

北京周報

A CHINESE WEEKLY OF NEWS AND VIEWS

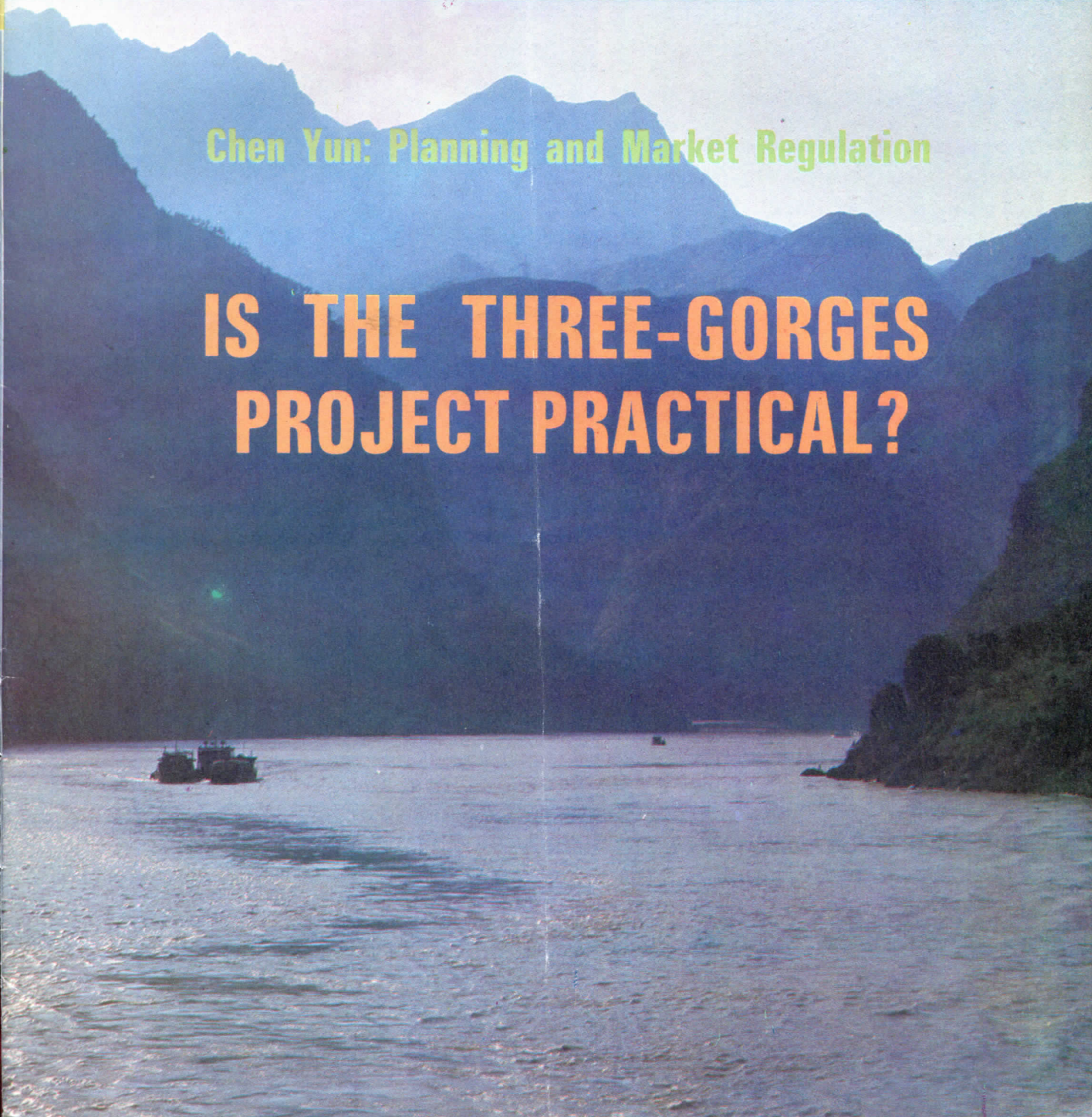
# Beijing Review

Vol.29, No.29

July 21, 1986

Chen Yun: Planning and Market Regulation

## IS THE THREE-GORGES PROJECT PRACTICAL?







Premier Zhao Ziyang greeting Zhang Wen at an academic forum in Beijing last April.

## Zhang Wen, the Programme Director

Chinese-American Zhang Wen is the programme director of *The Global View* TV series, which is co-produced by China and the United States and began broadcasting recently. The series deals with such subjects as the strategy and management experiences of successful businesses abroad and how personnel are trained in colleges and research centres all over the world.

Zhang Wen speaking at a reception of *The Global View* TV series in Beijing.



## SPOTLIGHT

Zhang Wen with former US president Nixon during an interview.



Zhang Wen talking with Chinese economist Chen Daisun.





VOL. 29, NO. 29 JULY 21, 1986

## CONTENTS

### NOTES FROM THE EDITORS 4

Vocational Education in Need of Renewal

### EVENTS/TRENDS 5-9

Leaders Lectured on Law  
Satellite Network Goes on Line  
Zhao Supports Non-Aligned Movement  
Nation in for Computer Craze  
China Rescues Starving Pandas

### INTERNATIONAL 10-13

Soviet-US: Superpower Summit: Murky Future  
Japan: Diet Election Gives LDP Sharp Lead  
ASEAN: US Protectionism: Economic Woes  
Jordan: Hussein Closes PLO Offices  
Mitterrand in Moscow: France Puts Accent on Independence

### Planning and the Market 14

### Three Gorges Project: Is It Feasible? 16

### Changzhou's Urban Reform (IV): Strong Competitor But Good Partner 21

### How Volkswagen Performs in China 24

### China Proposes Aid Plan for Africa 26

### BUSINESS/TRADE 28-29

### BOOKS 30-31

### CULTURE/SCIENCE 32-33

### SPORTS 34

**COVER:** The Changjiang (Yangtze) River's Magnificent Three Gorges.

Photo by Li Chungeng

## HIGHLIGHTS OF THE WEEK

### Chen Yun on Planning and Market Regulation

■ In a 1979 speech, an outline of which is included in this issue, Chen Yun analysed the flaws in the planning systems adopted by the Soviet Union and China after their respective revolutions. Those systems, Chen said, overemphasized planned and proportionate development and neglected market regulation. The result was imbalanced economic development. China's current reforms are aimed at overcoming those weaknesses by giving full play to the role of the market as a regulator (p. 14). A newly published book by Chen is reviewed in our "Books" section (p. 30).

### Three Gorges Project: Is It Feasible?

■ In the first of a two-part report on the huge Three Gorges water conservancy project on the Changjiang River, *Beijing Review* offers an outline of the project to date and attempts to clarify some of the issues surrounding the project. The second part of the report will follow in a later issue (p. 16).

### Vocational Education in Need of Renewal

■ With the development of economic construction, developing technical and vocational education has become increasingly important. Departments concerned recently met to discuss how to develop the vocational education, which is a weak link in Chinese education (p. 4).

### China Seeks GATT Seat

■ China officially applied on July 11 for resumption of full membership in the General Agreement on Tariffs and Trade as an original signatory. The Chinese application is aimed at promoting political, economic and trade relations with GATT member countries under the principles of equality and mutual benefit. (p. 29).

### How Volkswagen Performs in China

■ The Shanghai Volkswagen Automotive Co. Ltd. (SVW), a Sino-West German joint venture, has been performing well since it began operation in September 1985. The factory, however, is also faced with problems and is now undergoing changes intended to help further co-operation and speed up the production of Santana sedans in China. (p. 24).

Published every Monday by  
BEIJING REVIEW  
24 Baiwanzhuang Road, Beijing  
The People's Republic of China

Distributed by China International Book  
Trading Corporation (GUOJI SHUDIAN),  
P.O. Box 399, Beijing, China

Subscription prices (1 year):  
Australia..... A.S 22.00 USA USS 22.00  
New Zealand... NZ.S 30.00 UK ..... £12.00  
Canada..... Can. \$21.00

# Vocational Education In Need of Renewal

by Wei Liming

Officials from the the State Educational Committee, the State Economic Commission, the State Planning Commission and the Ministry of Labour and Personnel held a national conference in early July to discuss how to develop China's technical and vocational education, which is a weak link in Chinese education.

Though still lacking, vocational education in China has been showing some improvement since 1979 when new methods were devised to boost polytechnic education in urban and rural areas. Today, China has more than 6,000 secondary professional and technical schools with 1.75 million students, 8,000 vocational middle schools with 2.29 million students, and 118 technical and vocational schools of higher learning with 60,000 students.

In China, where modern industry is underdeveloped and vocational education has not been systematized, new workers have to serve apprenticeships, a traditional method of training popular in the arts and handicrafts trades. Until recently technical and vocational education has not received enough attention. In the last few years, although the government has highlighted the importance of training and education, most attention has been given to improvements in schools of higher learning and senior middle schools. The neglect of vocational programmes has led to uphill competition among millions of high school graduates for chances to study in universities or colleges, which can, unfortunately, accommodate only several hundred thousand students. Those who flunk the university

entrance exams are often left without professional skills to fall back on.

With the development of economic construction and the onset of structural reforms, developing technical and vocational education has become increasingly important.

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***N***eglect of vocational programmes has led to competition for entrance into universities and colleges. Those who fail in the university entrance exams are often left without professional skills to fall back on.

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According to a 1983 survey, China will need 17 million polytechnic school graduates at the turn of the century. This need, however, will not be met until the polytechnic school enrolments, which was 668,000 in 1985, doubles.

Now the number of senior and middle-level technical personnel stands poles apart. In 1985, of the 40 million skilled workers involved in state-owned industrial and transportation enterprises, 71 percent were junior ones, 27 percent were mid-level and 2 percent were senior ones. The Seventh five-Year Plan calls for an annual increase of 2 million mid-level skilled workers and 400,000 senior technicians.

In agriculture, a survey conducted in 1983 revealed that China

had 550,000 people skilled in the fields of agriculture, animal husbandry and fishery, which means there were only four such people for every 10,000 agricultural workers, or two per 10,000 *mu* of farmland. For the fulfilment of the Seventh Five-Year Plan and the development of the rural economy, China will need 1.85 million people skilled in agriculture, animal husbandry and fishery. This means that 1.3 million of such people, mostly at mid-level, will have to be churned out in five years from the secondary agricultural schools. These schools, however, provide only 110,000 students a year with training in only a few fields. With the situation as such, China is in no way prepared to cope with changes in its industrial structure in the rural areas.

The low quality of service in the tertiary industries has also underscored the importance of accelerating the development of technical and vocational education. Today, 86 percent of China's tertiary employees are primary or middle school graduates. Very few have received special training. During the Seventh Five-Year Plan period, 6 million urban and township youths will seek employment, and a considerable number of them will go in for the service industry.

To prepare future talent for the economic and social development of the 1990s, technical and vocational education must undergo major renewal. Only by training 8 million new junior and mid-level technicians and managers will China's enterprises be able to sustain true progress.

The training of new technical





## Leaders Lectured on Law

Several dozen Party and state leaders attended a two-hour lecture on the Marxist theory of the role of law by Sun Guohua, an associate professor of law at the Chinese People's University in Beijing on July 3. The lecture was one of six planned by the Secretariat of the Communist Party Central Committee for senior leaders.

Leaders attending the lecture included General Secretary Hu Yaobang, and Fang Yi, Tian Jiyun, Qiao Shi, Li Peng, Hu Qiaomu, Hu Qili, Yao Yilin, Chen Muhua, Chen Pixian, Hao Jianxiu and Wang Zhaoguo.

Prior to the lecture, Hu Qili, a member of the Political Bureau and Secretariat of the CPC Central Committee, conveyed to the leaders the latest remarks of Deng Xiaoping, chairman of the CPC Central Advisory Commission, on improving the Party's work style and strengthening the role of law in China.

Deng had said, "We are now focusing our work on improving the Party's conduct, and this can be regarded as strengthening the role of law from an overall point of view. Vital to strengthening the role

of law is the question of education, and the crux of the matter lies in educating the people."

