with an additional caption as "currency translation difference."

Chapter VI

Accounting for Inventories

Article 27 The inventories of a joint venture refer to merchandise, materials and supplies, containers, low-value and perishable articles, work in process, semi-finished goods, finished goods, etc., in stock, in processing or in transit.

Article 28 All the inventories of a joint venture shall be recorded at the actual cost.

(1) The actual cost of materials and supplies, containers, low-value and perishable articles purchased from outside shall include the purchase price, transportation expenses, loading and unloading charges, packaging expenses, insurance premium, reasonable loss during transit, selecting and sorting expenses before taken into storage, etc. The cost of imported goods shall further include the custom duties and industrial and commercial consolidated tax, etc.

For merchandise purchased by a commercial or service-trade enterprise, the original purchase price shall be taken as the actual cost for bookkeeping.

(2) The actual cost of self manufactured materials and supplies, containers, low-value and perishable articles, semi-finished goods and finished goods shall include the materials and supplies consumed, wages and relevant expenses incurred during the manufacture process.

(3) The actual cost of materials and supplies, containers, low-value and perishable articles, semi-finished and finished goods completed through outside processing shall include the original cost of the materials and supplies or semi-finished goods consumed, the processing expenses, inward and outward transportation expenses and sundry charges.

The merchandise of the commercial or service-trade enterprises processed under contract with outside units shall be recorded at the purchase price after processing, including the original purchase

price of the merchandise before processing, processing expenses and the industrial and commercial consolidated tax attributable.

Article 29 The receipt, issuance, requisition and return of the inventories of a joint venture shall be timely processed through accounting procedures according to the actual quantity and shall be itemized in the subsidiary ledger accounts with established columns for quantities and amounts, so as to strengthen the inventory control. The merchandise, materials, etc., in transit, shall be accounted for through subsidiary ledgers and their condition of arrival shall be inspected at all times. For those goods not arrived in due time, the relevant department shall be urged to take action. As to those goods that have arrived but not yet been checked or taken into storage, their acceptance test and warehousing procedures shall be carried out in a timely manner.

Article 30 The actual cost or original purchase price of inventories issued or requisitioned from the store of a joint venture may be accounted for by it under one of the following methods: first-in-first-out, shifting average, weighted average, batch actual, etc. Once the accounting method is adopted, no arbitrary change shall be allowed. In case a change of accounting method is necessary, it shall be submitted to the local tax authority for approval and disclosed in the accounting report.

Article 31 In the joint ventures using planned cost in daily accounting for materials and supplies, finished goods, etc., the planned cost of those issued from stock, shall be adjusted into actual cost at the end of each month.

For the commercial and service-trade enterprises using selling price in daily accounting for merchandise, the cost of goods sold shall be adjusted from selling price to original purchase price at the end of a month.

Article 32 A joint venture shall take physical inventory of its stock periodically, at least once a year. If any overage, shortage, damage, deterioration, etc., is found, the relevant department shall investigate the cause and write out a report. Accounting treatment shall be made as soon as the report is approved through strict management review and the reporting procedures specified by the board of directors. The treatment shall generally be completed before the annual closing of final accounts.

(1) The inventory shortage (minus inventory overage) and damage (minus salvage) of materials and supplies, work in process, semi-finished goods, finished goods, and merchandise, etc., shall be charged to the current expenses, except the amount,

if any, that should be indemnified by the persons in fault.

(2) The net loss resulting from natural disasters shall be charged to non-operating expenses after deducting the salvage value recoverable and insurance indemnity.

Article 33 If there is any inventory in a joint venture to be disposed of at a reduced price due to obsolescence, it shall be reported for approval according to the procedures specified by the board of directors, and the net loss on disposal shall be recognized as loss on sales. If the disposal is not yet done at the end of a year, disclosure shall be made in the annual accounting report for the actual cost per book, the net realizable value and the probable loss thereof.

Article 34 Disclosure shall be made in the annual accounting report of a joint venture on the actual cost per book, net realizable value and probable loss of its inventories of which the net realizable value is lower than the actual cost per book due to the decline of the market price.

Chapter VII

Accounting for Long-term Investment and Long-Term Liabilities

Article 35 The investment of a joint venture in other units shall be accounted for at the amount paid or agreed upon at the time of the investment, and shall be shown in the balance sheet with a separate caption as "long-term investment."

Income and loss derived from long-term investment shall be recognized as non-operating income or non-operating expense.

Article 36 The bank loans borrowed by a joint venture for capital construction during its preparation period or for increasing fixed assets, expanding its business, or making renovation and reform of its equipments after its operation started, shall be accounted for at the amount and on the date of the loan and shall be presented in the balance sheet with a separate caption as "long-term bank loans."

The interest expenses on the long-term bank loans incurred during the construction period shall be charged to construction cost and capitalized as a part of the original cost of the fixed assets; but interest expenses incurred after the completion of the construction and the transfer of fixed assets for operation purpose shall be charged to current expenses.

Chapter VIII

Accounting for Fixed Assets

Article 37 A joint venture shall prepare a fixed assets catalogue as the basis of accounting according to the criteria of fixed assets laid down in "The Income Tax Law Concerning Joint Ventures With Chinese and Foreign Investment" and in consideration of its specific circumstances.

Article 38 The fixed assets of a joint venture shall be grouped into five broad categories as follows: Building and structures; machinery and equipment; electronic equipment; transport facilities (trains or ships, if any, shall be grouped separately); and other equipment. The joint venture may further group them into sub-categories according to the need of its management.

Article 39 The fixed assets of a joint venture shall be recorded at their original cost.

For fixed assets contributed as investment, the original cost shall be the price of the assets agreed upon by all the participants of the joint venture at the time of investment.

For fixed assets purchased, the original cost shall be the total of the purchase price plus freight, loading and unloading charges, packaging expenses and insurance premium etc. The original cost of the fixed assets that need installation work, shall include installation expenses. The original cost of imported equipment shall further include the custom duties, industrial and commercial consolidated tax, etc., paid as required.

For fixed assets manufactured or constructed by the joint venture itself, the original cost shall be the actual expenditures incurred in the course of manufacture or construction.

Expenditures of a joint venture on technical innovation and reform that result in the increase of the fixed assets value shall be recorded as increments of the original cost of the fixed assets.

Article 40 Depreciation on the fixed assets of a joint venture shall generally be accounted for on an average basis under the straight line method.

(1) Depreciation on fixed assets shall be accounted for on the basis of the original cost and the group depreciation rate of the fixed assets.

Depreciation rate of the fixed assets shall be calculated and determined on the basis of the original cost, estimated residual value and the useful life of the fixed assets.

A joint venture shall determine the specific useful lives and depreciation rates for different groups of fixed assets according to the minimum depreciation period and the estimated residual value of the fixed assets as provided in the "Income Tax Law Concerning Joint Ventures With Chinese and Foreign Investment."

(2) In case where a joint venture needs accelerated depreciation or change of depreciation method for special reasons, application shall be submitted by the joint venture to the tax authority for examination and approval.

(3) Generally, depreciation of the fixed assets of a joint venture shall be accounted for monthly according to the monthly depreciation rates and the monthly beginning balances of the original cost per book of the fixed assets in use. For fixed assets put in use during a month, depreciation shall not be calculated for the month but shall be started from the next month. For fixed assets reduced or stopped to be used during the month, depreciation shall still be calculated for the month and be stopped from the next month.

(4) For the fixed assets fully depreciated but still useful, depreciation shall no longer be calculated. For the fixed assets discarded in advance, no retroactive depreciation shall be made either.

For the fixed assets declared scrap in advance or transferred out, the difference between the net proceeds obtained from disposal (less liquidation expenses) and the net value of the fixed assets (original cost less accumulated depreciation) shall be recognized as non-operating income or non-operating expenses of a joint venture.

Article 41 For the purchase, sales, disposal, discarding and internal transfer, etc., of the fixed assets, a joint venture must execute accounting routines and set up fixed assets subsidiary ledger for the relevant accounting so as to strengthen the control of fixed assets.

Article 42 Physical inventory must be taken on the fixed assets of a joint venture at least once a year. If any average, shortage or damage of the fixed assets is found, the cause shall be investigated and a report be written out by the relevant department. Accounting treatment shall be made as soon as the report is approved through strict management review and the reporting procedures specified by the board of directors. Generally, this work shall be finished before the annual closing of final accounts.

(1) For fixed assets average, the replacement cost shall be taken as the original cost, the accumulated depreciation shall be estimated and re-

corded according to the existing usability and wear and tear of the assets, and the difference between the original cost and the accumulated depreciation shall be credited to non-operating income.

(2) For fixed assets shortage, the original cost and accumulated depreciation shall be written off and the excess of original cost over accumulated depreciation shall be charged as non-operating expenses.

(3) For damaged fixed assets, the net loss after the original cost deducted by the accumulated depreciation, recoverable salvage value and the indemnity receivable from the person in fault or from the insurance company, shall be charged as non-operating expenses.

Chapter IX

Accounting for Intangible Assets and Other Assets

Article 43 The intangible assets and other assets of a joint venture include proprietary technology, patents, trademarks, copyrights, right to use sites, other franchise and organization expenses, etc.

For intangible assets contributed as investment by the participants of a joint venture, the original cost shall be the value provided in the agreement or contract. The original cost of purchased intangible assets shall be the amount actually paid. Monthly amortization of the intangible assets shall be made over their useful life from the year when they come into use. Those without specified useful life may be amortized over a period of ten years. The amortization period shall not be longer than the duration of a joint venture.

Article 44 The expenses incurred by a joint venture during its preparation period (not including expenditures for acquiring fixed assets and intangible assets and the interest incurred during the construction period to be included in the construction cost) may be accounted for as organization expenses according to the provisions of the agreement and with the consent of all participants, and shall be amortized after the production or operation starts. The annual amortization shall not exceed 20 percent of the expenses.

Article 45 The expenditures incurred by a joint venture on major repair and improvement of the leased-in fixed assets shall be amortized over the period benefited from such expenditures. However, the amortization period shall not be longer than the lease term of the fixed assets.

Chapter X

Accounting for Costs and Expenses

Article 46 The joint ventures shall maintain complete original records, practise norm control, adhere strictly to the procedures of measuring, checking, receiving, issuing, requisitioning and returning of goods and materials, strengthen the control of and accounting for cost and expenses.

Article 47 All expenditures of a joint venture related to production or operation shall be recognized as its cost or expenses.

Materials consumed by a joint venture in the course of production or operation shall be correctly calculated and charged to cost or expenses according to the quantity actually consumed and the price per book.

Wages and salaries of the staff and workers shall be calculated and charged to the cost or expenses according to the provisions in the contract and the decisions of the board of directors on the system of wage standard, wage form, bonus and allowance, etc., as well as the attendance records, time cards and production records. Payment as required on labour insurance, health and welfare benefits and government subsidies, etc., for the Chinese staff and workers, shall also be charged to cost or expenses as the same item as wages and salaries.

All other expenses incurred by a joint venture in the course of production or operation shall be charged to cost or expenses according to the amount actually incurred. The expenses attributable to the current period but not yet paid shall be recognized as accrued expenses and charged to the cost or expenses of the current period; however, the expenses paid but attributable to the current and future periods shall be recognized as deferred charges and amortized to the cost or expenses of the relevant periods.

Article 48 A joint venture shall summarize all the expenses incurred in the course of production or operation according to the specified cost and expense items.

(1) The production cost items of an industrial joint venture shall generally be classified into: Direct materials, direct labour, and manufacturing overhead. A joint venture may set up additional items for fuel and power, outside processing cost, special instruments, etc., according to its actual needs.

Manufacturing overhead refers to those expenses arising from organizing and controlling production by workshop and factory administrative

departments, including expenses for salaries and wages, depreciation, repairs and maintenance, materials consumed, labour protection, water and electricity, office supplies, travelling, transportation, insurance and so on.

Selling and general administrative expenses of an industrial joint venture shall be accounted for separately and shall not be included in the production cost of products.

Selling expenses refer to those expenses incurred in selling products and attributable to the enterprise, including expenses for transportation, loading and unloading, packaging, insurance, travelling, commission and advertising, as well as salaries and wages and other expenses of specifically established selling organs, etc.

General and administrative expenses include company headquarters expenses (salaries & wages, etc.), labour union dues, interest expense (less interest income), exchange loss (less exchange gains), expenses of board of directors' meetings, advisory fee, entertainment expenses, taxes (including urban building and land tax, license tax for vehicles and vessels, etc.), amortization of organization expenses, expenses for staff and workers' training, research and development expenses, fee for the use of site, fee for the transfer of technology, amortization of intangible assets and other administrative expenses.

(2) Expenses of the commercial enterprises incurred in the course of operation include purchasing expenses, selling expenses and administrative expenses.

Purchasing expenses include those expenses incurred in the process of merchandise purchase, such as expenses for transportation, loading and unloading, packaging, insurance, reasonable loss during transit, selecting and sorting before warehousing.

Selling expenses include those expenses incurred in the course of merchandise sales and attributable to the joint venture, such as expenses for transportation, loading and unloading, packaging, insurance, travelling, commission, advertising, and salaries and wages and other expenses of sales organ, etc.

Administrative expenses include those expenses incurred in the course of merchandise storage, and the expenses of the enterprise administrative departments, such as expenses for salaries and wages, depreciation, repairs and maintenance, materials consumed, labour protection, office supplies, travelling, transportation, insurance, labour union dues, interest expense (less interest income), exchange loss (less exchange gains), expenses of board of director's meeting, advisory fee, entertain-

ment, tax, fee for the use of site, staff and workers' training and other administrative expenses.

(3) Expenses of the service-trade enterprises incurred in the course of operation include operating expenses and administrative expenses.

The operating expenses include various expenses incurred in business operation and may be summarized separately for different kinds of service.

The administrative expenses include various expenses incurred for the administration of the enterprise.

The joint ventures other than the above mentioned types shall account for their expenses with reference to the above provisions.

Article 49 A joint venture must distinguish the cost and expenses of the current period from that of the ensuing period. Neither accrual nor amortization shall be made arbitrarily. The cost and expenses of different internal departments shall be distinguished from each other and shall not be mixed up. An industrial joint venture shall distinguish the cost of work in process from the cost of finished goods and the cost of one product from that of the other. Neither the cost of work in process nor the cost of finished goods shall be arbitrarily increased or decreased.

Article 50 The joint venture shall select the methods of costing and of expense allocation appropriate to the characteristics of its production and operation, its type of product and its purpose of service.

An industrial joint venture may select one or more than one of the following methods for its cost accounting: Product type costing, process costing, job order costing, product category costing, norm costing and standard costing.

For the enterprises adopting the norm costing or the standard costing in accounting for product cost, the variances between actual cost and norm cost or between actual cost and standard cost shall generally be allocated according to the proportion of the products sold during a month and the products held at the end of the month.

Once the cost accounting method or the cost variance allocation method is adopted, no arbitrary change shall be allowed. If a change is necessary, it shall be approved by the board of directors, reported to the local tax authority for examination and disclosed in the accounting report.

Article 51 The joint ventures shall strengthen the control over cost and expenses, establish responsi-

bility cost system, formulate plans on cost and expenses, control the expenditures at all times in accordance with the plans, evaluate the condition in implementing the plans periodically, analyze the cause of fluctuation in cost and expenses, take appropriate actions to reduce the cost and expenses and to improve the operation and administration of the enterprise.

Chapter XI

Accounting for Sales and Profit

Article 52 The sales of merchandise, products and services of a joint venture shall be regarded as realized after merchandise and products are shipped, services are rendered, invoices, bills and the bills of lading issued by shipping agency and all other shipping documents are sent to the buyers or are accepted by the bank for collection.

Under the condition of delivery upon payment, if the sales proceeds are received, invoices and delivery orders are sent to the buyers, sales shall be regarded as realized whether the goods are actually issued or not.

Article 53 All the sales of a joint venture realized in a month shall be recognized in the month, and the relevant cost of the sales and expenses shall be transferred simultaneously. Revenue from sales must be matched with the cost of sales and expenses attributable. It is not allowed to recognize merely the sales revenue and disregard the relevant cost of sales and expenses. On the other hand, it is not allowed to charge the cost of sales and expenses without crediting the relevant revenue from sales.

Article 54 The sales returns of a joint venture occurred in a month shall reduce the sales revenue and cost of sales of the current month, regardless of to which year the returned sales belong.

Sales allowances given to the buyers through negotiation due to unsatisfactory quality of the merchandise or products sold or due to some other reasons shall be deducted from sales revenue of the current month.

Article 55 A joint venture shall account for its profit every month. The joint ventures in agriculture, animal husbandry, aquaculture and other businesses that cannot account for profit monthly shall at least do their accounting for profit at the end of a fiscal year.

Article 56 The elements of the profit of a joint venture are as follows:

(1) The profit of an industrial joint venture includes profit from sales of the products, profit on

other operation, non-operating income and expenses.

Profit from sales of the products refers to the profit derived from the products sold by the joint venture (including finished goods, semi-finished goods and industrial services).

Profit from other operation refers to those profits of a joint venture derived from rendering non-industrial services (such as transportation, etc.) and from sales of purchased merchandise and surplus materials, etc.

Non-operating income and expenses refer to the various gains and losses other than profit from sales of products and from other operations, including income from investment, loss on investment, income on disposal of fixed assets, loss on disposal of fixed assets penalty and fines received, penalty and fines paid, donation contributed, bad debts, extraordinary losses, etc.

(2) The profit of a commercial enterprise includes profit from sales, profit from other operations and non-operating income and expenses.

Profit from sales refers to the profit derived from selling merchandise.

Profit from other operations refers to those profit derived from operations other than sales of merchandise (such, as occasional repairs, rental, etc.).

Non-operating income and non-operating expenses refer to various non-operating gains and losses other than profit from sales and profit from other operation, including income on investment, loss on investment, income from disposal of fixed assets, loss on disposal of fixed assets, penalty and fines received, penalty and fines paid, donations contributed, bad debts, extraordinary losses, etc.

(3) Profit of a service-trade enterprise includes net operating income and non-operating income and expenses.

Article 57 The profit distributable by a joint venture shall be the excess of its net profit over income tax payable and the required provisions of reserve fund, staff and workers' bonus and welfare fund and enterprise expansion fund. It shall be distributed to the participants of the joint venture in proportion to their shares of contributed capital if the board of directors decides to make the distribution.

The reserved fund may be used as provisional financial cushion against the possible loss of a joint venture. The staff and workers' bonus and welfare fund shall be restricted to the payment of bonus and collective welfare for staff and workers. The enterprise expansion fund may be used to acquire

fixed assets or to increase the working capital in order to expand the production and operation of the joint venture.

Article 58 If a joint venture carries losses from the previous years, the profit of the current year shall first be used to cover the losses. No profit shall be distributed unless the deficit from the previous years is made up.

The profit retained by a joint venture and carried over from the previous years may be distributed together with the distributable profit of the current year, or after the deficit of the current year is made up therefrom.

Article 59 A joint venture shall compile a profit distribution programme at the end of a year, based on the profit or losses realized in the year and the retained profit or deficit carried over from the previous years, and submit the programme to the board of directors for discussion and decision. The distribution shall be recorded in the books of account and recognized in the annual final accounts after the decision is made.

Chapter XII

Classification of Accounts and Accounting Statements

Article 60 The rules on the classification of accounts and accounting statements of the joint ventures shall be formulated by the Ministry of Finance of the People's Republic of China, or by the relevant business regulatory departments and submitted to the Ministry of Finance for examination and approval.

A joint venture may supplement or omit the stipulated ledger accounts and the stipulated items of the accounting statements according to its specific circumstances, provided that it does not affect the accounting requirements and the summarization of the indexes in the accounting statements.

Article 61 The accounts of the joint ventures shall generally be classified according to the operation and management needs into four broad categories: Assets, liabilities, capital, profit & loss. Profit and loss accounts may also be classified into income accounts and expenses accounts. For industrial joint ventures, another category may be added for cost accounts. The ledger accounts of a joint venture shall be coded according to their classification.

Article 62 The accounting statements of a joint venture shall include:

- (1) Balance sheet;
- (2) Income statement;

(3) Statement of changes in Financial position;

(4) Relevant supporting schedules.

A joint venture may add additional information in its accounting statements after it is approved by all its participants, in order to meet the need of the foreign participant's head office in consolidation of financial statements.

Article 63 When a joint venture with subsidiary enterprises combines its accounting statements with those of its subsidiaries, its funds appropriated to and its current accounts with its subsidiaries shall be offset against the corresponding items in the accounting statements of the subsidiaries.

Article 64 On submitting its annual accounting statements, a joint venture shall attach a descriptive overview of its financial condition, primarily explaining:

(1) condition of production and operation;

(2) condition of realization and distribution of profit;

(3) condition of changes in capital and its turnover;

(4) condition of foreign exchange receipts and disbursements and their equilibrium;

(5) condition of the payment of industrial and commercial consolidated tax, income tax, fee for the use of site and fee for the transfer of technology;

(6) condition of overage, shortage, deterioration, spoilage, damage and write-off of different properties and supplies;

(7) other necessary issues to be explained.

On submitting quarterly statements, the joint venture shall also explain special conditions, if any.

Article 65 The quarterly and annual accounting statements of a joint venture shall be submitted to each participant of the joint venture, local tax authority, the relevant business regulatory department of the joint venture and the public finance department at the same level.