Hu Yaobang said at the lecture that laws enacted before the founding of New China in 1949 served the interests of the reactionary ruling class. "As we wanted a revolution then, we could not act according to such laws and had to become 'lawless,'" the general secretary said.

"Today we have seized state power and the people have become the masters of the country," he added. "We have to abide by our own laws and should act not only by relying on the Party's policies but also according to law. If we were still 'lawless' today, we would bring untold sufferings on ourselves as we did during the 'cultural revolution.'"

Hu Qili said that the study of law by leading officials was conducive to spreading legal knowledge among the public, and would encourage all Party members to learn, observe and act according to the law.

"This practice will also help ensure the smooth progress of China's overall reforms and the

workers, and the training provided for other workers will mean adding to the ranks of the nation's mid-level and senior technical workers and raising the percentage of the number of technical workers respectively from 27 percent to 50 percent and 2 percent to 5 percent.

Technical and vocational education in the rural areas should accommodate local conditions and be conducted on a short-term basis. In counties where conditions permit, efforts should be concentrated on running technical schools and organizing short-term training classes. During the Seventh Five-Year Plan period, efforts should also be made to provide vocational and technical training for most of China's 120 million middle school and senior middle school graduates who have returned to work in their home villages.

To solve the shortage of teachers in technical and vocational schools, China will also have to reinforce its vocational and technical teachers' colleges. Other colleges and universities should be mobilized to train teachers for this purpose too.

The State Council recently decided to reform the employment system. The former practice of employing unskilled workers will be replaced by the new method of employing trained workers who have passed technical examinations. This and other changes can be expected to give a powerful push to the development of China's technical and vocational education. ■

Hu Yaobang and other leaders attending the law lecture.

WANG XINQING



modernization drive," he said.

Party and state leaders attending lectures on law have shown that they now pay greater attention to the construction of the country's legal system and are conscientious about using law to run the state.

Since the Third Plenary Session of the 11th Party Central Committee in 1978, the focus of work for the Party and state has shifted to socialist modernization centring around economic construction. The Party has also put forward the task to improve the socialist democracy and legal system. As many new questions have cropped up since China adopted the policy of opening to the world and enlivening the domestic economy, it has become even more urgent for people to use

legal means to run the economy and to do things according to both the Party's policies and law.

Under such circumstances, last year the Standing Committee of the Sixth National People's Congress adopted a resolution on popularizing legal knowledge among the people. At the same time, the Party Central Committee and the State Council approved a five-year programme submitted by the Ministry of Justice for popular law education. The work has now become a major event in the country's political life and received the serious attention of Party organizations and governments at various levels. So far, 80 percent of leading bodies at or above the prefectural level and 90 percent of those at the county level have drawn up plans for their members to attend legal lectures.

stations—Beijing, Guangzhou, Lhasa, Urumqi and Hohhot, which are linked by an Intelsat satellite over the Indian Ocean.

At present, the network is making daily transmissions of CCTV programmes and special education programmes throughout the country with the help of more than 300 television relay stations, according to the Ministry of Posts and Telecommunications. Beginning January 1, 1987, the network will also carry an economic information programme transmitted by the Beijing ground station.

The network has also provided more efficient telephone, telegraph and facsimile communications links between Beijing and the other four ground stations, an official of the ministry said.

Starting next January, the Ministry of Petroleum Industry will begin special communications through the network. For this purpose, it has started the construction of 15 ground stations. The Ministry of Coal Industry will also join the network eventually.

Vice-Premier Li noted at the ceremony that the opening of the network marked a major step forward for China's communications industry, one of the bottlenecks hindering the country's economic development. He called for the construction of more ground stations to meet China's communications demands.

Li said that much of the network was built with imported equipment. "It is necessary to bring in some advanced foreign equipment and techniques at the initial stages," he said. "But the main effort should be on the development of our own technology in the field," he added.

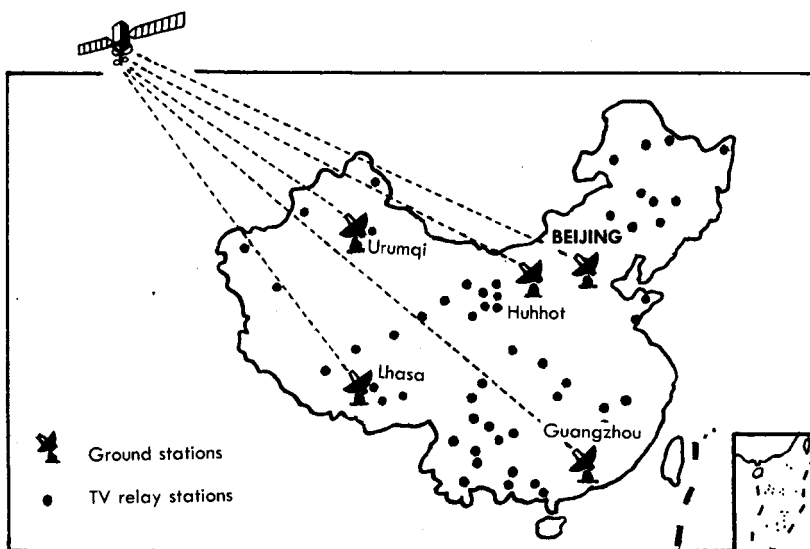
China launched its first communications satellite earlier this year. That satellite is still being tested. However, it is not expected to go into official use for some time.

## Satellite Network Goes on Line

China's domestic satellite communication network officially went into operation on July 8, signalling a new stage in the country's communications industry.

At the inauguration ceremony at the network's headquarters in Beijing, Vice-Premier Li Peng spoke over the phone—via satellite—with officials in the Tibet, Inner Mongolia and Xinjiang Uygur autonomous regions.

Constructed in 1984, the network is composed of five ground





## Zhao Supports Non-Aligned Movement

On July 6 in Belgrade, Yugoslavia, Chinese Premier Zhao Ziyang voiced strong support for the non-aligned movement and wished the upcoming eighth summit of non-aligned countries success.

Zhao made the statement at a banquet given in his honour by Yugoslav Federal Executive Council President Branko Mikulic.

The Chinese premier completed his four-day visit to Yugoslavia on July 10 and arrived in Greece that morning for the third leg of his six-nation tour of the Balkan and Mediterranean region.

At the banquet in Belgrade, Zhao paid high tribute to the non-aligned movement, of which Yugoslavia is one of the founding members. He also expressed his appreciation of the just stands Yugoslavia and other non-aligned countries have taken on current international issues.

Zhao said the non-aligned movement is an important element in safeguarding world peace and promoting international economic development because "it reflects the desire of the people of various countries for independence, peace and development."

In his speech Zhao expressed the hope that the eighth non-aligned summit to be held in Zimbabwe in late August will make new contributions to advancing the movement's fundamental goals, strengthening its unity and promoting its development.

Zhao also spelled out China's foreign policy of independence and peace and said its basic principles are identical with those of the non-aligned movement.

He said China resolutely opposes hegemonism from anywhere and considers all nations,

big or small, as equals. "China opposes interference in other countries' internal affairs and encroachment upon other nations' sovereignty under any pretext," Zhao said.

During his stay in Yugoslavia, Premier Zhao Ziyang met with Milanko Renovica, president of the Presidency of the League of Communists of Yugoslavia (LCY), Sinan Hasani, president of the Yugoslav Federal Presidency, and Branko Mikulic, president of the Yugoslav Federal Executive Council.

The leaders exchanged views on international issues of mutual concern and on ways to further develop bilateral relations between the two countries. They pledged to cement the stable, all-round friendly relations of co-operation between China and Yugoslavia and work together to maintain world peace and promote common progress. ■

## Nation in for Computer Craze

China will use electronic technology—computers—to improve the quality of products and reduce the consumption of energy and raw materials in its traditional industries in the next few years, Vice-Premier Li Peng told several hundred scientists in Beijing on June 29, the closing day of a six-day national conference on the application of computer technology.

Li said that the electronic industry must step up its development to meet the growing demand of all economic sectors for electronic products and new technology.

In his speech, he cited China's role as the world leader in designing Chinese-character software, because such software is essential to the popularization of computers in China. "Therefore," he said, "Chinese scientists must

## News in Brief

China's summer grain harvest this year is expected to exceed that of 1985, and equal that of 1984, according to reports from all over the country. The output of rapeseed is also likely to exceed that of 1985. Summer grain, mainly wheat, takes up nearly 30.7 million hectares in China. Of China's 24 key grain-production centres all over the country, 18 have enjoyed good harvests, except those in Zhejiang, Fujian, Yunnan, Xinjiang, as well as Beijing and Shanghai, which have suffered from natural disasters or had their grain planting plans revised.

■ ■ ■

Chen Muhua, state councillor and governor of the People's Bank of China, announced on July 5 that the exchange rate of the Renminbi for foreign currencies dropped 15.8 percent. "That is to say US\$100, which equalled 320 yuan, is now worth 370.36 yuan," she explained. It is quite normal to adjust the exchange rate in accordance with the change in prices in domestic and international markets, she said.

■ ■ ■

China now has 2,191 newspapers, according to a *Renmin Ribao* (People's Daily) report. They employ a total of 103,200 people. About 41,900 of them are reporters and editors, and the rest are on the administrative or managerial side or working at the printing houses.

try their best to improve the Chinese-character computer systems and develop more efficient software."

Although the application of computer technology has already resulted in remarkable economic and social gains in China, still great attention must be given to software development and personnel training, the vice-premier said.

Statistics released at the conference indicate that China now has 7,000 mainframe computers and 130,000 microcomputers. But only 15 percent of these are efficiently

used due to the shortage of computer technicians and, especially, programmers. The plan is to increase the number of computer technicians from 107,000 to 610,000, or an average increase of 100,000 a year, in the Seventh Five-Year Plan period (1986-90).

The plan also calls for establishing as soon as possible a new system, which will embody both the production of computers and the application of computer technology, including the training of computer technicians and programmers.

Lu Dong, minister in charge of the State Economic Commission, offered more details on the development of computers during the Seventh Five-Year Plan. He told those attending the conference that trial computerized information management systems will be installed at selected key, large and medium-sized enterprises in the next five years. Also, all enterprises in the machine-building and electronic industries will be required to begin experimenting with computer-assisted production and management, he said.

The machine-building industry will introduce microcomputers in the management of more than 1,000 enterprises and will complete a computer-assisted design system for 24 major electrical machinery products, said Lu. The total output value of these products is expected to reach 6 billion yuan by 1990. A total of 29 key electronic plants will completely modernize their management by installing computerized information and design systems for major electronic products, such as integrated circuits.

Lu added that some production processes will also be brought under computer control in the next five years and that the state has also drawn up plans to introduce computer systems for the posts and telecommunications industry, economic administration, banking transactions, the monitoring of energy networks, the Beijing-Shanghai Railway, weather forecasting and civil aviation.

To further promote the use of computers, Lu said, all new enterprises established in the next five years must include funding for computer facilities. Computers should also receive priority in the distribution of technological transformation funds of the existing enterprises; some 3 to 5 percent of the funds should be set aside for the application of computer technology.



CHEN XIAOYING

## Female Economics Ph.D.

Thirty-eight-year-old Liu Guisu (second from right) received her doctoral degree in finance and economics in Beijing in May, making her the first female Ph. D. in economics trained in China. Liu prefers to base her research on first-hand investigations. She once helped turn the Hunan Cigarette Factory from a losing enterprise into a winning one. Six of her papers have caught the attention of Hunan provincial leaders. For her fruitful research, she was appointed a member of the Hunan Provincial Economic Commission.



According to Lu, enterprises which are active in the programme will receive tax benefits and price reductions. The development of domestically produced computers will be supported by barring imports of models that can be made in China. Computers which cannot be produced in China may be imported only with official

approval, Lu said.

This policy will provide a market for China's own electronic products, he added.

During the conference, the scientists discussed concrete measures for the application of computer technology in the next five years. ■

## China Rescues Starving Pandas

Chinese experts have rescued 43 starving pandas in the past three years, but another 18 have died in spite of medical treatment, according to Vice-Minister of Forestry Dong Zhiyong.