The quarterly accounting statements of a joint venture shall be submitted within 20 days after the end of each quarter, and the annual accounting statements shall be submitted together with the audit report made by the Certified Public Accountants within four months after the end of a year.

Article 66 The accounting statements of a joint

venture shall be examined and signed by its president and controller and shall be under the seal of the joint venture.

Chapter XIII

Accounting Documents & Accounting Books

Article 67 A joint venture must acquire or fill out original documents for every transaction occurred. All the original documents must carry faithful contents, evidences of all the required procedures and accurate figures. Original documents from an outside unit must be signed and sealed by the unit. The original documents shall be verified and signed by the head of the department and the person responsible for handling the transaction.

A joint venture shall check and inspect the original documents seriously. Any falsified or altered original document, or any fraudulent application or request or other similar events must be rejected and reported to the relevant party. The original documents with incomplete contents, insufficient evidences of required procedures or inaccurate figures shall be returned, amended or re-filled. Only the original documents examined and proved correct can be taken as the basis for preparing accounting vouchers.

Article 68 The accounting vouchers of a joint venture include receiving voucher, disbursement voucher, and journal voucher. All vouchers must be filled out with required contents and can be taken as the basis in bookkeeping only after signed by the preparer, the designated verifier and the chief officer of the financial and accounting department. A receiving or disbursement voucher shall also be signed by the cashier.

Each kind of the accounting vouchers shall be filed according to its sequential number and bound into books monthly together with the original documents attached thereto, and shall be kept in safety without any loss or damage. For the important documents concerning claims and debts that need separate safe-keeping, cross reference shall be made on the original documents of the transaction and on the related vouchers.

Article 69 A joint venture shall number sequentially all documents issued to the outside, and retain its duplicate copy (or copies) or the stub. An original of such document with clerical error or withdrawn for cancellation shall be kept together with the duplicate or stub of the same sequential number. If the original copy is missing or unable

to be recovered, the reason shall be noted on the duplicate or stub.

Article 70 All the blank forms of important documents, such as check books, cash receipts, delivery orders, etc., shall be registered in a special registration book by the financial and accounting department. Requisition of those blank forms shall be approved by the chief officer or a designated person of the financial and accounting department, and the person making the requisition shall sign the registration book for receiving the forms.

Article 71 A joint venture shall set up three kinds of primary accounting books, namely, journals, general ledger and subsidiary ledgers, as well as appropriate supplementary memorandum books.

All the books shall be kept with complete records, accurate figures, clear description and prompt registration, on the basis of the examined original documents and vouchers or summary of vouchers that are proved correct.

No record in the books of a joint venture shall be scraped, mended, altered or eliminated by correction fluid. When errors are made, they shall be amended by crossing off the error or by preparing additional vouchers according to the nature and circumstances of the error. When crossing method of amendment is used, the person making the correction shall sign on the place of amendment.

Article 72 A joint venture keeping its accounts by electronic computer shall maintain properly its accounting records stored in or printed out by the computer and shall regard such records as accounting books. The tapes, discs, etc., shall be kept and no deletion shall be allowed unless the records in them are printed out in visible form.

Chapter XIV

Audit

Article 73 A joint venture shall engage the Certified Public Accountants registered with the government of the People's Republic of China to audit its annual accounting statements and the books of account of the year and to issue an auditor's report, according to the provisions of "The Income Tax Law Concerning Joint Ventures With Chinese and Foreign Investment."

Article 74 Each participant of a joint venture may audit the accounts of the joint venture. The expenses thereon shall be paid by the participant making the audit. Any problem noted in the audit that needs to be resolved by the joint venture shall

be submitted to the joint venture in a timely manner for discussion and resolution.

Article 75 The joint ventures shall furnish the auditors with all the documents, books and other relevant data as needed by them. The auditors shall be responsible for maintaining confidentiality.

Chapter XV

Accounting Files

Article 76 The accounting files of a joint venture, including accounting documents, accounting books, accounting statements, etc., must be appropriately kept within the territory of the People's Republic of China. No loss nor spoilage shall be allowed.

Article 77 The annual accounting statements and all other important accounting files relevant to the rights and interests of all the participants of a joint venture, such as joint venture agreement, joint venture contract, articles of association of the joint venture, resolutions of the board of directors, investment appraisal list, certificate on capital validation, auditing report of the certified public accountants, long term economic contracts, etc., must be kept permanently. General accounting documents, accounting books and monthly and quarterly accounting statements shall be kept for at least 15 years.

Article 78 If the accounting files need to be destroyed after the expiration of the retention period, an itemized list of the files to be destroyed shall be prepared and reported to the board of directors, business regulatory department and tax authority for approval. No files can be destroyed unless such list is approved. The list of destroyed accounting files must be kept permanently.

Chapter XVI

Dissolution and Liquidation

Article 79 When a joint venture declares dissolution and goes into liquidation on or before the expiration of the joint venture contract, a liquidation committee shall be formed to conduct an overall check of the assets of the joint venture and its claims and debts to prepare a balance sheet and a detailed list of assets, to suggest a basis for the valuation and calculation of the assets and to formulate a plan for liquidation. After the approval is obtained through submitting the liquidation plan to the board of directors for its discussion, the liquidation committee shall make disposal of the assets, collect the claims, pay taxes and clear debts, and resolve all remaining problems appropriately.

Article 80 The liquidation expenses of a joint ven-

Chapter XVII

Other Provisions

ture and the remuneration to its liquidation committee members shall be given priority in making payments from the existing assets of the joint venture.

Article 81 The net liquidation income, i.e., the liquidation income in the process of the liquidation of a joint venture less the liquidation expenses and various liquidation losses, shall be dealt with as the profit of the joint venture.

Article 82 The assets of a joint venture left over after the clearance of all its debts shall be distributed among the participants of the joint venture according to the proportion of each participant's investment contribution, unless otherwise provided by the agreement, contract or articles of association of the joint venture.

Article 83 The accounting statements on liquidation and dissolution of a joint venture shall be valid only after an examination is made and a certificate is issued by Certified Public Accountants registered with the government of the People's Republic of China.

Article 84 After the dissolution of a joint venture, its accounting books and all other documents shall be left in the care of the Chinese participant.

Article 85 The present regulations are formulated by the Ministry of Finance of the People's Republic of China. If there is any change in the laws, regulations and other relevant provisions of the People's Republic of China on which these regulations are based, the new provisions shall govern. If the present regulation need corresponding amendment, it shall be made by the Ministry of Finance of the People's Republic of China.

Article 86 For the joint ventures established in the special economic zones, if there are special provisions in the laws or regulations adopted by the National People's Congress of the People's Republic of China or its Standing Committee, or by the State Council, such provisions shall be followed.

Article 87 The right to interpret these regulations resides in the Ministry of Finance of the People's Republic of China.

Article 88 The present regulations shall be implemented on and after July 1, 1985. □

ground corridors to facilitate water seepage and observation.

When I paid my first visit to the worksite in 1981, I was assured that the dam was firm, but not everyone agreed with the official analysis. There was even talk that the dam would be washed away the first time it encountered a serious flood.

As luck would have it, the dam got its big test later that year when record flood waters came rushing through the gorges at 72,000 cubic metres per second. And it passed with flying colours. The dam was designed to allow 10-20 mm of displacement under such circumstances. But a check of nearly 1,000 instruments after the flood

indicated that the dam moved only 0.02 mm.

Turning Towards the Three Gorges

With Gezhouba nearing completion, its builders are shifting their attention to the Three Gorges hydroelectric project, an even larger project upstream.

The Three Gorges dam sparked controversy soon after it was proposed. Protesters, in letters to newspapers, complained about the high costs of such a project and the fact that a second dam will flood the banks of the Changjiang and displace thousands of farmers and town residents.

But citing the suffering that

flooding along the river has caused countless thousands, the dam planners have forged ahead. They see the Three Gorges project as the only way to control the dangerous Changjiang. Geological surveys indicate that the proposed dam site near the Hubei-Sichuan border is ideal for controlling floods. In addition, the new dam will include a power plant to help ease the pressure on the electricity supply.

While the builders await governmental approvals, the Three Gorges designers are doing preparatory work. With the experience of the Gezhouba project behind them, they are eager to get to work on an even bigger task. □

(Continued from p. 15.)

Hengshan have helped 2,100 of their neighbours in one way or another.

The soldiers of a PLA unit stationed in Hengshan have also pitched in to help 33 poor families in nearby villages. The six members of Chen Zhenghua's family were among them. Chen once found it hard to carry the burden of his farmwork because his family members were either too old, too weak or too young to help him. His lot took a dramatic turn for the better when the soldiers offered to help with his farmwork and sideline production. Last year the Chens made 3,000 yuan, with which they cleared off all their debts. With the army's help, the 33 families registered an average increase of 30 percent in their cash income last year.

Prosperity Ahead

One glance at a house can tell what life is like inside. This is true perhaps everywhere, but even more so in Chinese countryside, where the peasants spend the lion's share of their income on

building homes.

By that yardstick, Shuanggang is a typical poor village with 105 families. Eight of its ten houses are made of adobe, with shabby thatched roofs. In 1979, an able-bodied peasant there earned only 10 fen for a day's hard work, and annual grain ration averaged only 135 kilogrammes per capita. The villagers had long depended on 50,000 kilogrammes of resold grain to make up for the shortage.

Things began to change in 1980, when Shuanggang's residents turned from grain production to diversified undertakings such as fish breeding, bee-keeping, poultry and pig raising, fruit growing and river transportation. But poverty dies hard, and it will be some time before the village becomes truly prosperous. What they needed was help, and they got it in good time.

In 1983 Shuanggang was, for the first time, able to deliver 100,000 kilogrammes of grain to the government, while per-capita income rose from 40 yuan to 260 yuan. A year later, per-capita income exceeded 400 yuan, and 31

of the 74 local families engaged in commodity production were making more than 1,000 yuan per member a year.

Conspicuous among Shuanggang's drab-looking houses is a two-storey building. The brood of chickens in the courtyard presented a scene of new-found prosperity. The house belongs to Cheng Yueshan and his two brothers, who a few years ago were still finding life hard going.

Last year, with an interest-free loan of 500 yuan and business expertise provided by the county's civil affairs bureau, the three brothers started making bricks and raising pigs. Soon they repaid all their debts, put aside money for expanding production, and built the 150-square metre house.

To date, Shuanggang Village has four such buildings. But 40 more families plan to build new houses this year. "Come to see us next year, and you won't see any poor families in our village. Perhaps the thatched mud houses will disappear altogether," said Cheng Dingsheng, the village's Party branch secretary. □

Sino-US Trade Ties and Legal Exchanges

by XIAO YONGZHEN

ECONOMIC and trade relations between China and the United States have made great strides since the two countries established diplomatic relations in 1979. Up to 1984 their two-way trade grew at an average annual rate of 45 percent, making the United States China's third-largest trading partner and its biggest foreign investor.

Premier Zhao Ziyang's successful tour of the United States in January last year and President Ronald Reagan's return visit to China three months later were great events in Sino-US relations, and opened wide prospects for economic trade. During his visit, Zhao signed the Sino-US Agreement on Industrial and Technological Co-operation, which has since been actively implemented. Five agreements and protocols were signed when Reagan was in China, including the Agreement on Mutual Exemption of Dual Taxation and Prevention of Tax Evasion, and a draft agreement on co-operation in the peaceful use of nuclear energy. In May Chen Muhua, Chinese State Councillor and Minister of Foreign Economic Relations and Trade, headed a delegation to attend the second session of the Sino-US Joint Commission on Commerce and Trade in the United States, two working programmes and four more agreements were reached. In July, a trade delegation specially appointed by the US president made a visit to China, during which it made extensive contacts with Chinese departments and signed a working programme

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for co-operation in aviation and space industry.

Dramatic Increase in Trade Volume

In particular, increasing industrial and commercial exchanges have yielded fruitful results. By the end of last year, US investment in China had topped US\$900 million, of which US\$679 million was poured into offshore oil development. The remainder went to the 62 Sino-US joint ventures, 41 of which were set up in 1984. Feasibility studies have been made on three large open-cut coal mines, while several transactions involving huge sums of money have been made between US railway manufacturers and Chinese departments. These include the purchase of 220 4,000-hp diesel locomotives, the first group of which went into service late last year.

Sino-American two-way trade last year hit a record of more than US\$6.1 billion, an increase of 50 percent over 1983. Over the past year, many large US firms have held talks with Chinese departments on large-scale co-operative projects, and initial agreements have been reached on some of them.

Here special mention must be made of the "Sino-US Conference on International Investment and Its Legal Aspects" held in Shanghai and Dalian last November. This forum was attended by a US delegation of more than 100 senior lawyers, entrepreneurs and bankers led by former Secretary of State Cyrus Vance. Apart from exchanging views, the delegates also had talks with the Chinese officials on establishing Sino-US joint ventures. A number of agreements and letters of intent were signed on deals worth almost US\$3 billion — a dozen times

more than the total invested in Sino-US joint ventures since China implemented its open policy in 1979. Many of the projects involved will cost up to US\$100 million, which indicates that Sino-US joint ventures are growing in both scale and scope.

We are glad to see that Reagan and other US figures of deep insight have made new efforts to develop Sino-US economic co-operation. For example, the US government has relaxed its restrictions on technology exports to China over the last few years. When reporting to the US House of Representatives, Lionel Olmer, the US under-secretary of commerce, said that his country intended to list ten more high-tech products in its "green" category, allowing them free export to China and dramatically shortening their approval procedures. We hope to see these promises soon come true. Paul D Wolfowitz, US assistant-secretary of state in charge of East Asian and Pacific affairs estimated that high-tech exports to China would exceed US\$1.5 billion in 1984. Chinese authorities appreciated the US government's efforts to transfer technology to China.

Frequent Legal Exchanges

Legal exchanges have also been stepped up. The US Department of Commerce and the Chinese Ministry of Foreign Economic Relations and Trade have sent legal delegations to visit each other's countries according to the agreement signed by Chinese Minister Chen Muhua and her US counterpart Malcolm Baldrige. During the visits, officials from both sides discussed legal issues arising from bilateral trade at meetings held in a number of cities. This has helped boost mutual understanding and brought good results.

The three large economic and legal symposiums initiated by me when I was in the United States as a visiting scholar have been warmly supported by both countries. For example, Cyrus Vance and Bi Jilong, under-secretary-general of the United Nations, have been invited to act as consultants. In February and March last year, the "Sino-US Conference on International Technology Transfer Laws" was successfully held in Shanghai, Tianjin and Beijing. This was followed by the "Sino-US Conference on International Investment and Its Legal Aspects" last November, which made even greater achievements. At present, the "Sino-US Conference on International Trade and Its Legal Aspects" is under preparation. Other forms of legal exchanges have also increased greatly in the past year.

Remaining Legal Obstacles

During his visit to the United States a year ago, Premier Zhao said that China and the United States both hoped to develop their mutual relations, in spite of their different social systems. Both countries faced the task, he added, of trying to make their policies and legislation suit their new situation.

Over the past few years, the Chinese government has vigorously implemented its open policy and strengthened Sino-foreign economic legislation work, all with notable results. The government has passed more than 40 laws and regulations concerning Sino-foreign economic relations, and is making greater efforts to enact other laws and regulations to gradually perfect its economic legal system. China has also been active in signing bilateral agreements on protecting investment and avoiding dual taxation, and has entered into the relevant multilateral treaties. All these efforts have created favourable conditions for the smooth development of economic relations

and trade between China and other countries, including the United States.

But we must not fail to see that the growth of bilateral economic and trade relations is still hampered by Washington's failure to revoke or revise certain legislations that no longer suit the present situation. For example, although it is a desirable change that the US government has liberalized regulations on technology exports by taking China as a "friendly non-allied country" and placing it in the same export group as includes Japan, Western Europe, New Zealand, Australia and some other developing countries in Asia and Africa, this change, however, has not enabled China to enjoy the same treatment as other countries in the same group. Being the only country in its group that is subject to the US "State Security Examination" and the approval of the Co-ordinating Committee (CoCom) of NATO, China faces enormous difficulties in purchasing US technologies and technical products.

Again, the Sino-US agreement on trade relations explicitly stipulates that both countries give each other "most favoured nation" treatment, and that the US Export-Import Bank can provide loans to China upon the president's request. But article 402 of the Trade Act of 1974, or the Jackson-Vanik Amendment, stipulates that US Congress should examine and debate the president's report on the eligibility of Chinese emigrants every year and decide whether to give China "most favoured nation" treatment and loans. The United States is now the only country in the developed world that begrudges China this status. On the issue of membership in the General Agreement on Tariffs and Trade (GATT), the United States has from the beginning opposed restoring China's seat and insisted on its "re-entering" ac-

ording to article 33 of the agreement.

In addition, restrictive stipulations such as those in the 1945 Export-Import Bank Act, which is unfavourable to China's access to US loans; in the Act on Farm Product Trade and Aid of 1954 on the provision of low-interest and interest-free loans to China; and in article 620 (b) of the 1964 Act on Foreign Aid, which prohibits aid to China, have remained in force or unrevised. These and other provisions still hinder the smooth development of Sino-US economic and trade relations to varying degrees.

Over the past few years, many people in international community have protested against the trade protectionist policy pursued by the United States — a policy which also arrests the growth of Sino-US trade relations, as has been shown by the new stipulations on textile imports enacted by the US government last year. These regulations, which contravene many relevant international treaties signed or entered into by the United States, have hit the textile industry in many countries and regions. As far as Sino-US relations are concerned, they obviously run counter to the bilateral agreement on trade relations and the agreement on textiles trade; they harm China's industry, employment, trade and economic development. More than that, the US government is perfectly aware that textiles account for a large proportion of China's exports to America. China's trade imbalance with the States has been high over the past few years. But instead of helping to change this situation, the US government has created new obstacles to bilateral trade. As one upright American asked, "How can we expect to enhance bilateral relations and trade, if even now we are still trying to restrict China's exports?"

Another example is that the

Sino-US nuclear co-operation agreement has not yet been submitted to Congress for approval. Regan himself described this agreement as opening a new area for peaceful co-operation in Sino-US relations. But it has actually been put aside at present, with

the result that American companies have suffered most. An American official admitted that the business-hungry US nuclear industry is likely to lose "contracts worth several billion US dollars" to France, the Federal Republic of Germany and Japan.

We hope that the US government and figures in various circles will help revise or revoke outdated legislation that hinders the development of Sino-US economic and trade relations as quickly as possible, prevent similar new measures from appearing.

Image of US Media — A Chinese View

by PENG DI

AS a newspaper man and a newspaper reader, I find my American colleagues' reports on China both fascinating and frustrating. Fascinating because many of them take the job seriously, trying hard to get to know a country which, only 14 years ago, Dr. Henry Kissinger still described as a "mystery" as he travelled mysteriously on his first trip to China. He was right in a way if you look at the deep-going and sometimes dramatic changes in China during recent decades. I appreciate the devotion of many American journalists to seeking truth and writing seriously on events in China; and I share their frustration when they fail to get the facts right and give an accurate interpretation.

On the other hand, reports on China by some US journalists appear to be frustrating. They tend to be too biased, giving a completely negative picture with little regard of China's historical, cultural and demographic context. They see everything in China as dark or bleak. If they have nothing of the sort to write about on a certain day, they turn to complaining the weather is too dry or night life too dull in Beijing. And if they find something they think good, they automatically jump to the conclusion that China is going capitalist.

The author is a veteran journalist and former Chief of Washington Bureau of Xinhua News Agency.



I'm sorry if I misunderstand what they intend but this is what they say. If their reports were the truth then there would be no Chinese identity as an ancient nation and a revolutionary people.

Take Fox Butterfield's book on China. *Alive in the Bitter Sea*, for instance. Much of Butterfield's materials are gleaned from stories published by the Chinese press about the misfortunes in the chaotic period of the "cultural revolution." I have no objection to quoting the Chinese press, but to complete the story, at least one or two points should be added.

A) These Chinese stories are published as part of the self-criticism carried out spontaneously throughout China in order to denounce and repudiate the "cultural revolution." They are definitely not to be taken for a presentation of life in present-day China.

B) Such self-criticism by the Chinese themselves has been so earnest and open that it is, by itself, unique. It shows the Chinese do not cover their mistakes and are determined to correct them.

Butterfield, however, exaggerated every bit of information, or misinformation, he could lay his hands on in order to paint a gloomy picture and indicate that this was China today.

Next, let me turn to US media coverage of Sino-US relations in connection with the Taiwan issue. To be honest, I'm quite disappointed that more than a few US journalists favor a policy of interfering in China's domestic affairs. They allege that Taiwan is a separate country, playing the discredited "two-China" game with jest. They claim that Taiwan is an unsinkable aircraft carrier for the United States and urged that it must not lose Taiwan.

Others, not much more sophisticated, while acknowledging that Taiwan is part of China, insist that the US should dictate how Taiwan is to be united, or rather, not to be united, with the mainland; that Taiwan's internal system cannot be changed in a way other than what the US would like to see. They support the policy of continued arms sales to Taiwan, and repeatedly invoke the Taiwan Relations Act, a US law specially designed for this purpose.

I have for years kept asking an unanswered question in my stories

and conversations with my American colleagues: The TRA was enacted by the US in the US and is a law of the land of the US, but how it can be applied in the land of China against the persistent protests by the Chinese people's government which the US has recognized as the sole legitimate government of China.