Since the summer of 1983, the giant panda, known as "living fossils," has been facing a direct threat with the dying off of "arrow" bamboo, the panda's main source of food, when the bamboo groves blossom—a rare event that causes the plant to die.

The central government has already set aside 12 million yuan (about US\$4 million) for the rescue efforts, an unprecedented amount in Chinese history for the protection of rare animals. Departments concerned have organized a special team of more than 300 people to form a rescue network within the animal's major habitats. They patrol the mountains each day looking for the pandas and administer emergency treatment if necessary.

In addition, seven rescue stations have also been set up in Sichuan, Shaanxi and Qinghai provinces, where most giant pandas live. Sick pandas that have received treatment and have recovered seem to feel so at home under human care that they are reluctant to leave.

As giant pandas are scattered in vast areas, the local residents have taken an active part in the rescue work.

The blossoming and subsequent death of "arrow" bamboo occurred on a wide scale in the 1970s. As a result, more than 100 pandas died of starvation and disease.

Experts believe the current rescue operation is only an emergency measure. Long-term plans need to be drawn up to save this sweet-tempered, endangered species.

The new efforts include a general survey of the exact number of the pandas and a closer look at the withering cycles of "arrow" bamboo.

The fact that the panda's natural habitats are too many and far between makes it difficult for rescue workers to aid them. So they plan to link them together through biological engineering techniques that will provide the pandas with a larger space to manoeuvre and save themselves.

Experts have warned that the giant panda is still confronted by the cruelty of some humans. The incidence of indiscriminate harm of pandas occurs despite severe punishment by the law. ■



## China & the World

**China and Korea Mark 25th Anniversary of Friendship Treaty.** Chinese Party and state leaders Hu Yaobang, Li Xiannian, Peng Zhen and Zhao Ziyang on July 10 sent a message to their Korean counterparts to congratulate them on the 25th anniversary of the signing of the Treaty of Friendship, Co-operation and Mutual Assistance between China and Korea. High-ranking delegations are also exchanged for celebration meetings in capitals of both countries.

The treaty, which was of great significance in the history of friendly relations between the two countries, was signed by the late Chinese Premier Zhou Enlai and Korean President Kim Il Sung on July 11, 1961, in Beijing.

### China, India to hold Seventh Round of Talks.

Chinese and Indian officials will hold their seventh round of talks in Beijing July 21-23, a foreign Ministry spokesman said recently. This round of talks, the spokesman said, will be mainly devoted to the discussion of questions concerning the Sino-Indian border.

### UN Decade of Disabled Persons Commission Set up in China

The China Organization Commission of the United Nations "decade of disabled persons" (1983-92) was set up in Beijing on July 12, with Cui Naifu, minister of Civil Affairs, as chairman.

There are 20 million handicapped people in China, and 60 organizations have been set up to promote their welfare.

SOVIET-US

## Superpower Summit: Murky Future

*While some concessions between the Soviets and Americans have been made in recent weeks—the two sides have yet to agree on a date and spot for the planned summit meeting.*

**S**oviet Deputy Foreign Minister Vladimir Petrovsky told reporters on July 1 that his country had proposed a "preparatory mechanism" for a long delayed pre-summit meeting between the US Secretary of State George Shultz and his Soviet counterpart, Eduard Shevardnadze. The United States responded with surprise, claiming it had long asked the Soviet Union to propose a date for foreign ministers' meeting but had so far got no answer.

A second summit meeting was agreed upon by US President Ronald Reagan and Soviet leader Mikhail Gorbachev when they met in Geneva last November. Both sides agreed that a second summit meeting would be held when Gorbachev visits the United States this year. Reagan, in return, will visit the Soviet Union in 1987 for a third Soviet-US summit.

But Reagan's invitation to Gorbachev for a visit to the United States in June has been given the cold shoulder by the Soviets because of the stalemate over the disarmament issue. In April, after the US air attack on Libya, the Soviet Union cancelled a foreign ministers' meeting that was to have taken place in May.

In early June, Reagan sent a letter to Gorbachev, suggesting that the two foreign ministers meet in July, but in a letter from Gorbachev hand-delivered by the Soviet ambassador to Reagan not long ago, no date was mentioned for such a meeting. The White House has pushed for the foreign ministers' meeting in July in order

to gain more time to prepare for the summit meeting between the two leaders. But the Soviet Union has stressed that the date and spot are not that crucial. The key, they say, is the summit's agenda. This means the Soviet Union is insisting that something substantive—progress in disarmament talks—must be the goal of the summit.

The importance of this summit meeting to Reagan's second term of office is evident. His two main pet issues have been tax reform and the reduction of nuclear arms and detente between the Soviet Union and the United States. On tax reform, he has been successful. But negotiations on nuclear disarmament are in a deadlock. The compromise atmosphere created by the Geneva meeting last November has abated, and US-Soviet relations have once again become strained, especially since

Reagan recently declared the United States would no longer abide by the SALT II treaty.

Reagan, caught short by strong criticism of his move to end the SALT II treaty at home and abroad, was forced to speak positively of the new Soviet arms reduction proposal in a recent speech in Glassboro, New Jersey. Some US political analysts maintain that if the summit meeting takes place this year, the Republicans will surely retain control of the Senate in their mid-term elections in November. And if a third summit meeting were held, it would have a great impact on the 1988 presidential election, and Reagan's second term would make quite a mark in history.

But the Soviets are also making some concessions. In a turn-about, the Kremlin recently agreed that research work on Reagan's Strategic Defense Initiative could proceed in laboratory as long as both the United States and the Soviet Union continued to observe the antiballistic missile treaty (ABM) for another 15 years. This recent flexibility over the "Star Wars" programme by the Soviets is being seen as a significant step towards productive arms talks and a possible treaty. ■

by Zhang Yunwen

JAPAN

## Diet Election Gives LDP Sharp Lead

*The Liberal Democratic Party (LDP) of Prime Minister Yasuhiro Nakasone emerged from the July 6 general election in Japan with absolute majorities in both houses of the Diet. Accompanying the victory, however, may well be a struggle within the Party over whether the presidency of the Party should be extended.*

**P**olitical history was made in Japan when voters in the July 6 Diet (Parliament) election gave the LDP a decisive victory with majorities in both houses.

The Liberal Democrats won a

record 300 seats in the 512-member House of Representatives. They also held on to their majority in the House of Councillors.

The results also meant a major



improvement in Prime Minister Yasuhiro Nakasone's chances of remaining in office this year for an unprecedented third two-year term.

Some Japanese political observers have predicted that the election means an end to the balance in the Diet between the LDP and out-office parties, and that it may have defined a basic direction for Japan's political development in the latter half of the 1980s.

The LDP increased its strength in the Lower House by winning back 54 seats lost in elections three years ago. Including those nominated as non-party members but enrolled as LDP when elected, the LDP has 304 seats in the House of Representatives. In the House of Councillors, or Upper House, LDP seats increased from 131 to 143, giving Nakasone's party absolute majorities in both Houses. In this election, 93.16 percent of the LDP nominators for the Lower House and 86.2 percent of those for the Upper House were successful and remain at the fore of Japan's political parties and groups.

The LDP-dominated Lower House constituencies increased from 4 to 15, and now include the five previously unaffiliated constituencies. The LDP has traditionally had a sharp edge over other parties in the rural constituencies; it has now considerably increased its following in Japan's cities. Japan's Socialist Party trailed with 85 seats. The Buddhist Komeito Party trailed with 56 seats, and was followed by the Democratic Socialists with 26, the Communists with 26, the New Liberal Club with 6, the United Social Democrats with 4 and other parties with 9. Some political observers have attributed the LDP victory to organization technique, policies and the efforts of the new leaders who competed to enlarge their respective influence in the election. Stress, however, has also been laid on the changes of Japan's social structure and

national ideology. The election "obviously reflected the return of conservatism and the conservatism of the political ideology," the newspaper *Tokyo Shimbun* noted. As other observers pointed out, Japanese society today is comparatively stable and its inflation is lower than in other parts of the world. In the face of Japan's rising Yen, Japan's prospects are a little uncertain, however. The nation's inclination towards stability and fear of disorder led many voters to choose the LDP, which has concentrated on economic development and achieved considerable success since World War II, observers note. The LDP also called for "freedom from anxiety, stability and security" during the election, which appealed to the independent voters who made up 40 percent of the electorate.

In the West, there is no counterpart to the LDP, which has been in office for 36 years. Many people attribute the long rule to the LDP's "flexible structure" consisting of various factions—a "conservatist community" as some people call it—which has a wide range of policy choices and absorbs some proposals from out-power parties. The Nakasone administration has also conducted a series of administrative, financial and educational reforms and has stressed internationalization and the readjustment of Japan's industrial structure to face the world-wide wave of reform. The administration's policies have siphoned much public support from its opposition parties and the trade unions. The other parties

were also unable to present a definitive campaign platform, which diminished their appeal to the voters.

Observers in Tokyo say the LDP's winning back of its losses from the previous election, consolidated Nakasone faction's No. 2 position and strengthened Nakasone's leadership over the party. Though there have been murmurings of not allowing Nakasone to retain the party presidency, there are also calls for his continuation in that role.

The victory reinforced political stability in Japan but brewed up fresh elements of factious struggles within the LDP. It is believed the struggles will focus on whether Nakasone will run for a third term, and, if not, who will replace him. The new leaders such as Noboru Takeshita, Shintaro Abe and Kiichi Miyasawa who increased their strength in the election, say it is unlikely that Nakasone will be running for a third term. Former prime ministers Takeo Fukuda and Zenko Suzuki expressed their opposition against an election for a third term or an extension of the presidency. At the moment, the struggle has just began and the first round is Prime Minister Nakasone's third cabinet reshuffle and personnel rearrangements within the Party. It is generally believed that the leadership of the LDP, which was held by Takeo Miki, Kakuei Tanaka, Massayoshi Ohira and Takeo Fukuda in the 1970s, will pass to Takeshita, Abe and Miyasawa through Suzuki and Nakasone. ■

by Sun Dongmin, Huang Qing

ASEAN

## US Protectionism: Economic Woes

*The Association of Southeast Asian Nations is faced with the growing threat of protectionism.*

**T**he Association of Southeast Asian Nations (ASEAN) has

achieved remarkable economic development in the past 20 years,

but its road forward is not without difficulties. In the last two years it has run up against a tough challenge.

This challenge has been posed by several economic powers, the United States in particular. In recent years the US economy has been tenuous and its trade deficits with Japan have grown. In an effort to ameliorate the situation, the US Congress has adopted several bills calling for protectionism and tariff barriers. Some of the bills are not directly aimed at the ASEAN nations, but they have brought significant losses to the ASEAN economy. Thailand is the leading rice exporter in the world, having exported 4 million tons of rice last year, bringing in US\$837 million. However, the United States, next to Thailand in rice exportation, passed a protectionist bill on farm produce last year and decided to provide a large amount of subsidies to its agricultural produce exports. The competition of US rice has put a notable strain on the export of Thailand's rice. US protectionism has also spilled over into Singapore, Malaysia and Indonesia and has affected the iron and steel, clothing, electronics and textile industries of these countries.

The United States is a leading ASEAN trade partner and makes up 17 percent of the total exporting quota of ASEAN countries. The trade quota between ASEAN and the United States was US\$23.5 billion in 1985. US protectionism is causing growing concern among the ASEAN members. Thailand has issued a warning to the United States that the agricultural bill will harm relations between the two countries.

Another challenge the ASEAN nations face is that prices for agricultural and mineral products have fallen steeply for more than a year, thus causing a decline in all ASEAN economies. Except Singapore and Brunei, other ASEAN

members are agricultural and mineral producers. Fifty percent of the gross national product of Malaysia comes mainly from exports of crude oil, palm oil, tin and rubber. Because of the falling prices, the total export value of Malaysia's crude oil decreased by 45 percent last year, palm oil was reduced by more than 60 percent, tin by 35 percent and rubber by 7 percent. And in Indonesia, the largest ASEAN country, 70 percent of its total revenue comes from oil, and the rest is from sales of such non-oil products as tin, rubber, timber, coffee, palm oil and tea. According to estimates, the economic growth rate of Indonesia will probably be negative 3 percent this year, unprecedented in the history of its economic development.

The rising value of the Japanese yen has added to the costs of importing machinery, electronics and transport vehicles. This means that ASEAN will provide the developed industrial countries with subsidies running to several billion US dollars every year.

At a meeting last June the foreign ministers of the ASEAN nations further discussed the need for internal co-operation to better meet the tough challenge. Soon after, in talks with foreign ministers of the United States, Japan and the European Economic Community, these ASEAN officials pointed out that trade protectionism had hurt the economic interests of not only the developing countries, but the developed ones as well. ■

by Li Yongming

#### JORDAN

### Hussein Closes PLO Offices

*Jordan government's decision to close down most of the PLO offices in Amman has evoked strong opposition from PLO leaders.*

The Jordanian government announced on July 7 that it had decided to close 25 Palestine Liberation Organization (PLO) offices in Amman because of PLO criticism of Jordan and Jordan's policies towards the Palestine issue, while allowing the remaining 12 PLO offices to stay.

Jordan's decision has enraged the PLO, and Yasser Arafat has accused Jordan of succumbing to American and Israeli pressures. "The suppression by the Israelis," Arafat said, "is now followed by the suppression by Jordan." Abu Jihad, deputy commander-in-chief of the PLO army, said before his departure from Amman after being served a notice to leave within 48 hours that the criticism of Jordan at the recent Tunis meeting of the Fateh Revolutionary Committee is not the cause of the order to leave but only a pretext for Jordan's decision.

Observers say there may be other reasons for kicking the PLO out of Amman.

First, Jordan has been irritated by the PLO's attitude towards UN Resolution 242, which calls for the recognition of Israel. After the scrapping of the Jordan-PLO accord for the Mideast peace process in February, King Hussein and other Jordanian officials have indicated that Jordan would co-operate with the PLO again if the PLO would change its position on the UN resolution. The PLO, however, has so far showed no signs of changing its stand. Hussein has said Jordan's hope to revitalize the Middle East peace process has been dashed by the PLO's intransigence on this issue.

Second, Jordan probably sees offices set up by the PLO, Fateh and other PLO affiliates as a threat to its security. These offices were set up after the joint accord

was signed in February 1985.

A considerable number of PLO members had been arriving in Jordan, and the influence of the PLO had been growing on both banks of the Jordan River, which the Jordanian government regarded as potentially destabilizing.

Earlier, Israel claimed that Abu Jihad was responsible for sending weapons to the Israel-occupied West bank. It is the policy of Jordan to ban any weapons from being sent from Jordan to the West bank.

Considering the above causes, Abu Jihad and other leading PLO officials said Jordan's decision to close their offices was not a surprise.

Three years ago, in June 1983, Syria closed Fateh's offices in Damascus, which also made things difficult for the PLO. Now that most of the PLO offices in Amman have been closed, PLO will find it tough going. The relative silence kept by other Arab countries on Jordan's move against PLO shows the delicacy and complexity of the matter. Syria-backed PLO organizations in Damascus, including that of Abu Moussa who broke from the PLO, have, however, issued statements siding with Fateh. This may be taken as a signal that changes are in store for the PLO. ■

by Rui Yingjie, Pan Liwen

agree in principle in their approaches to this problem "does not preclude the existence of a number of concrete differences."

In the three statements he made during his visit, Mitterrand stressed the importance France attaches to its independence and its commitments to its Western allies. He said France is striving to keep its armed forces at the level needed to check enemy aggression, that its nuclear deterrent is the mainstay of the country's independence and security and that only the French can determine the level of its armed forces. As for nuclear arms reduction, Mitterrand said, the French will cut back their nuclear arms only after the Soviet Union and the United States have taken similar action.

Mitterrand's statements have been regarded by some as a negative response to the recent Soviet proposal for "freeze" of French and British nuclear forces and a halt to nuclear tests. France has also refused to affirm a subsequent Soviet proposal for the reduction of conventional weapons and armies in Europe.

The Soviets have described their exchange of views with the French on regional conflicts as "beneficial and open," while Mitterrand endorsed the United Nations' efforts in calling for a halt to military conflicts in Kampuchea and Afghanistan. France respects these people's right to self-determination and non-interference in their internal affairs, the French president said.

Yet the meeting itself may have greater significance than any agreement they may have reached, observers in Moscow suggest. Regular contact with the Soviet Union is not only a reflection of France's independent foreign policy, but is beneficial to the Soviet Union, which has always tried to make use of the differences between the United States and its Western allies. ■

by Shen Yiming

## MITTERRAND IN MOSCOW

### France Puts Accent on Independence

*During his recent visit to Moscow, Francois Mitterrand said nuclear disarmament should begin with the Soviet Union and the United States because the two super-powers own most of the world's nuclear stockpile.*

It looks unlikely that France and the Soviet Union reached a substantive arms control agreement during the three-day visit of French President Francois Mitterrand to Moscow.

Mitterrand concluded his visit to the Soviet Union on July 10 after three rounds of talks with Gorbachev on East-West relations, arms control and bilateral relations. Details of their talks have not been revealed.

It is known, however, that the two leaders placed special emphasis on arms reduction, especially nuclear arms control. The Soviet side had hoped that France would make a "parallel," if not "joint" decision with the Soviet Union on the issue of arms control. In his toast at a banquet in honour of the French president,

Gorbachev said he hoped France would co-ordinate with the Soviet Union on the question of arms control and that France would agree to contribute to the on-going Stockholm conference on arms reduction in Europe.

The Soviet expectation was based on France's independence in its relations with its allies. France has made clear its reluctance to take part in the American "Star Wars" programme and its opposition to extending the arms race to outer space. The French want SALT II to be observed by the Soviet Union and the United States and advocate East-West arms reduction to the lowest possible level. However, as the Soviet news agency TASS said, the fact that both the French and the Soviets





# Planning and the Market

by Chen Yun, March 8, 1979

1. The principle of planning is to ensure planned and proportionate development. It was Marx who first formulated this concept.

*Capital* is a work on political economy. It presents an analysis of capitalism.

In *Capital* the author brings to light the fact that capitalist production is anarchic and that the growing productive forces are bound to come into irreconcilable contradiction to the relations of production. Hence, capitalism will ultimately die out.

Before a socialist revolution was won in any country, Marx had already predicted that the socialist economy would develop in a planned and proportionate way. This theoretical proposition has proved to be correct in every sense of the word.

2. After 1917, the Soviet Union initiated a planned economy, and China did the same in the years following 1949. Both applied Marx's theory on developing the economy in a planned and proportionate manner.

It was quite right for the Soviet Union and China to follow such a path. The point, however, is that both countries failed to *elaborate on Marx's principle* (of planned and proportionate development) in the light of the experience they gained in building the socialist system and of the level of development of the productive forces in their respective countries. This accounts for the shortcomings that have appeared in their planned economies.

Over the past 60 years, there has been an important defect in the planning systems of both the Soviet Union and China. Namely, they have focused their attention on planned and proportionate development while neglecting *market regulation*, regulation according to the law of value,

which the socialist system cannot do without. In other words, "anarchic" and "blind" production may be encouraged for regulating some sectors of the economy.

Our planning is so rigid and covers so many things that it leaves no room for the market to play its regulatory role automatically. Very often the plans are ill-

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***Neglect of the regulatory role of the market leads to neglect of the law of value, as is shown by the fact that many people have no idea what "profit" means. No entrepreneur can afford to act that way in managing the economy.***

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concerted, and the planning departments are preoccupied with their daily routines.

Since the market has a very limited role to play as a regulator and the planning departments only take care of portioning out quotas for the manufacture of run-of-the-mill goods and some major items of products, it is impossible to produce a great variety of goods. The result is that the people are provided with a very limited variety of daily necessities.

3. There must be two types of economy *throughout* the socialist period:

(1) The planned economy (the type that needs to be developed in a planned and proportionate way).

(2) The market-regulated economy (the type that is not subjected to planning but is

conducted in accordance with the changing market supply and demand, i.e. regulated in an unplanned way).

The first type is fundamental and predominant; the second, though supplementary and secondary in nature, is indispensable.

With both the state power and the first type of economy, we can build socialism. The second type is a useful supplement (not harmful, *on the whole*).

During the first years after liberation, we had only the first type of economy under our control. Despite the fact that the private, capitalist sector was still there, ours was a socialist country.

After we raised the per-catty price of ginned cotton to an equivalent of 8 catties of rice, there was a remarkable growth in cotton production.

The crux of the matter is that we are still *unaware* of the inevitability of and necessity for the coexistence of the two economies and that we are still undecided on the proportions each should assume in the different economic sectors.

This explains the following two shortcomings in our work of planning:

a) We are not strict enough where we should be. Hence:

Capital construction is over-extended;

The electric power industry and transport services, instead of developing ahead of other undertakings, are lagging behind;

The raw materials industry is not developing in proportion to the processing industry, and the latter is generally ahead of the former.

There is *an imbalance within* the iron and steel industry;

The same is true between the various industries; and

Of course, imbalance between agriculture and industry poses the biggest problem.

This is an outline of a talk.

## CHEN YUN ON ECONOMY

b) We are not flexible enough where we should be. Hence:

The powers for planning are over-centralized;

We are still exercising tight and rigid controls over that part of agricultural production undertaken by the individuals or the collectives, the part that is not included in state plans; and

The local authorities are so keen on construction projects that they don't have much funds left at their disposal.

4. Neglect of the regulatory role of the market leads to neglect of the law of value, as illustrated by the fact that many comrades have no idea what "profit" means. No entrepreneurs but pampered youths can afford to act that way in managing the economy.

After being blockaded by the Soviet Union, Yugoslavia had no choice but to give a free rein to the development of the market economy.<sup>1</sup> It seemed that in the early years the proportion of its economy covered by state plans was too small, but Yugoslavia paid attention to increasing that proportion later on.

5. The economy of our society is characterized by a vast population, with the rural residents accounting for 80 percent of the total, and a relatively small amount of arable land.

Yet, our comrades working in the planning, industrial and commercial departments do not have a *profound* understanding of this.

They are bound to run into snags unless they try to remedy this ignorance of theirs.

The arrangement made in the order of priority of agriculture, light industry and heavy industry for the development of our economy embodies an integration of Marxism with the practice of the Chinese revolution.<sup>2</sup>

6. In the course of readjusting the economy and reforming the management system in the years to come, we shall lay stress on establishing a proper ratio, be-



tween the planned economy and the market-regulated economy. The increase of the planned economy will not necessarily lead

to the decrease of the market-regulated economy in absolute terms. Most likely the two will grow *proportionately*.

### NOTES

1. After Yugoslavia was expelled from the Information Bureau of the Nine European Communist and Workers' Parties in June 1948, it was subjected to an economic blockade and political and military pressure. The Information Bureau was founded at a meeting held in Warsaw, Poland in September 1947 by representatives of the Communist and Workers' Parties of Bulgaria, Romania, Hungary, Poland, the Soviet Union, France, Czechoslovakia, Italy and Yugoslavia. In April 1956, the Bureau declared itself closed.

2. In his talk in the early days of the Lushan Meeting held in 1959, Mao Zedong pointed out that in the past the development of the national economy had been planned in the order of priority of heavy industry, light industry and agriculture. He proposed to change the priorities to agriculture, light industry and heavy industry, with the last serving the first

two. By the order of priority of agriculture, light industry and heavy industry mentioned here he meant that, in drawing up plans for the development of the national economy, priority should be given to agricultural production and its needs before making arrangements for the production of light industry in the light of market demand and the amount of raw materials that agriculture can provide. And the growth rate and production scale of heavy industry should be decided in keeping with those of agriculture and light industry, to avoid lopsided development of heavy industry and imbalances between the different sectors of the national economy. Mao Zedong based those decisions on the fact that China was an agricultural country and analysed both the positive and negative experiences in the building of socialism in China and elsewhere before he put forth this principle and method for planning the development of the national economy. ■

## Three Gorges Project: Is It Feasible?

**Though still in the preparatory stages, the Three Gorges water conservancy project has, because of its size and potential effects, already aroused much interest both in China and abroad. The following report, to be carried in two instalments in this and the next issue, is a summary of the project to date and attempts to explain the reasons behind and repercussions of the mammoth undertaking.**

by Our Correspondent Han Baocheng

**A**n isle, 1,000 metres long and 200 metres wide, lies in the middle of the Changjiang (Yangtze) River near the town of Sandouping at the mouth of the Three Gorges, 40 km upstream from the Gezhouba Dam. Over the past 30 years, group after group of specialists have stopped at the shoal on their way to investigate uses of the area's water resources and the possibilities of building a water conservancy project in the vicinity. Chinese and foreign tourists boating down the river have often focused their cameras on the lone isle, knowing that if the planned Three Gorges dam, which would run 2,000 metres in length and 165 metres in height, and its companion hydroelectric power station — the largest in the world — are built, the island will be a thing of the past.