I had quite a few rounds of polemics with US media, notably with the *Wall Street Journal*. It came out with a provocative editorial entitled "Invertebrate Diplomacy," blaming the US State Department for lacking backbone and being too soft towards China and urging closer relations with Taiwan which it lauded as "free China." To rebut this "two-China" lobby, I wrote an article entitled "How Strong Is the Backbone of the *Wall Street Journal*?" The paper followed up with an editorial entitled "China's Illusions," inciting Taiwan to reject Beijing's proposals for peaceful unification. I had to return with an article entitled "The Illusions of the Journal." This went on and on until the paper wrote me a letter saying that they had enjoyed the exchanges and would like to invite me to meet their editor at a luncheon.

I wrote a reply saying that I also had enjoyed the exchanges but had one regret; while this enjoyment has been shared by broad sections of people in China because our press publish articles by both sides, the enjoyment in the US was limited and one-sided because the journal never published my comments.

No doubt there are lots of people in the US who do not share the viewpoint of the *Wall Street Journal* and stand for a policy of non-interference of hands off Taiwan.

Incidentally, I might add that I travelled extensively in the US and found that very few people knew the Taiwan Relation Act.

Even fewer knew its provisions. Of course there are people well aware of both the spirit and the letter of the Act, but they also appeared to find it difficult to answer my question and tried to parry the question off.

At a press conference, I asked a former top ranking White House official: How can the TRA, a US law, be enacted with provisions that interfere in China's domestic affairs, such as whether to change the economic and social system in Taiwan. He denied there were such provisions. Since this gentleman's expertise is in international, particularly Asian and Taiwan affairs, I asked him, with a touch of humor, "have you read the TRA?" He said, of course, yes. I said: "You'd better read it again carefully." There was a burst of laughter, and he had to turn to the next questioner.

I put the matter, in a different version, to a leading member of the Heritage Foundation at a forum: "Is it because the US is a superpower that it has the right to impose a super law?" There was applause, but no answer.

So much for the negative side. I'm glad that during the past year or two there's marked improvement in the coverage of China by American journalists.

Reports by later or current correspondents of US news media in Beijing have shown a much deeper understanding of the policies and developments in China. *New York Times* correspondent Christopher Wren is a much more responsible writer than his predecessor, judging from the few stories of his I happen to have read. Likewise, stories by the *Baltimore Sun*, *Christian Science Monitor*, *Boston Globe*, *Miami Herald*, etc. deal with the achievements of China's economic reforms as well as the difficulties. China's social or ideological changes are presented by them as real problems but often

underlined with a note of hopefulness. There is no lack of criticism of various aspects of life or work in China, and the Chinese welcome this. Reports by the wire services like Associated Press have, by and large, kept the tradition of more facts, less bias. I hope this trend continues so that we can understand each other better.

I cannot close my comments without mentioning those fore-runners who visited China in earlier periods. It is a long list and I shall only mention a few whom I personally knew including Jack Belden, Tillman Durdin, Gunther Stein, Henry Lieberman, Israel Epstein, James Reston, Harrison Salisbury, Seymour and Audrey Topping. They represented different news media at different times. But there seems to be something in common: their quest for facts and efforts to be fair.

Outstanding among them were Smedley, Strong and Snow. At a lunch with Edgar Snow in Beijing, I told him how I had been inspired by his book and admired him not only for his truthful and lively writing but, more important, for his sympathy with the new force at a time when it was tiny, oppressed and in extremely difficult conditions. His success lies in his vision of a deeper past and longer future.

Snow's landmark book *Red Star Over China* is a source of inspiration not only of his time but for generations to come. Just as Marco Polo discovered ancient China 700 years ago, Edgar Snow discovered new China in embryo, and built a new bridge between the American and Chinese people.

We need more standard bearers like Smedley, Strong and Snow, and I believe there are, to enhance real understanding between China and the United States, promote friendship among peoples and make our world safer and brighter. □

Producing Shakespeare in China

Shakespeare, one of the world's great poets and dramatists, is familiar to the Chinese people. Many of his plays, including "Much Ado About Nothing," "Romeo and Juliet," "Measure for Measure," "Macbeth," "Othello," "The Merchant of Venice," "The Tempest" and "A Mid-summer Night's Dream," have been performed on the Chinese stage in recent years.

A Shakespeare research centre was established by the Central Academy of Drama last October and a research society devoted to the Bard was set up in Shanghai last December. At a gathering to mark Shakespeare's birthday early this year, Beijing performers presented excerpts from Shakespeare's plays and songs and operas based on his works. The audience was also treated to Beijing opera-style arias based on Othello. The actor sang in both Chinese and English, portraying Othello's anger at the alleged unchastity of his wife.

Following is based on an unpublished speech given by Huang Zuolin in the 1950s to a gathering of English-speaking lovers of Shakespeare on the occasion of the poet's birthday. — Ed.

by HUANG ZUOLIN

THERE are a great variety of ways in which Shakespeare has been served up to the audience. The problem that concerns us here is to choose one of the ways which would most readily appeal to the Chinese audience, and at the same time not lose any of the quintessence of the poet. We shall try and see if we can't discover some new ways of producing him, a way which would be singularly Chinese, which would stand as a distinctly Chinese contribution perhaps towards the art of Shakespearean presentation.

It has been pointed out by theatre historians that there are many similarities between the Chinese theatre and the Elizabethan. The physical characteristics, they observe, are very much the same: In both we find the acting area extending well out into the auditorium so

that the audience can witness the show from three sides; in both, scenery is very rarely used, the change of locale being indicated by pinning scene boards on posts with appropriate words written on them such as "a garden," "a rock," "a mountain path,"

This porcelain plate, decorated with the picture of Shakespeare and 12 characters from his plays, was presented to the Chinese delegation by their British counterparts at the Fifth World Youth Festival held in 1955 in Warsaw.



etc. Or when such a device is deemed too troublesome, the locality is announced simply by the actors themselves. In the Chinese manner, a scene like this would be executed even more simply; the performers heading for one place from another would do so by just turning round the stage two or three times in mincing steps and say: "Ah, here we are, safely arrived!" without even going to the trouble of making another entrance and exit.

On the present-day stage the problem of setting up a Shakespeare play is indeed a perplexing one, for modern audiences are so accustomed to the idea of naturalistic scenery that it is difficult for them to conceive of a production without it. Scenic artists the world over find this question baffling.

My intention is to show that simplicity and not complexity should be the keynote in Shakespearean design. To produce Shakespeare properly, a continuous flow of movement is absolutely essential, for the very structure of his plays is so arranged that one scene must follow another without the slightest interruption, as in a film. For this reason the Chinese way of staging, which is as simple as that of the Elizabethan if not even more so, lends itself so very readily to Shakespearean production.

Now, if scenery is simple in both theatre, costuming is elaborate. In Shakespeare's day, we are told, as much as £17.13s was spent on a gown and £19 on a cloak, whereas Shakespeare himself was



Mei Lanfang in "Yuzhou Sword."

paid no more than £5 for having written *Hamlet!* In this respect, Chinese actors, too, are particular; they are as anxious to build up their wardrobes as they are to build up their repertoire of plays. In fact the two things go together, for once a piece is made, it is to go with him for the rest of his professional life. However, it should be pointed out that the way artists in either theatre wear their costumes is fundamentally different.

Read this excerpt from an article by Addison in *The Spectator* about Restoration players:

"The ordinary method of making a hero is to clap a plume of feathers upon his head, which rises so very high that there is often a greater length from his chin to the top of his head, than to the sole of his foot. This very much embarrasses the actor, who is forced to hold his head extreme-

ly stiff and steady all the while he speaks; and notwithstanding any anxieties which he pretends for his mistress, his country, or his friends, one may see by his action that his greatest care and concern is to keep the plume of feathers from falling off his head. . . . A princess generally receives her grandeur from those additional encumbrances that fall into her tail: I mean the broad sweeping train that follows her in all her motions, and finds constant employment for a boy who stands behind her to open and spread it to advantage."

Well now, heroes on the Chinese stage also wear feathered plumes for the same purpose as the Restoration players wore theirs or as the Greeks wore the *oukos* by way of adding stature and nobility to the person. But a Chinese actor would never allow himself to be so disgraced as would his Restoration counterpart, for it is his business and part of his rigid training to wear the feathers with skill, so much so that not only should they avoid handicapping the action, but they should partake in the action itself. Those who have seen Ye Shenglan in the role of sensitive Zhou Yu (a famous general in the Three Kingdoms (220-280)) will remember how well the subtle feelings are expressed through the working of the feathers, and those who are acquainted with the techniques of Chinese acting will realize how exacting is the muscular movement required to work them. As to the trains for female parts, one has only to turn one's mind to any performance of Mei Lanfang's (1894-1961, an outstanding great master of Beijing opera, who is skilled in playing a young female) to see how very exquisitely his tasselled costumes dance and flutter to the beats of music.

Let us now turn our attention to music. How well would the Chinese orchestra execute the alarums and excursions, the flour-

ishes and the sennets so frequently called for in Shakespeare's plays! And how well, too, would the Chinese drum rolls accompany the battle scenes! Speaking of battles, what other theatre is there anywhere in the world in any period of history which can manage the fights so expertly and so efficiently as the Chinese *quanwuhang* — a highly developed system of dance and acrobatics with perfect timing, perfect body control and perfect patternization?

While we are on the subject of acrobatics and body control, it might be of interests to look into a scene in Shakespeare which for want of an adequate technique, has never been played satisfactorily: I refer to the scene in *King Lear*, in which the blind Gloucester is deluded by Edgar into thinking that he has thrown himself down from a lofty cliff. Now, no actor who plays Gloucester is ever willing to do the act for fear of breaking his bones! And whenever he does muster up sufficient courage to take the leap, it would be from a platform perhaps six inches high, which would of course appear all the more ridiculous!

Now, in China any ham, any third-rate actor, will be able to do the stunt convincingly, if not from the top of three tables piled up one upon another as the amazing Beijing opera actor would do the acrobatic feats in the dark in *At the Crossroads*, then certainly from one table, by turning a backward somersault and landing on the floor with perfect feline grace!

In stage effects also, Chinese stagecraft will be able to solve the most complex problems by the simplest of devices. Take, for instance, the effects of fire, thunder and lightning. Thunder is represented on the Chinese stage by the Thunder God whose appearance is a dance in itself accompanied by music. So also is the Fire God, who dresses in a red robe with

Huang Zuolin: A Man of the Stage

Huang Zuolin, one of the most influential dramatists in China, studied drama at Britain's Cambridge University in his early years. Also well-versed in traditional Chinese opera, Huang believes that dramatists should assimilate the best in drama, both Chinese and foreign, historical and contemporary. He particularly emphasizes the need to absorb the essential of China's traditional dramatic art and has worked hard to develop it, directing 100 plays for the Chinese stage over the past few years.

By the time he attended Cambridge, Huang had already written several short plays that displayed a Chinese flavour and a unique artistic style. Later when he was in Shanghai, he adapted many well-known foreign works for the Chinese theatre.