A key project for developing the Changjiang River, the Three Gorges water conservancy project is to be used to prevent floods, generate electricity, improve navigation and irrigation and develop aquatic production and tourism.

This enormous project, estimated to cost more than 10 billion yuan (US\$2.7 billion), has drawn attention from foreigners and overseas Chinese round the world. Since last July, more than

10 governmental and non-governmental delegations from the United States, Japan, Canada, Sweden, Belgium, Singapore and Hong Kong have visited China for on-the-spot investigations and discussions on the project. Darrell W. Weber, a senior official of the US Department of the Interior, Land and Water Resources' bureau of reclamation, told *Beijing Review* recently he thought the Three Gorges project would be one of the most beneficial in terms of scale and social effects compared with similar projects round the world.

Other experts disagree with Weber. They point to the environmental damage the dam would create and recommend that the project be cancelled or at least postponed.

Is the project feasible? Based on a recent trip to the Three Gorges and interviews with several local officials and experts, the answer seems to be affirmative, at least in terms of economy and technology.

### Retrospect

The world's third longest river, the Changjiang, runs 6,300 km through an area of 1.8 million square kilometres. With a total

drop of 5,500 metres, it has an estimated potential water energy capacity of 208 million kilowatts, of which only 3 percent has been tapped so far. The section between Chongqing and Yichang runs 650 kilometres and drops 130 metres at the Three Gorges area, which consists of the Qutang, Wuxia and Xiling gorges, and the valleys of the Wushan Mountains between Sichuan and Hubei provinces. The torrents of the Changjiang tumbling down the narrow gorges for 200 km present a majestic landscape that attracts 1 million tourists each year. It is also an ideal place for a dam and electric power station.

It was Dr. Sun Yat-sen (1866-1925), pioneer of the Chinese Democratic Revolution, who first conceived the idea of building a water conservancy project at the Three Gorges. He discussed the possibility of using the Three Gorges to generate electricity and improve navigation on the Changjiang in his book *A Programme for National Construction* published in 1921. In the 1940s, China invited American water resources specialists to examine the possibilities. Chinese engineers were also sent to the United States to join in the design of the Three Gorges water conservancy project.



Since the founding of the People's Republic in 1949, the central government has attached much importance to the Three Gorges project. Over the past 30 years or more, the Changjiang River Planning and Utility Office has continued its surveying, designing and researching for the project. An outline was worked out for the design of the water conservancy project in the 1950s. A phased programme for its development and materials of various designs were put forward in the ensuing decade. Further studies were carried out in the 1970s in conjunction with the construction of the Gezhouba

lower reaches of the Changjiang," he said.

## Flood Control

Though not as furious and capricious as the Huanghe (Yellow) River, the Changjiang is also a river of many floods. During the 2,000-plus years between the Han Dynasty (200 BC-220 AD) and Qing Dynasty (1644-1911), the Changjiang overflowed its banks more than 200 times. The average flow volume of water in the Yichang section, where the Gezhouba Dam is located, is 14,300 cubic metres per

million people suffered from the floods in 1931 and 1935, both of which caused more than 140,000 deaths. During the floods in 1954, about 1 million people worked to reinforce the dikes. Wuhan was saved, but despite their efforts, the flood took a heavy toll on the lives and property of the people, and the operation of the Beijing-Guangzhou railway was suspended for about 100 days.

Since 1954, the Changjiang has not seen a disastrous flood. But the people living in the middle and lower reaches are always threatened by the pending danger of another sudden flood.

Li Boning said after more than 30 years of construction, this flood-prone area has well-developed agriculture and industry. The total population in the plains on both sides of the river reaches about 75 million and cultivated land exceeds 6 million hectares and there are scores of densely populated cities along the river. The total industrial and agricultural output value of Hubei, Hunan, Anhui, Jiangxi and Jiangsu provinces and Shanghai alone have made up a third of the nation's total annual output. For the most part, however, these provinces and Shanghai are located below the control line of the river floods. The Jingjiang Plain and the flood-detention area of Lake Dongting are at least a few metres lower than the river's bed. Today, flood-prevention relies on 30,000-plus km embankments along the river. The main embankment alone extends 3,600 km. If a serious flood were to occur, it would devastate the area.

Some have suggested other forms of flood prevention, including building a network of reservoirs on the upper reaches and the tributaries, reinforcing the river's banks, and expanding the flood-diversion areas at the outlet of the Three Gorges. The Changjiang River Planning and



Engineers discussing the topographical features of the dam site.

Dam. In 1979, the site of the Three Gorges project was chosen, and the project's feasibility study was approved in principle by the State Council in 1984.

Li Boning, former vice-minister of water resources and electric power, said the most important function of the Three Gorges project would be to control the floods. "This alone would fundamentally improve the ecological environment in the middle and

second. The amount reached 192,500 cubic metres per second during a major flood in 1860, and up to 110,000 cubic metres per second in 1870 during a catastrophic flooding. These two floods inundated the plains in both Hunan and Hubei provinces, which are next to the mouth of the Three Gorges.

The years 1931, 1935, 1949 and 1954 all saw serious floods in the Changjiang River. More than 20

Utility Office says it has investigated these alternatives but has found them unworkable.

Since the founding of the People's Republic, 80 large and medium-sized reservoirs have been constructed on the upper reaches and on many tributaries of the Changjiang. In addition, 19 are to be built upstream from the Three Gorges. However, a 300,000-square-kilometre area lying between these reservoirs and the plains on the middle and lower reaches of the Changjiang River, are subject to torrential rain and when heavy rain comes, this area floods easily. Moreover, because the reservoirs are too far apart, they do little to divert flooding at the same time. According to flood records, about 70 percent to 80 percent of the flooding on the middle and lower reaches has been caused by flooding on the trunk of the upper reaches. Therefore, stemming flooding on the trunk would be the fundamental way to control flooding.

Furthermore, raising the banks is unrealistic. At present, the Jingjiang section's embankment has been raised 2 to 3 metres since 1954. To do so further would require 900,000 cubic metres of earth dug out and transported away from about 100,000 hectares of farmland. The cost of such a project could be more than the estimated total investment in the Three Gorges project. This did not include funds for the construction of about 5,000 culverts and more than 1,000 sets of irrigation and drainage facilities and for the reconstructions of many bridges along the embankment, all of which would be necessary for such a project. According to engineers, many places along the river banks cannot bear much more earth.

To reduce the harm to the lower reaches, a vast flood-diverting area was formed on the Jingjiang section linking the outlet of the Three Gorges and a region of numerous lakes and pools. But the

area now has become a grain and cotton-producing centre and is densely populated. The diversion project would require the difficult displacement and resettlement of the local residents.

The dam at the Three Gorges is the most reliable and economical way to harness flooding. The project will also include building reservoirs on the Changjiang's upper reaches and its tributaries to store the flood water. Only with these measures can the middle and lower reaches be relieved from flooding.

## Power, Shipping, Irrigation

If the plan for normal water storage 150 metres deep for the project is adopted, the capacity of the hydroelectric power station to be constructed on both ends of the dam will reach 13 million kw, 400,000 kw more than that of the Itaipu hydroelectric power station now under construction in Brazil, so far the largest in the world.

It has been 15 years since China began addressing its energy shortage. During the Sixth Five-Year Plan period (1981-85), because output in industry and agriculture far surpassed the planned growth rate, the energy shortage became even more acute. The country is now short of about 45-50 billion kw of power every hour. The deficit is particularly intense in those well-developed areas along the middle and lower reaches of the Changjiang River. Many factories there have had to use costly and inefficient diesel engines to supply power for production. In extreme cases, city residents and farmers are only sporadically supplied with electricity.

When the Three Gorges hydro-power station is completed, its electricity can be directly transmitted to an area within a radius of 1,500 km including Beijing, Shanghai and Guangzhou. Ac-

ording to the plan, it will be able to supply electricity of 30-40 billion kilowatts/hour every year to east China, an equivalent of 15 million to 20 million tons of coal consumed by thermal power plants.

The Three Gorges project is also expected to improve navigation on the Changjiang. Though the river is China's chief waterway, only about 10 percent of its transport capacity has been tapped. One important reason for this is that the section between the cities of Chongqing and Yichang is full of reefs and dangerous shoals and has been the scene of numerous shipwrecks since ancient times. Despite decades of efforts made to dredge the river, today in this section there are still 139 dangerous shoals, 21 shoals where ships can only sail upstream by aid of an additional power, one-way passage in 48 places and 27 spots where only daylight transport is possible. When the dam is built, the water level will be raised by 100 metres and all the dangerous shoals in this section will be submerged, which will greatly facilitate navigation.

Construction of the project will also hasten the implementation of a long-term programme of diverting the water from the south to the north. Because China's water resources are not equally distributed, the shortage of water sources in north China and on the loess plateau has hindered the growth of agriculture in these areas. When the water level is raised after the dam is completed, it will be possible to divert the water from the Changjiang River to north China. The move will put 4 million hectares of additional farmland under irrigation.

Lu Jingfang, senior engineer of the preparatory office of China's Three Gorges Project Development Corp., said because the growing seasons in north China coincide with the Changjiang's high-water period, diversion of

water would not affect the river's power generation and navigation. Of course, the realization of all the project's functions hinges eventually on the rational use of the reservoirs.

The Three Gorges project, when completed, will have a profound effect on China's future economic and social development. According to Li Boning, no one has been able to give an accurate estimate of the project's true value, for the material wealth it will provide may be boundless.

## Investment

Some have questioned whether China can afford to build the Three Gorges project. Once construction begins, they say, China will have to abandon other hydro-power projects. However,

General Engineer Pan Jiazheng of the Ministry of Water Resources and Electric Power thinks differently. "The designed investment of the Three Gorges project does not exceed our country's financial capacity," he said. "China's financial resources will grow considerably during the Seventh Five-Year Plan period (1986-90) and will increase even faster afterwards. If the Three Gorges project is begun during this plan period, its estimated investment will only account for 0.6 percent of the state's total budgeted investment for this period and 0.7 percent to 0.8 percent during the two ensuing plan periods. By comparison, the first-stage project of the Baoshan Iron and Steel Complex in Shanghai took up 4.9 percent of the state's total investment for the Sixth Five-Year Plan period," Pan said.

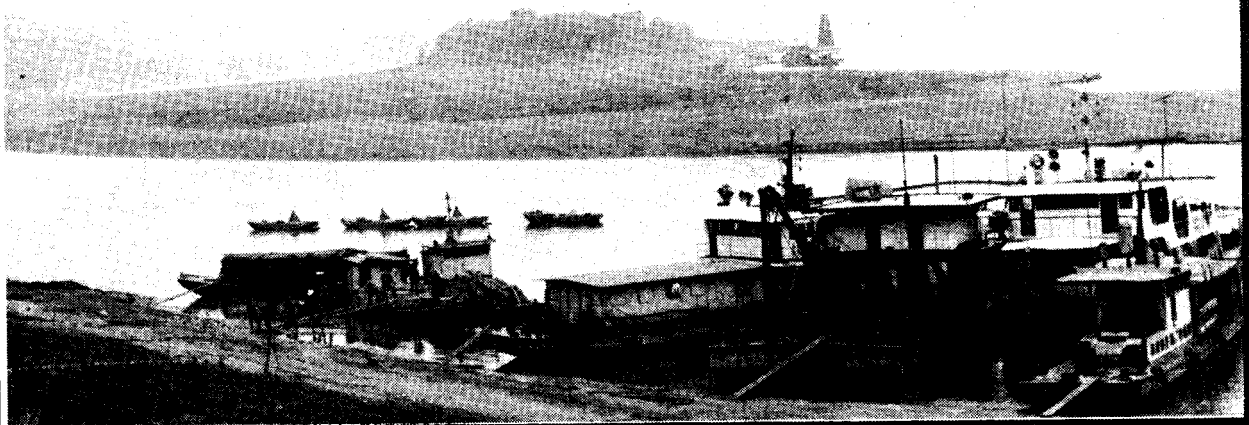
According to the plan for damming water at the 150-metre level, the Three Gorges project

requires an estimated 17.2 billion yuan investment. This sum will not come entirely from the state treasury. The project is expected to take 17 years. The two 500,000 kw generating sets will begin generating electricity in the 11th year and will be followed by four generating sets of the same size every year for the following six years. When the project is completed, the 26 generating sets will be able to produce a total of more than 270 billion kwh, which, if calculated at the present-day electricity charge, would make more than 17 billion yuan, or just about the same as the total investment. In addition, the central government will contribute all income from the almost completed Gezhouba Hydro-power Station to the construction of the Three Gorges project, lightening the state's investment burden.

Early this year representatives of the United States, Japan, Canada and the World Bank came

The Three Gorges dam site — Zhongbao Isle.

HAN BAOCHENG





to China to discuss possible investment. An official of the preparatory office of the Three Gorges Project Development Corp. said that investment in the Three Gorges project conforms with China's financial abilities. The needed construction funds come mainly from domestic sources, while foreign investment preferential to China will also be used.

## Technical Preparation

The Wuhan-based Changjiang River Planning and Utility Office of the Ministry of Water Resources and Electric Power is responsible for controlling and developing the river, as well as for programming and designing some of China's major hydropower and water conservancy projects. To perform its responsibility, the office has designed the Gezhouba Hydropower and Water Conservancy Project and is now working on the Three Gorges project.

Ever since it was established 30 years ago, the office has studied the Three Gorges project. Among its 12,000 employees, more than 4,700 are engineers and technicians, including 89 senior ones, working in the office's associates — one hydroelectric and water conservancy scientific research institute and seven sub-offices in charge of programming, key project design and construction, machinery and equipment, reservoirs, hydrology study, surveying and construction. Their research, particularly in silt removal, has impressed many foreign visitors.

More than 300 other research institutes, universities and enterprises have taken part in the research related to the project. In 1985 alone, for example, under the auspices of the State Science and Technology Commission, 310 items presented by the office were studied, including silt removal,

navigation, hydro-engineering, large engineering machinery and equipment, large electricity-generating sets, automation of extra-high voltage power transmission and transformation, influence on ecological environment and stipulations of relevant policies, geology and earthquakes, economic and social development programmes for the area and the overall evaluation of the project's economic returns.

These research institutes have accumulated reservoirs of technical data over years of hard work.

In the field of hydrology, for example, they have collected and tabulated hydrological records dating back more than a century and historical records dating back more than a millennium. From these they have gotten a clear idea about the change in the Changjiang River's flow and silt deposits. They have conducted painstaking geological surveys of possible construction sites for the dam, and provided the geological data for selecting the final location at Sandouping. In silt control, they have also conducted several large model tests and experiments and found solutions to the problem of silt deposits. The Changjiang River Planning and Utility Office has submitted its programmes and feasibility studies on damming water at 150-metre to 180-metre levels, to the central government for its policy decision.

Chief Engineer Ha Qiuling of the preparatory office of the Three Gorges Project Development Corp. said: "Compared with other hydropower and water conservancy projects in China, the Three Gorges are endowed with the most favourable geological conditions for construction. The dam site we selected at Sandouping has beneath large, hard granite blocks, making it ideal for building a high concrete dam. In addition, the site does not call for time-consuming karst cave filling and permeation-

proofing. The expansive open ground in the vicinity will also make the construction much more convenient. The small islands in the river will be helpful for the construction of a cofferdam and will save a lot of earth work. Located behind the city of Yichang, the area's transportation is convenient and supplies of materials and food are sufficient. And, the Gezhouba Hydropower Station, will provide enough electricity for the construction. All these things will help keep costs down".

So far, Ha said, all the technical problems that would involve in the construction have been studied. Risks would be minimal during the construction, he added. "The successful construction of the Gezhouba dam has made us much more experienced. We have larger and more advanced machines and equipment than we had when we built the Gezhouba project. We have created more favourable conditions for the construction of cofferdams and other projects. More important, our country is now financially and technically capable of building large hydropower and water conservancy project like that at the Three Gorges." As for project contractors, Ha said, single-item public bidding would be preferable.

The Three Gorges Project Development Corp., which will be headquartered in Yichang, will be responsible for the construction of the project and co-operation with other countries when the project begins. It will also be responsible for management and operation when the project is completed and put into production.

Small-scale construction of highways, water and power supply projects has already begun in the dam area. Large-scale construction will begin with the official approval of the central government. ■

*(To be continued)*

CHANGZHOU'S URBAN REFORM (IV)

## Strong Competitor But Good Partner

*This is the concluding article in the series on Changzhou's urban reform. It describes the positive effects the reform has on the city's foreign economic and technological exchanges. The previous three articles appeared in our issue Nos. 24, 25 and 26.*

by Our Correspondents Xia Zhen and Yue Haitao



A sewing workshop of the Changzhou Zhongda Clothing Co. Ltd.

CHEN ZONGLIE

The economic reform has created a new climate in Changzhou's opening to the outside world. While its brand-name products sell well on domestic and foreign markets, the city has also attracted a great deal of foreign investment and advanced technology. Changzhou, therefore, is not only a strong competitor but also a good business partner, which is why so many foreign business people have visited there to discuss potential trade arrangements.

Changzhou's total value of purchases for foreign trade (so far the city has no direct trade with foreign countries) in 1985 reached

678 million yuan, an increase of 11.5 percent over 1984. It also imported 101 technological projects and attracted US\$49.96 million in direct foreign investment, a 2.5-fold increase over the total 1980-84 volume. In addition, 70 technological projects have begun operating in Changzhou, surpassing the total of the previous seven years.

### As Foreigners See It

At the opening ceremony of the Chang-Tai Architect Liral Up-

holstery Engineering Co., Ltd., a Changzhou-Macao joint venture, Director Liang Baoji from Macao said that in certain aspects Changzhou offered a better investment climate than Shanghai. The reasons she gave were as follows: First, Changzhou is both a medium-sized city and an experimental city of reform. "Here we have more mobility in our work," she said. When preparations were made for the establishment of the joint venture, because some major problems could not be solved, negotiations reached an impasse. Liu Hezhang, deputy mayor of Changzhou, who was in charge of importing, interrupted Mayor Chen Hongchang while he was presiding over a meeting, and asked for a decision, which Chen made. In contrast, when we began a project in a large city a minor problem could be solved only after it was OK'd by 12 units."

Second, the leading municipal officials are said to give energetic support to technology import. Because Chang-Tai's business has been done mainly in China, it has been unable to balance its foreign exchange income and expenditures. When the Changzhou leaders discovered this, they agreed that the company may use local funds ranging from US\$300,000 to US\$500,000 over the next two years.

Third, Changzhou people are known for their conscientiousness and courtesy. Shen Wangda, a manager from Macao, said, when asked about his Changzhou



partners, "In the nine months from negotiation to starting business, we have co-operated with each other very well."

In terms of the clothing industry, Changzhou is perhaps one of the best places to earn more foreign exchange. "Joint ventures can start quickly and are highly efficient," said Siu Hok Yu, deputy manager and Hong Kong partner of the Changzhou Zhong-Da Garments Co., Ltd. He said that last year Zhong-Da Garments Co., Ltd. went into operation, and in the same year it recouped its investment and had a foreign-exchange surplus.

Recently the Changzhou Tractor Co. initialled a contract to produce walking tractors with the famous R.A. Lister Co, Ltd. of Great Britain. The well-equipped Changzhou Tractor Co. is the only export commodity production base among China's more than 2,000 farm machinery enterprises. The Lister Co. selected the Changzhou Tractor Co. as its partner after conducting a thorough study of many enterprises in Southeast Asia and China for potential co-operators. The two agreed on a joint investment of more than £10 million, each bearing 50 percent. Their products will be exported mainly to Southeast Asia.

Both sides worked every minute to clinch the signing of this co-operative project so that it could be included in the Sino-British long-term economic co-operative agreement which would soon be concluded. However, before formal negotiations began, Changzhou did not receive the engine sample consigned for shipment by R. A. Lister Co. because of an air accident. The British company immediately sent the second sample engine by a special chartered plane to Beijing, and then transported it to Changzhou by taxi. The Changzhou Tractor Co. urged the examination and approval of the project by following necessary procedures

and the municipal, provincial and central departments concerned gave it a green light.

### Less Effort, More Result

The China Changly Enterprise Co., Ltd. is the first joint venture owned by Changzhou Relay Factory and Holyland H.K.. In October 1984, the company began producing electronic components and electrical appliances. Now 70 percent of its products are exported. Before 1984, however, the Relay Factory's technology

blueprints, technological parameters or the help of Japanese experts. The factory workers later made 36 additional improvements. In only two years, the mill netted an additional 25.47 million yuan in profits and taxes, 1.01 million yuan more than the total equipment investment. The Japanese were quite impressed by the Chinese mastery of the advanced technology.

The Changzhou Building Materials Factory imported equipment for producing polyester and resin from abroad. During the operation, the



CHANG XIN

**A workshop where the Changzhou Tractor Corp. and the British R.A. Lister Co. Ltd. manufacture walking tractors.**

was limited and backward and its products were not selling well. After its establishment, the joint venture introduced advanced equipment and managerial techniques, and now the quality of its products is better than that of the same domestic products. The production costs of its components are only 10 percent of their equivalents. In 1985, the company's profit was 373,000 yuan, and it earned HK\$450,000.

In 1979, the Changzhou No. 1 Cotton Mill imported air-spinning equipment from Japan. The first machinery was successfully installed and test-run without any

factory's technicians improved the equipment, and as a result, the factory's productivity doubled and production costs dropped 60 percent. Basing themselves on this experience, the technicians designed another three sets of equipment, the costs of which were only one-third of the imported ones.

In 1985, 70 projects, imported at a cost of US\$26.56 million, were put into operation. Most of the enterprises yielded profits the same year they went into operation. When they reach their designed capacity, their output values are expected to increase by

270 million yuan each year, and the profits and taxes by 54 million yuan annually.

Wu Zhiyuan, an official from the Changzhou Foreign Economic and Trade Commission, said the city government, using the power given by the state for being a pilot city in the economic reform, will follow a preferential policy which will have strong appeal to potential foreign investors.

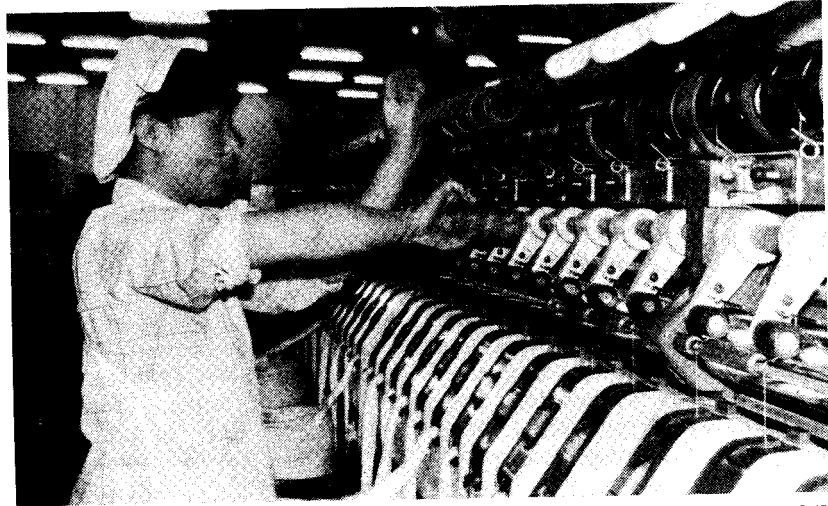
Wu admitted that the shortage of electricity had adversely affected the growth of foreign investment and imports of advanced technology. Hu Siu Yee, deputy general manager and Hong Kong representative of the Changzhou Zhong-Da Garments Co., Ltd., also said power cuts were the city's most troublesome problem. He said that though their factory has a diesel generator, the diesel oil is rationed. The monthly ration is only enough for a week. In order to extricate Changzhou from this predicament, the city government is preparing to build a thermal power plant that will transmit electricity to the whole city by 1990.