After the founding of the People's Republic, Huang authored a

play for street performance entitled *Resisting US Aggression and Aiding Korea*. He directed *Pressing On in the Teeth of Difficulties*, which depicted the life of iron and steel workers, and *A New Lease of Life*, which described the suffering of the people in areas plagued with snail fever. He also directed *Second Spring*, a drama about the people who work in a navy shipyard. Huang was the first to introduce the Chinese audience to the German poet and playwright Bertolt Brecht. In the 1970s, as the nation concentrated on modernization, he produced *The Symphonic Poem of the New Long March*, a poetic look at the mood of the times. Huang also directed a drama about the life of Shanghai Mayor Chen Yi. Chen served as mayor for many years after the metropolis was liberated and he was deeply loved by the people.

Huang continues to study and learn from a wide variety of sources. Under his leadership, the Shanghai People's Art Theatre has earned fame throughout China for its success in reflecting the realities of life.

As a man of the theatre, Huang has always admired William Shakespeare. As early as 1937, he wrote an essay on the stage history of Shakespeare's plays. Later, he frequently looked to the Bard for inspiration and direction in his own works. Huang is currently planning to adapt a Shakespearean work for *Kunqu* opera.

Shakespeare once wrote, "Youth, I adore thee; Age, I abhor thee." For 80-year-old Huang, the case seems different. Still a vice-chairman of the Chinese Dramatists' Association, Huang said, "Things change every day. There is always something new tomorrow. Our dramas should reflect the changes and depict new events and new personalities."

upward shooting whiskers, also red. He spits fire, literally, and this he does by inserting a small tube of bamboo filled with burning charcoal into his mouth. The amount of fire to be spat and the speed at which to spit it is regulated by the music which accompanies the movements, suggesting now the bashfulness of a fluttering flame, now the great vehemence of a devastating blaze. To watch it is indeed a thrilling aesthetic experience.

On the Elizabethan stage, however, fires and thunders are managed in a very cumbersome way. It is operated from what is called the "Heavens."

In the treatment of immortals, again it would be interesting to compare the methods used by the

types of theatres. In *Cymbeline*, Jupiter descends and ascends by means of the most elaborate mechanism operated from the "Heavens." Here in China, celestial bodies are represented by the simple convention of the horse hair duster, which the actor twiddles with such airiness and buoyancy that there is no mistaking his immortal origins. By now, the omnipotence of the Chinese stage must have, I think, proved itself beyond doubt.

Instance after instance may be cited to show the amazing resourcefulness of the Chinese method as applied to Shakespearean production. No matter what it is, be it ghost or faerie, fire, or thunder, fights or love-making, the Chinese technique is sure to have a way for it; so simple and yet so

very effective that even immensely difficult problems are solved as easily as effortlessly as by a magic wand.

Well now, with all these advantages, and coupled with the simple fluidity of staging just examined, I see a great future for Shakespeare in China. And, if we take into the bargain the intricacies of his plots as well as the breadth of humanity of his characters, I am absolutely certain that the Chinese people will fall for him like mad!

And it is on these facts as well as on the analysis I have just made regarding the affinities between the Chinese style of staging and Elizabethan, that I see a bright prospect for Shakespearean production in China, in a new, people's China. □

New Trends Seen in World Economy

from "SHIJIE JINGJI
DAOBAO"

(World Economic Herald)

THE developed industrial countries steered clear of crises to begin their economic recovery in 1983, but their development is unbalanced, Huan Xiang, an expert on international problems, told the *World Economic Herald* recently.

The United States has made the best comeback, while the Japanese economy is also coming back smoothly. However, the West European economy has grown at a slower rate and in the main has not shaken off stagnation. The third world countries are still facing economic troubles, and the Soviet Union and other East European countries are making preparations for new reforms. Huan said.

Looking ahead towards the world economic situation in the next five and ten years, he predicted that in general the industrialized West will not free itself from a long period of stagnation. Growth rates will remain low through the mid-1990s. Inflation, which has dropped, may go up again, Huan said.

The most serious problems for the United States are its huge deficits and the high US dollar exchange rate. Reducing deficits means stopping the arms race, but the US may only limit or minimize its defence expenses. Meanwhile, the US dollar will weaken, although its losses will be small in order to avoid confusion on world money markets.

The development of the capital-

ist countries was greatly unbalanced, Huan noted, because the West European economy has developed slowly. The collective growth rate of its total output value was about 1 percent, with the most productive economies growing only 2 percent. Unemployment soared over the 10 percent mark, and economies have remained stagnant, although inflation has dropped a little. The US economic recovery helped increase exports in the West European countries, but failed to give them any real impetus for economic development. The countries there are still pursuing expense-cut policies, and are spending most of their funds on developing traditional industries — to the neglect of new, hi-tech industries.

Japan has shown, on the other hand, its economic vitality in the 12 years since 1973. According to recent estimations, Japan has a surplus fund of US\$50 billion a year, and is now the biggest creditor nation in the world. It has followed flexible economic policies, imported advanced technology from the United States and commercialized it quickly. Slow population growth has eased pressures on employment, while household industries have loosened relations between labour and capital. In addition, the cost of its products has been greatly reduced and their competitiveness increased.

The third world countries, however, are finding it difficult to escape their economic woes. Since the 1960s and 70s these countries have adopted the strategies of import substitution and export dominance. These moves did not free them from their economic

troubles, but instead earned them heavy debts. According to estimates released in early 1984, the third world's debt amounted to US\$800 billion, 40 percent of their joint national output value (China is not included in these figures). Interest payments on this huge debt soak up 4-5 percent of their total exports. When loans are included, the figure rises to 23 percent of their total export volume. This debt, together with famine, poverty and unemployment, has worsened the third world's economic troubles. Their antagonism with their creditors has hindered the North-South dialogue and their different difficulties and interests slowed South-South co-operation. In a word, there will be no big progress in either the North-South talks or the South-South co-operation in the next five years, Huan said.

Worldwide, the new technical revolution will still give great impetus to the economic development of a number of countries in the next five to ten years. Big progress is expected in improving traditional industries and developing new ones, he added.

How Critics Err

from "WENXUE PINGLUN"
(Literary Criticism)

LITTLE progress has been made in contemporary Chinese literary criticism because too much energy was spent on discussions of a few concepts. In assessing new forms of expression such as stream of consciousness narrative, and "self manifestation" or "dim expression" in poetry, critics stress academic discussions instead of their artistic content. They debate

whether these forms are bourgeois or proletarian, and "local products" or "products imported from foreign countries" in order to make a decision on whether to accept or not.

As a result, literary criticism itself has bogged down and become a sensitive field liable to political trends. So critics make no more than ordinary comments on literary works. Furthermore, they can make no more breakthroughs in literary theory, nor lead to any rich aesthetic connotation. This is why contemporary Chinese literary criticism is ashamed of its name.

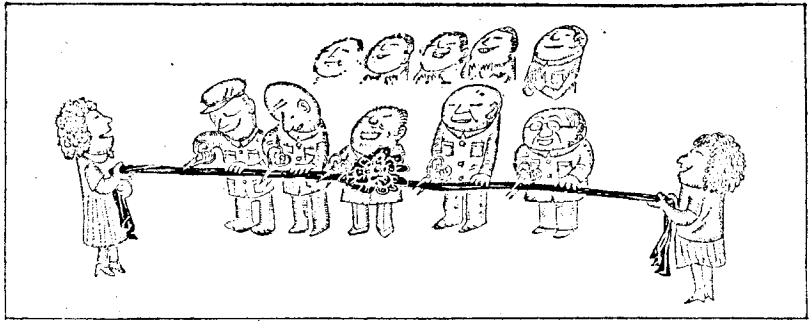
College Students' Thoughts on Life

from "JINGSHEN WENMING YANJIU"

(Ethical Research)

MODERN college students are complicated and changeable in thinking and concepts. They do, however, share three major traits:

First, they ardently seek the truth. They emphasize efficiency and pay attention to learning through their own practice. They think giving only lip service to patriotism is destructive to the national cause. The current reforms have given a wide scope for their struggle. Many students leave their university compounds with their school badges on their chests, and go to work as tutors or serve as street cleaners. A survey shows that "take your own road and don't worry about what others say" is a popular student motto. Students are full of confidence in our socialist country and think contributing to its construction is an important part of their worthy lives.



Everybody wants a piece of the credit.

Cartoon by Jin Jianchu

Second, they work at being self-confident and developing a concept of communist co-operation. Students want to be winners. They require improved teaching and study methods, and hope to learn the latest scientific knowledge in addition to their own professions. They try to increase their ability to originate ideas independently. The survey shows that most students want to seek, struggle, make contributions to society and serve the people. They firmly believe in collective forces. Their self-confidence and indepen-

dence help them follow the correct way.

Third, some students are depressed by their shortcomings. These students were influenced by ultra-leftist thinking during the "cultural revolution." Some were naive enough to accept the systematic training then offered in schools. Their deficiencies now cause contradictions between their personal abilities and actual future prospects, and between their ideals and reality. It is necessary to help them make up for their deficiencies as quickly as possible.

Parents Suffer One-Child Blues

from "FUMU BIDU"
(Essential for Parents)

MOST Chinese parents suffer from "four overdone" and "four fears" in educating an only child.

They and other family members tend to spoil the only child, and this over-indulgence makes them egotistical. Over-protection keeps children from making contact with other children and makes them ignorant about what they should do when they meet other people. Parents also take excessive care of their children and interfere in

their private concerns. They and other family members also put too many expectations on their only children.

These "four overdone," in turn, derive from the "four fears." Parents are afraid that their children will turn bad, not be talented, refuse to support them when they get old, or fall ill or even die.

All these factors result in immaturity and a shortage of experience in getting along with others of the same generation. In addition, they will cause the only child to dislike work, take no care of themselves and lack initiative in exploring the objective world.

Sino-US Giant Coal Mine Pact Inked

Chinese and American partners signed a contract June 29 at the Great Hall of the People in Beijing to work together in developing China's largest opencut coal mine. The pact will involve a total US\$650 million investment.

Located in Pinglu and Shuoxian counties in the northern part of Shanxi Province, the Antaibu Opencut Coal Mine covers an area of more than 18 square kilometres and has reserves of approximately 450 million tons. The mine will be designed to produce more than 15 million tons of raw coal per year.

It is expected that the coal mine will be put into operation in September 1987. Both partners contracted to operate the coal mine and each will have a share of the products. The contract life will be 30 years.

As the largest opencut mine in China, Antaibu will also be among the biggest in the world. Advanced equipment and technology, including heavy-duty shovels and oversized trucks, will be employed. Modern coal-washing methods will also be used. The workforce will number 1,500 to 1,700 and the per-worker output is expected to be about 30 tons per shift.

The Chinese investors in the joint venture are the Pingshuo No. 1 Coal Company Ltd., owned by the China National Coal Development Corporation; the China International Trust and Investment Corporation; and the Shanxi Provincial Government. The US partner is the Island Creek of China Coal Co. Ltd., which is jointly owned by Occidental Petroleum



Deng Xiaoping meets with Dr. Armand Hammer.

Chinese Leaders Praise Armand Hammer

Deng Xiaoping, chairman of the Central Advisory Commission of the Chinese Communist Party, met June 30 with Armand Hammer, chairman of the Occidental Petroleum Corp., to congratulate him on the ground-breaking of the Antaibu Opencut Coal Mine.

Deng said the joint venture coal mining contract marks a good beginning for long-term Sino-US co-operation, which will bring in its wake increased economic co-operation between China and other countries. China, a populous and economically backward country, needs more large joint ventures like the Antaibu Coal Mine to end its backwardness, Deng said.

Deng praised Hammer for the good job he had done.

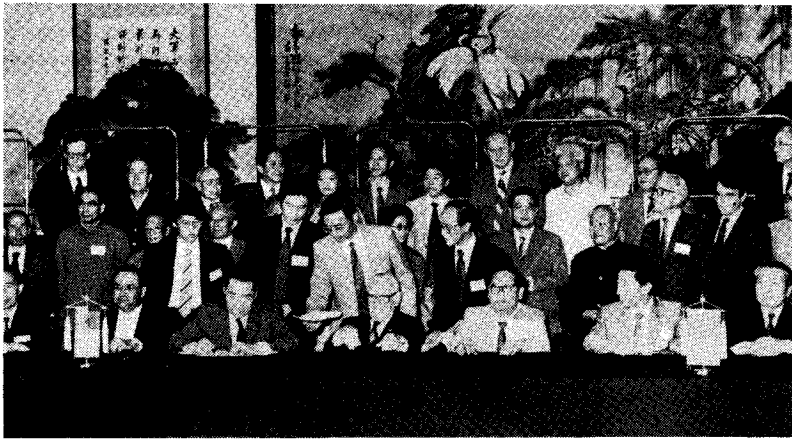
Hammer, the 87-year-old corporate chief, told Deng that only the first-stage contract is complete and he will now proceed to negotiate on the second and third stages of work.

Party General Secretary Hu Yaobang, in a separate meeting with Hammer, suggested that US companies join with China in exploring for natural gas as well as in coal mining.

Hu added that China will give priority to joint ventures that seek to develop raw materials.

Hammer told Hu that Occidental Petroleum is also interested in co-operating with China on the exploitation of oil in northwest China.

President Li Xiannian said that Hammer has made beneficial contributions to the economic relations between China and the United States. He added that the Chinese people will never forget him.



The ceremony of signing the contract for developing the Antaibu Opencut Coal Mine, a Sino-US joint venture, takes place in Beijing.

Corporation and the Bank of China Trust and Consultancy Company.

Party and state leaders have attached great importance to the gigantic project. Deng Xiaoping, Hu Yaobang and Zhao Ziyang have shown their great interest over this project. They have met with Dr. Armand Hammer, chairman and chief executive officer of Occidental Petroleum Corp., on several occasions.

A press communique released after the signing ceremony said that Dr. Hammer had contributed a great deal of his efforts to this project.

The communique pointed out that the conclusion of the contract marks another encouraging progress in the economic and technical co-operation between both countries, helps promote and expand the friendly co-operation between China and the United States in industrial, commercial and financial circles and establishes an economic relationship of long-term stability, mutual benefit and common progress. It once again demonstrates the Chinese government's persistence in its open policy and in its efforts to enhance co-operation and exchanges with foreign countries.

Foreign Investment Grows in Shanghai

Foreign investor interest in Shanghai, which has been dubbed "an ideal partner," is still on the increase.

Between January and May this year, 34 joint venture and co-operative enterprise contracts were inked. The contracts represented a total investment of US\$230 million. The city also signed 150 contracts valued at US\$170 million to import technology and equipment from abroad.

Shanghai is one of the largest industrial cities in the world. Since it was further opened to the world in April 1984, the city has become a favourite investment market for foreign businessmen. Representatives from large multinational corporations and financial enterprises, as well as those from medium and small companies, have flocked to Shanghai to initiate business ventures. In 1984 alone, 90 economic and trade delegations visited Shanghai and more than 20,000 foreign businessmen went through entry formalities. The city signed 80 contracts on co-operative projects

with foreign investors and absorbed foreign capital totalling US\$900 million, more than double the total for the years 1979-83.

Investment has been aimed at a wide scope of businesses. In addition to light and textile industries, food industry, and industries producing mechanized and electric products and meters, investors have shown great interest in building tourist hotels. Agreements on a number of hotels—including the Jingan-Sheraton, the Jinjiang Branch Hotel and the Shanghai Hotel—were concluded last year. Construction on some of those hotels has already begun.

Ten enterprises have begun operation. Factories producing elevators, angora yarn, shoes and woollen sweaters have achieved good economic returns from their products put on sales on the international market.

Shanghai is now seeking partners or investors for 370 projects, two-thirds of which are industrial projects. Twenty-two major joint ventures and co-operative enterprises will produce electronics, motor vehicles, ships, airplanes, telecommunications equipment and top-notch consumer goods.

In order to attract more foreign investment, the city has adopted a series of measures. It has streamlined procedures for approving projects and no longer has to wait for state approval on most proposals. Projects that include investment of US\$30 million or less can be approved by the city authorities. The city is also adopting its own investment laws and statutes in accordance with the state regulations.

CORRECTIONS: The second sentence under the subtitle "Leaders to Visit China" in the China & the World column, No. 26, should read "The dignitaries are Ieremia Tabai. . ."

The first sentence under the subtitle "Bids Total \$2 Billion" in the same column should read "China has bought US\$2 billion. . ."

East Meets West in Dante Sculpture

A bronze sculpture depicting Dante's deliverance to an Eastern paradise has won the Italian President's Prize in the Seventh International Dante Sculpture Exhibition for Zhang Dedi, a professor at the Chinese Central Academy of Fine Arts. Zhang's bronze was one of 22 works honored on May 26 at the exhibition held in the Italian coastal city of Ravenna, the burial place of the great poet.

The show included 600 works by 250 artists from 50 countries. Every sculpture focused on Dante, either in history or in his work.

Zhang's *An Invitation to the East* was based on Dante's *Divine Comedy*. In Dante's classic, the poet travels through hell, purgatory and on to heaven with the help of his real-world love Beatrice. Zhang carries the theme a step

"An Invitation to the East."



further, as she depicts Dante and Beatrice being welcomed by Chinese angels to the paradise of the East.

The 40-cm-high bronze tablet depicts four couples of Chinese angels welcoming Dante and Beatrice to paradise. The first casts flowers at their feet, the second presents gifts, the third plays musics and the fourth dances in joy. Dante and Beatrice are portrayed stepping up to the gates of paradise, with clouds drifting by their feet and flowers and birds surrounding them.

Ai Qing, one of China's most renown poets, penned a verse to honour Zhang's work:

*Dante, great poet,
The world's people revere you,
Chinese angels invite you
And Beatrice, your sweetheart,
To the paradise in the East.*

After years of study, Zhang chose her theme and carved the work in a traditional manner. Her figures are done with smooth and simple lines and the elements are ingeniously integrated.

A member of the judging committee praised Zhang's ability to combine Chinese sculpture with a Western theme. He said the work reflects the beginning of more frequent art exchanges between the East and West. A panel of 15 artists and critics chose to include Zhang's work among the 22 winners.

Zhang, the first modern Chinese sculptor to win acclaim in Europe, is known for her works depicting women and children. She has a talent for not only portraying the

mannerisms of her subjects, but also revealing their inner world.

New Volumes Eye Minority Life

China's publishers recently released a number of new works that describe the history and culture of the nation's ethnic minorities. Among the new volumes are the following:

The Literary History of the Bouyei Nationality, the first work chronicling the literary development of the Bouyei nationality, describes the origins and ups and downs of Bouyei writing while introducing representative authors and works. A number of historical documents and examples of folk literature give the reader a good introduction to the field.

Most of China's more than 2.1 million Bouyeis live in Guizhou, Yunnan and Sichuan provinces. Known for producing colourful batiks, the ethnic group also has a history of composing ballads, but there was no written language to record their words. Finally, in the mid-1950s, the government helped the Bouyeis develop a method of writing their language with the Latin alphabet. Though the alphabet has ensured the survival of the Bouyei language, most Bouyeis write Chinese in daily life.

Manuscripts of Chinese Islamic History, written by history professor Bai Shaoyi, is a collection of 11 articles on the history of the Hui nationality and Islamic life in China.

Bai devoted decades to a study of China's Moslems and their role in Chinese society, particularly the Moslems of the Yuan Dynasty. *The Catalogues of the Tibetan*

Ancient Books and Records, a Tibetan and Chinese bilingual edition, lists the works of more than 180 Tibetan Buddhist leaders and scholars through the ages. The works describe technology, medical science, philosophy, Buddhism, rhetoric, drama and the calendar system. Biographies of historical figures are also included, as are brief biographical notes on the authors.

The Literature and Art Series of Tibet in 21 volumes (published in Tibetan and Chinese) includes a survey of Tibetan novels, poems, reportage, drama, songs, folktales and criticism since liberation.

Medicinal Book of China's Nationalities (five volumes) describes more than 800 medicinal herbs used by the nation's ethnic minorities. The first volume outlines more than 135 medicinal herbs, providing their names in various nationality languages, their origins and their medical applications with plates and pictures.

China's 55 minority nationalities have accumulated a wealth of medical experience over the centuries. Some nationalities have developed their own medicinal systems, many of which are very different from traditional Chinese medicine. The book is the joint effort of medical authorities in 16 provinces and autonomous regions, who studied 3,700 kinds of local medicines over a period of three years.

Folktales of the Lisu Nationality is a 10-volume edition in *The Folktale Series of Yunnan* published by the Yunnan Provincial Publishing House. The new volumes include Lisu fairy tales, folklore, stories about clan totems, heroes and ethics.

The Lisu nationality, one of Yunnan's 23 minority groups, has a population of 480,000. The provincial publishing house has also published collections of folktales

of the Bai and Jingpo nationalities. *Selections of Tibetan Dramas* was recently released by a Lhasa publishing house.

The selections include works by dramatists of different nationalities in Tibet, such as traditional Tibetan opera, modern drama, Shaanxi opera, Henan opera, Sichuan opera and television dramas. Among the works in the 300,000-word collection, the historical play *Songtsan Gambo* and the TV drama *Redeeming Their Obligations* have won creative prizes.

UN Stamp to Honour Chinese Oil

An oil painting depicting the unique scenery of east China has been chosen for a set of first day covers marking the 40th anniversary

of the founding of the United Nations.