## Improving Infrastructure

In an effort to emphasize external trade, the Changzhou city government, while trying to increase the variety of its export commodities, is stepping up the construction of modern communications and transportation facilities. Its major measures are as follows:

In March, Changzhou built an airport with routes from Beijing to Guangzhou, greatly enhancing the potential for contact with the outside world.

Zhangjia Harbour, linked with Changzhou by an 80-km. highway, is a natural port on the Changjiang (Yangtze) River. About 114 km. from Shanghai, Zhangjia Harbour is 14-15 metres in average depth and 1,200 metres wide. It has four berths for 10,000-ton vessels, two for 5,000-ton



CHEN ZONGLIE

Open-end spinning equipment the Changzhou No.1 Textile Mill imported from Japan.

vessels and eight temporary berths. Its annual handling capacity is 3.4 million tons, of which Changzhou's goods account for 30 percent. The city is now planning to discuss the harbour's expansion with its authorities.

A new telecommunication building is also expected to be completed soon, and it will offer modern communications equipment.

Changzhou is also preparing to build an expressway with local and Suzhou and Wuxi city funds, (there already is a railway linking the three cities). In this way, the richest cities in the Changjiang River valley will be joined together to make a new economic development zone in order to compete with Shanghai. Last year, the plan for the new economic zone was approved by the State Council.

When the above plans are realized, Changzhou will have a more convenient environment for foreign trade and investment.

## Conclusion

Like other Chinese cities, Changzhou is a developing socialist city. In our report, we listed the

statistics on Changzhou's economic success. Though these figures show advances, they are still low when compared with other industrial cities round the world. Our purpose was to illustrate the changes and trends in the reforms, and the great potential that is being tapped.

In our series, we also reported on the specific measures Changzhou has adopted. Some of these, such as specialized and co-operative production, economic association established on the basis of mutual benefit and importance given to market force, might be similar to those undertaken in capitalist countries. All these measures, however, are related to the socialized production and the general character of the commodity economy. Meanwhile, they are also distinct from capitalist ones, such as upholding the form of public ownership, following the principle of "to each according to his work," practising a planned economy and adopting diversified management methods. These differences are determined by China's social system and specific national conditions. The reports will have served their purpose if they help readers to understand China's "second revolution."



# How Volkswagen Performs in China

**While the prospects look good for the Shanghai Volkswagen Automotive Co. Ltd, troublesome problems have cropped up.**

by Our Correspondent Yue Haitao

A modern vehicle assembly line moved slowly as European component parts were fitted into automobiles. Around the factory hundreds of new Santana sedans were gleaming in the sun. The roads leading to the factory area were muddy, and people faltered as they walked along. In the distance construction cranes and bulldozers were humming on a site where a huge new factory would soon take shape.

This is the production area of the Shanghai Volkswagen Automotive Co. Ltd. (SVW), a Sino-West German joint venture in Anting on the western outskirts of Shanghai, where Santanas have become popular.

General Manager Zhang Changmou recently said SVW is now being overhauled as the largest Sino-foreign joint venture in China's machine-building industry. The project envisaged a total investment of 500 million Deutsche Marks, shared fifty-fifty between both partners. When completed, the factory will be able to produce 30,000 Santana sedans and 100,000 engines annually. The joint venture, founded in March 1985, began operation in September the same year. Both Zhang and his German partner, Deputy General Manager Martin Posth, said they were satisfied with the company's work over the past year. "The company is running well and co-operation between both sides is good," Posth said. "Difficulties arising from routine work can be solved quickly."

Transforming the Shanghai Automobile Factory, coupled

with co-operation with Federal Germany's Volkswagen Automotive Co. in producing Santana sedans, is one of the key technological transformation projects during China's Seventh Five-Year Plan period (1986-90). The original products turned out by the Shanghai Automobile Factory resembled the Volga sedans produced by the Soviet Union during the 1950s. In early 1984 an agreement was reached between China and West Germany after repeated negotiations. The governments of both countries gave special attention to this important joint venture project. In October the same year Premier Zhao Ziyang and visiting West German Chancellor Helmut Kohl attended the signing ceremony of a project agreement at the Great Hall of the People. In February 1986 a spokesman for the Chinese Ministry of Foreign Economic Relations and Trade announced at a press conference that the government would follow a special preferential policy towards the Shanghai Volkswagen Automotive Co. Ltd.

SVW currently has a working staff of 1,700, including 30 foreign workers and staff members, and it produces 800 Santana sedans a month. Such sedans, put on the market in 1982 by Volkswagen, were medium-grade products. The designing of Santana embodied the company's traditional guiding principle, that is, placing special emphasis on good performance and durability. The sedan, once started, accelerates quickly, has high-speed performance and low oil consumption, and its interior

devices are practical. When renovation of the factory is completed, a set of technology will gradually be introduced into the factory.

After six months of painstaking preparation, SVW began operation on September 1, 1985. Since then factory work has proceeded smoothly and the overhauling is now in full swing. Maintenance service stations have been set up in Beijing, Shanghai, Guangzhou and seven other big cities.

While the prospects are encouraging, there are also some trouble-some factors.

"Some difficulties have gone beyond our managing capacity and power," Posth said. "The most outstanding problem has been the shortage of investment." He said the 250 million Deutsche Marks invested by China was calculated in Renminbi (about 200 million yuan). In the past two years, however, because of the great change in the exchange rate and the mounting prices for raw materials in China, the amount of investment is far from enough. In 1983, 1 D-mark equalled 0.76 yuan. Now, however, 1 D-mark equals 1.45 yuan. The project requires an additional investment of 200 million to 300 million yuan, calculated at the current exchange rate and the prices for the raw materials and auxiliary equipment needed. West Germany has decided to contribute a part of the amount, whereas allotment from China has not yet been approved. Posth said that this had made it hard to realize the plan of turning the Santanas into Chinese-made

products, one of SVW's important goals. Posth said he was perplexed why two years ago China would have spent a lot of foreign exchange on importing Japanese vehicles but now could not afford to sustain the development of its own auto industry. This was a big policy mistake, he added.

The second problem of the joint venture, according to Posth, has been the ineffectual sales channels. The main cause of impeded sales, he said, has been China's administrative distribution method for domestic vehicle sales. Under the present circumstances when China reduces credit and limits group purchasing power, it is not easy to get a vehicle deal approved. Moreover, some departments require their customers to pay a certain amount of foreign exchange, creating additional difficulties.

Referring to the company's internal problems, Posth said, "SVW has followed Volkswagen's management methods and rules and regulations, some of which are not applicable in China, and it will take time to bring about smooth management by combining the German method with the Chinese method. Because some Chinese managerial personnel are incompetent, it is difficult to achieve quality management." General Manager Zhang added, "There is also hindrance to the reasonable flow of personnel, and at present I do not have the right to fire any worker who has violated discipline. The municipal government thought dismissing workers would give rise to social problems. With regard to those who do not want to work in the company any longer, I have to persuade them patiently to stay on because no other units want to accept them. It is said that this situation will be changed soon as the department concerned will recruit those we let go."

Posth said despite the problems, he is optimistic about SVW's

future. The Volkswagen Automotive Co. came to invest in Chirfa with the following two considerations: One is economic. China is a huge potential market. It is natural that a large enterprise group like Volkswagen would find this market attractive. The second is political. The Volkswagen Automotive Co. has a traditional practice of helping third world countries develop their auto industries."

Despite the present difficulties, Posth said, "There is a bright future for the operation of a joint auto venture in China. I am confident that the difficulties we encounter are only temporary and can be solved."

When talking about China's current economic reforms, which are designed to solve these problems, Posth indicated his understanding of this and said in Chinese, "We should advance step by step."

Officials of the China National Auto Industry Corp., one of the Chinese partners to the joint venture, have their own interpretations of the problem confronting SVW.

Li Shouzhong, deputy manager of the company's Planning and Development Division, said the company officials were studying the issue of additional investment in SVW. When the protocol on the SVW project was signed, he said, the total investment was RMB 387 million yuan. Now SVW officials proposed an additional 575 million yuan in investment, which more than doubled the amount specified in the contract. This meant a huge amount of money. "We need to check and verify the additional investment factors — change in exchange rates, the rises in prices for auxiliary equipment and the construction costs of the project, as well as the import of additional equipment," Li said. "Then," he added, "we need to decide on the amount of additional investment. But up till

now, we still have not received the quoted price bills from SVW on the import of additional equipment.

Li said that apart from the additional investment, SVW is required to speed up the production of the necessary components and spare parts in China and implement the principle of mutual benefit between the two partners to the joint venture. At present, only four tires and a radio used for a Santana are China-made. Of course, for foreign partners, before achieving the goal of producing 200,000 to 300,000 vehicles annually, it is more profitable to use imported spare parts to assemble CKD than to do the same with China-made spare parts. Judging from the current production efficiency, by the end of this year, the German partner will be able to recover 30 million D-marks, accounting for 50 percent of Germany's total investment of 60 million D-marks, according to the change exchange rate. At such speed, the German partner will be able to recoup all its investment in two years.

Explaining why China requires home customers to pay a certain amount of foreign exchange for the purchase of vehicles, Li said, "This is part of China's preferential treatment granted to SVW and a support given by the Chinese government to the joint venture."

Deputy Manager Li said that while SVW ensures the economic interests of foreign partners, it should strive to speed up the process of turning Santana into an entirely Chinese-made product. The primary aim of foreign investors setting up a joint venture in China is to make profits, whereas China's most important goal is to speed up the pace of getting Santanas home-made. How to balance these interests for both sides has become an important problem that needs to be tackled in real earnest. ■

# China Proposes Aid Plan for Africa

by Our Correspondent Han Baocheng

China has planned to set up several centres in Africa, in the form of trilateral or multilateral co-operation, for training agricultural, technical and managerial personnel, and is now selecting partners for the projects. At a recent international symposium held by the World Grain Council in Guangzhou, in southern China, Bai Fugeng, deputy general manager of the China Corporation for International Co-operation in Agriculture, Animal Husbandry and Fishery, proposed a trilateral co-operation programme. Bai's plan would include China, which will provide technical assistance for grain production and agricultural development. It also includes institutions in developed countries and international organizations, such as the World Bank or the United Nations Development Programme, offering funds and material assistance. The African countries, too, will supply the needed land and human resources to operate nutrition and grain projects.

Representatives from both developed and developing countries have expressed interest in this co-operative project.

Mumba, head of the Hydraulic Planning Department of Zambia's Ministry of Agriculture, said he would welcome China's plan. "We need small agricultural machinery for weeding, threshing and reclaiming wasteland. The United States has no such machinery, but China has," Mumba said. "We think the three-way programme proposed by China would be appropriate for acquiring such equipment and the requisite experience." Maurice Williams,

executive head of the World Grain Council said he also supports China's plan. He expressed a willingness to raise funds from international organizations for planned projects. In the 1960s, China began agricultural co-operation with 10 African countries, and it now has such relations with 44 African countries. From these exchanges, both sides have swapped experiences in growing grain, sugarcane, tea and tobacco, and in fisheries. China has undertaken 120 agricultural projects in Africa. They include building farms and agro-technical and veterinary stations. Preparations are under way for another 70 projects. Of the 120 projects, 60 percent are for rice-planting. Some African countries have invited Chinese experts to provide advice on developing rural education, formulating population policies, improving housing and water supplies for humans and animals, and developing rural energy and handicraft industries.