The painting, *Peace Bridge*, is the work of Chen Yifei, who now resides in the United States. Chen, 39, worked at the Shanghai Art Studio after his graduation from the Shanghai Art Institute in 1965. In 1979 he was the youngest delegate to attend the Fourth National Writers' and Artists' Congress.

Soon after the meeting, he went to New York for further studies, and held highly acclaimed exhibitions there in 1983 and 1984.

Much of Chen's work focuses on the riverine landscape of his hometown Suzhou—its many small stone bridges, waterways, lakes and local people.

While blending modern Asian and Western techniques, they retain a strong sense of his cultural background and a firm grounding in Chinese tradition.

New Book

The Stroke Encoding of Dictionary Consultation

This is a reference book arranged by the Stroke Form System of Chinese language dictionary consultation. The system uses character stroke forms as the alphabet of Chinese characters, and according to their positional sequence forms code numbers which are used to locate characters in the dictionary. The advantages of this method lie in its comprehensibility and efficiency. It is especially suitable for foreigners in the initial stages of learning Chinese.

The Stroke Form System enables the uniform application of dictionary consultation to Chinese language computers. This book is, therefore, a must for those using such computers.

784 pages, 18.5 × 13 cm. Paper cover

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Asians Sweep Badminton Titles

Chinese and South Korea shuttlers grabbed all five titles in the Fourth World Badminton Championships, which closed June 16 in Calgary, Canada.

China's Han Jian nabbed the men's singles crown, Han Aiping took the women's title and Han Aiping and Li Lingwei teamed up to win the women's doubles championship. South Korea's Park Joo Bong and Kim Moon Soo worked in tandem to win the men's doubles title and Park teamed with Yoo Sang Hee to garner the mixed doubles trophy for the Koreans.

The Calgary championships, the first major International Badminton Federation event held in North America, attracted nearly 200 competitors from 29 countries and regions. The tournament marked the Asians will be defending all

the crowns when the fifth championships are held in Beijing in 1987.

With perennial badminton powers England, Denmark and Indonesia coming away empty-handed, the championships reflected the changing face of international badminton. All five titles changed hands between the third and fourth world championships.

Over the past few years, China, Denmark and Indonesia have dominated the men's singles events. Stars such as China's Luan Jin and Han Jian, Indonesia's Lie Swie King and Denmark's Morten Frost have taken turns winning the big titles. But in Calgary the Indonesians were beaten early, leaving the final four places for the Chinese and Danish. Though the England competitors

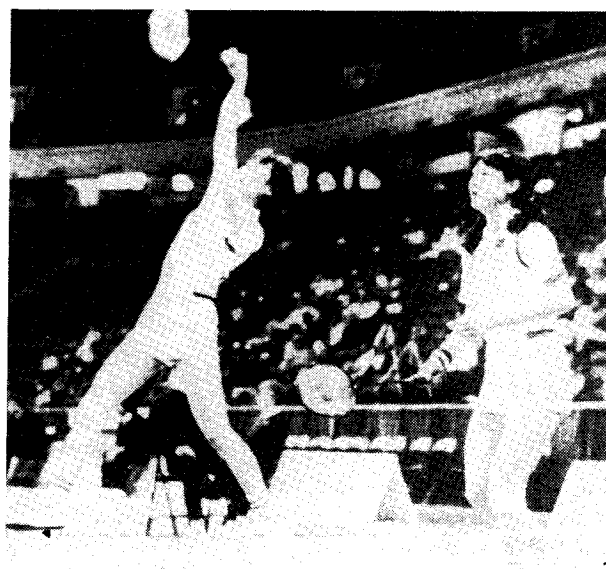
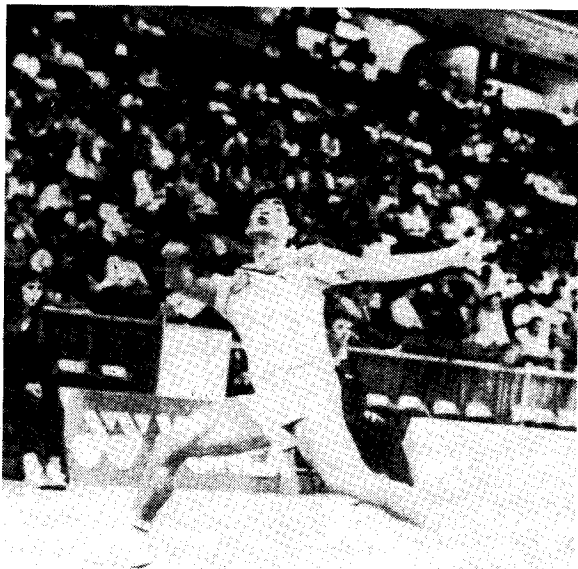
failed to make the semi-finals, two were seeded and played well in the early rounds of the tournament, eclipsing the Indonesian representatives.

It appears that Han Jian, Zhao Jianhua, Yang Yang, Morten Frost, Jens-Peter Nierhoff, Steve Baddeley and Nick Yates may very well represent the forces to be reckoned with in men's singles, meaning that China, Denmark and England may dominate the event for a few years to come.

China's women shuttlers set the pace in Calgary, as they have in almost every tournament since they returned to international competition. Han Aiping, Li Lingwei, Zheng Yuli and Wu Jianqiu all moved into the semi-finals with ease. In fact, none of them dropped a set in their 13 preliminary matches. Denmark's Kirsten Larsen, England's Helen Troke and Sweden's Christine Magnusson

Left: Han Jian wins the men's singles title by skill and willpower.

Right: Han Aiping (left) administering a powerful smash, with Li Lingwei waiting with ease.



were the best of the competition, but there is a clear gap between their level of play and that of the Chinese.

While the Chinese kept a firm grip on the women's doubles title, they found the South Koreans to be much tougher in tandem. All-England Champions Han Aiping and Li Lingwei had to come from behind to score a 2-1 semi-final victory over Kim Yun Ja and Yoo Sang Hee en route to winning the title. And Lin Ying and Wu Dixi, who won the All-England doubles title in 1982 and 1984 and were defending their 1983 world championships title, had to go three sets against Kang Hang Suk and Hwang Sun Ai to make the final.

Prior to 1981, Indonesian players had won all men's doubles titles. But over the past three years the crown went from Denmark to Indonesia to Malaysia to Sweden. Once again at Calgary, the crown moved. This time South Korea's Park Joo Bong and Kim Moon Soo established themselves as the world's best pair. They defeated China's Li Yongbo and Tian Binyi in the final, adding the world crown to the All-England title they won last year.

"Park and Kim are the best men's doubles pair I have seen in many years," said Poul Erik Nielson, president to the International Badminton Federation.

Women Power to New World Marks

With a grunt heard round the world, China's women weight lifters last month gave early indications of their readiness for international competition in a sport many still regard as being exclusively for men.

At the country's First Women's Weight Lifting Championships in



A woman lifter of Shandong Province in action.

Jinan, Shandong Province from May 24-29, Wei Xia snatched a record 50 kg in the 44-kg class, while Shi Caijuan hefted a meet-leading total of 117.5 kg. Both erased world records formerly held by American women lifters. In fact, when the resin dust had cleared, the top six women in the 44-kg class had all surpassed the old international standard, while the 49-kg and 52-kg lifters also came close to the American's record total scores.

If the Chinese women's success surprised weight lifting officials, so did their response to the call for tournament entries: 32 teams took part, with 140 athletes from 21 provinces. The oldest team, the home side from Shandong, was formed six months before the Jinan event.

Cao Qichao, the Shandong coach, said that although women were considered inferior to men in strength and explosive force, they easily equalled their male counterparts in courage and endurance. Chinese women lifters were being carefully chosen for their stature, strength and flexibility, then brought along in gradual training programmes in order to avoid dangerous training accidents. Many were top competitors in other sports including gymnastics

and track and field before turning to barbells, Cao said, adding that he was confident more records would begin falling soon.

53-Year-Old Wins Beijing Bike Race

Wang Puren, a 53-year-old worker who rides an average of 30 km a day, took first place in a June 16 bicycle race north of Beijing. The Five Rams race, named after a Guangzhou bike brand, attracted 1,277 competitors, making it the largest field ever in an Asian race.

Cyclists ranging in age from 12 to 67 competed in 25-km and 50-km events, with the top three finishers in each of six divisions being awarded a Five Rams bicycle. Wang, competing in the senior men's group, clocked the fastest time on the 50-km route, 58 minutes, 42 seconds. Wang Huige, 18, was the fastest woman rider, finishing in 1:03'26".

No matter how they finished, all the competitors were awarded a T-shirt or a cap and commemorative pin as keepsakes.

The race was organized by the Beijing Cycling Association.



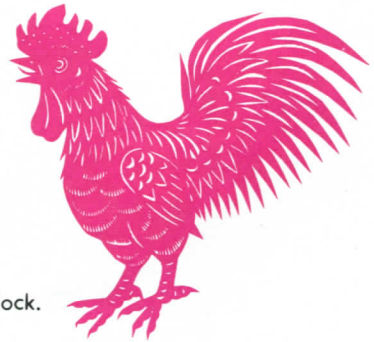
An Ancient Beauty.



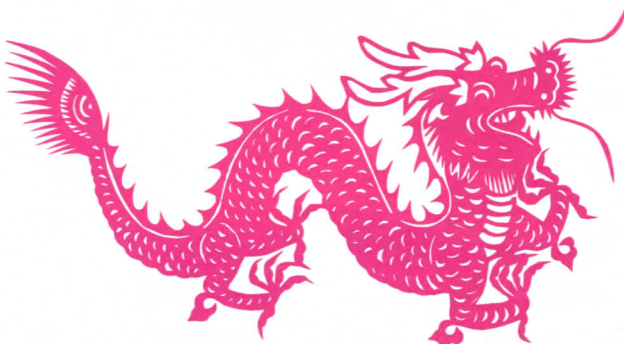
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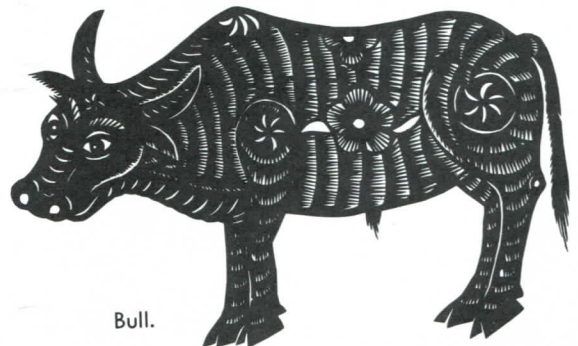
Hare.



Cock.



Dragon.



Bull.

ART PAGE

Papercuts by Liu Yunfen

Liu Yunfen, born in a peasant family in 1911, is a housewife in Qinhuangdao. She has studied papercuts since childhood.

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