China and Africa have many similarities in culture, historical background and natural and geographical conditions. Proceeding from the specific features of African countries, China's experts have successfully applied Chinese experience and technology to the African projects. The 560-hectare rice-growing farm built by China and Uganda yields 3,000 tons to 4,000 tons of rice annually. There is also a rice processing mill and a poultry farm in Uganda. The operation of these projects has provided increased income and job opportunities for the area residents. The Chinese experts helped the Ugandan farmers

develop fine varieties of rice and fertilizer, utilize draught animal power and improve local farm tools. Their contributions have resulted in increases in production and reductions in investment. A farm built by China and Mauritania followed Chinese experience in constructing water conservancy project, which has improved the local production conditions and ensured normal growth of grain crops during droughts.

"China is a developing country and is doing what it can to help Africa," said Bai Fugeng. "In recent years, far-sighted people, both governmental and non-governmental, in developed countries have come to realize that Africa's underdevelopment has a negative effect on the world economy. Out of consideration of their own interests, they have been willing to offer aid to Africa for agricultural development. It is under such circumstances that we propose the trilateral co-operation."

Bai also said because countries differ in their social and economic conditions, the forms of co-operation should be flexible and should include loans, full assistance from design to operation of projects, training personnel, providing experts and establishment of exclusively owned businesses, joint ventures, co-operative enterprises and contracted projects.

China will offer assistance in the following six areas:

- Helping African country investigate and research agricultural conditions and resources and work out plans for agricultural development.

- Sending experts to help animal husbandry, freshwater fish breeding, rural energy and cultivation of rice, corn, sugar-cane, vegetables, oil palm and rubber trees, and to provide consulting services in technology and management.
- Performing the design, cooperative production and management and feasibility studies for water conservancy and rural resources development projects and for comprehensive rural development. Priority will be given to irrigation, the digging of wells, flood control, crops cultivation and fisheries.
- Contracting projects for rural energy development and the processing of fish, farm produce

- and animal by-products.
  - Providing medium-sized and small agricultural machinery, processing equipment and hydro-power generators. Sending experts to oversee production and management when necessary.
  - Conducting scientific research and training personnel in agriculture, animal husbandry and fishery in China or in the cooperative country.
- China has already instituted some tripartite programmes, which have been running smoothly. China and West Germany provided Mali with generating sets fueled by rice husks, the first of which began operation in January 1986. ■

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### Contents of Issue No. 3, 1986

Democratization in International Relations and World Peace—Shen Qurong

The US and Japan: Imbalanced Economic Growth—Zhou Zhixian

Contemporary International Strategic Posture (Part II)  
—Chen Zhongjing

US-Soviet Disarmament Talks and Their Trend—Zhou Jirong, Huang Tingwei

The South African Blacks' Anti-Racist Struggle Surging Ahead—Meng Qingzai

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## Tokyo Symposium on China's Timber

**R**epresentatives from 23 Chinese provinces are expected to take part in China's timber export symposium to be held in Tokyo September 8-15, 1986, said Su Wanju, vice-chairman of the China Timber Import and Export Corp.

Su, who made his remarks in a recent interview with *Beijing Review*, said such woods as paulownia, ash, oak, walnut, maackia, nanmu, birch, camphor and torreyia will be on display at the symposium. Planks for beds, coffins, paneling, hard and soft fibre boards, particle board, medium density fibre boards and block boards will also be shown, he said, as will materials for paper manufacturing, including eucalyptus and Masson pine chips.

Su said the goals of this symposium are to promote exports of Chinese timber and timber products.

One cubic metre of China's hardwood can be traded for six cubic metres of pine, which China lacks. At the same time, timber exports will improve processing technology. Many countries in the world, including some timber-deficient countries, export much more timber than China. Processing imported timber will also earn China foreign currency.

China began exporting timber in the 1950s. The amount and variety of its exports has increased, however, only in recent years. Of its 1985 exports worth US\$22 million, 80 percent went to Japan. Export quotas will come to US\$45 million in 1986, and will reach US\$100 million to US\$200 million during the Seventh Five-Year Plan period (1986-90). New markets are expected to be opened in Europe, America and the Middle East.

Only 12 percent of China is covered by trees, and mostly by hardwood trees, well under the

world's average. Demands for pine increase as capital construction develops, and China has to spend much foreign currency to buy pine timber. Last year China imported approximately 9 million cubic metres of pine.

However, China is also seeking ways to exploit timber. ■

## Stepping Up Coal Exports

**C**hina exported 5 million tons of coal in the first half of 1986, 54 percent more than during the same period of 1985, said Hu Fuguo, vice-minister of coal industry, at a national coal conference that ended in June.

According to the Seventh Five-Year Plan (1986-90), China is expected to export 10 million tons of coal in 1986, while that of the five-year total will come to 100 million tons. This figure is approximately 2.9 times the total

of the Sixth Five-Year Plan period (1981-85) and is close to the sum total between 1949 and 1984.

Hu said this situation has been made possible by the growth of coal output and the ease in relations between supply and demand.

The Ministry of Coal Industry, he said, will adopt measures to ensure quality. Export licenses will be revoked from units that sell inferior coal, in addition to economic sanctions. Production bases for export coal will be established, and funds will be allocated for updating coal dressing plants.

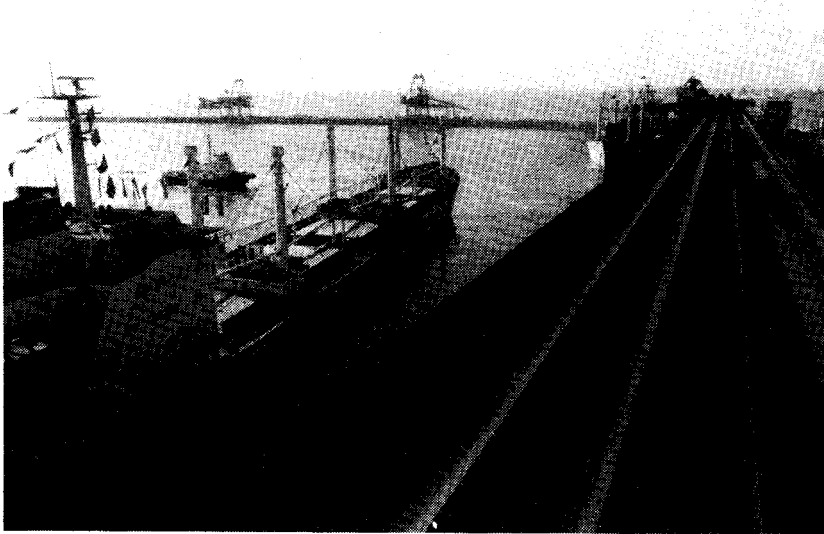
Hu said the Ministry of Coal Industry will work together with transport departments for prompt deliveries. ■

## First PR Firm Opens

**O**ne of the consequences of China's modernizations is the establishment of China's first public relations firm, China Global Public Relations Co., which opened for business in July.

**Qinhuangdao, a reshipment centre for coal to South China and foreign countries.**

ZHAO LIANSHENG





As a subsidiary of China Media Development Inc., China Global will conduct seminars, technical symposia and press conferences for Chinese and foreign businesses. It will also organize sales promotions and conduct market studies, provide clippings, translators and interpreters, secretaries, photographers and consultants; prepare publicity material and news releases in Chinese and foreign languages; produce photo and slides presentations; and coordinate cultural and sports activities.

In August 1985, Global's predecessor, the public relations department of the China Media Development Inc., signed an agreement with Burson-Marsteller, the largest public relations firm in the United States. Over the past 10 months, together Burson and Global have provided public relations services for more than 20 companies from the United States, Canada, Britain, Sweden and Singapore, as well as for the International Finance Corp. of the World Bank. ■

## China to Regain GATT Seat

The Chinese government formally applied on July 11 for the reinstatement of its membership as an original signatory in the General Agreement on Tariffs and Trade (GATT) and is ready to enter into substantive negotiations on tariff concessions, said an official from the Ministry of Foreign Economic Relations and Trade in July 16 interview with *Beijing Review*.

China has been preparing for resumption of full membership in GATT since its legal status was restored in the United Nations and other international organizations.

In view of the great changes that have taken place in both China and the GATT over the past 30 years, the official said, it would be best if China was allowed an approach of mutual non-retroactivity on the issue of rights and obligations in the GATT. As a developing country, he said,

China is entitled to the same treatment as other developing countries. At the same time, China is prepared to undertake obligations consistent with the level of its economic and trade development in accordance with the relevant GATT regulations and rules.

The Chinese application is aimed at opening the country further to the outside world and enhancing political, economic and trade relations with GATT members in the principle of equality and mutual benefit.

## Sino-Thai Venture Logs First Profit

The Chinese-Thai Shanghai-CP Motorcycle Co. Ltd. recently announced that it had made its first profit after 18 months of operation. The Thai partner to the venture said it had changed 1.944 million yuan of profits into US dollars at the Bank of China and remitted the amount to Thailand after paying 10 percent in taxes.

"Our joint venture has been profitable for us," said Chen Shilin, Thai director of the joint venture. "This has strengthened our confidence in co-operating with China."

An equity enterprise between the Chia Tai Group of Thailand and the Shanghai Motor Vehicle and Tractor Corp. of China, the Shanghai-CP Motorcycle Co. Ltd. will operate for 25 years.

Inaugurated on New Year's Day in 1985, the company had turned out 34,998 motorcycles in one year. The motorcycles accounted for 66.657 million yuan in output value and 7.538 million yuan of profits. The company has turned over to the Chinese government and departments concerned 8.6784 million yuan in taxes and other expenses.

In 1986 the company expects to import technology to expand its production to 55,000 motorcycles. By April, it had already produced 18,700 motorcycles. ■



YANG XIAOBING

Japanese-style porcelain vases produced in the Tangshan No. 2 Ceramic Plant based on a design provided by a Hong Kong firm are exported to North America.

# Collected Works of Chen Yun Published

The third volume of the *Selected Works of Chen Yun*, compiled by the research office of the Secretariat of the Communist Party Central Committee, has been published, in Chinese, by the People's Publishing House.

To date, all his major works—157, written between 1926 and

economic issues and for his achievements in the development of China's socialist construction.

The third volume contains 56 articles the author wrote between 1956 and 1985, dealing with socialist economic construction and other affairs.

In the early 1950s, when China

progress made in haste did not come without a myriad of problems, however.

In his speech at the 8th National Party Congress, and in other speeches, Chen presented many significant ideas on the establishment of a socialist economic system in China.

As early as 1956, for example, when Chen spoke about China's ownership structure and market problems, he presented the general idea of "three main bodies and three supplements." That is, state and collective enterprises should comprise the main body of industry and commerce; planned production, the main body of industrial and agricultural production; and state markets, the main body of sales outlets. But each should be supplemented by limited individual businesses, free production and free markets. His ideas were included in the documents of the 8th Party Congress.

Chen's realistic approach, however, was not in step with the prevailing "left" principles that had guided economic work since the late 1950s, and many of his ideas were ignored.

In an outline for his speech, entitled *Planning and the Market* (for full text see p. 14), Chen Yun used an approach combining Marxist-Leninist theories with China's realistic conditions to expound the imperativeness of establishing a planned socialist economy as the main body supplemented by market regulation.

China's economic reforms in the last few years have shown that in the early stages of socialist construction, when the foundation of the national economy is public ownership, when the state controls the economic lifeline vital



Chen Yun (left) practising calligraphy.

BAO YUETING

1986—have been published. The first two volumes in the series, which consist of Chen's works between 1926 and 1956, were both published in 1984.

Chen Yun, 81, now serves as a member of the Standing Committee of the Political Bureau of the CPC Central Committee. Chen, a long-time vice-premier of the State Council in charge of financial and economic work for many years, is known as an expert on Chinese

was working out its first Five-Year Plan for developing the national economy. China set its goals for the gradual socialist transformation of agriculture, handicrafts and capitalist industry and commerce and for state industrialization within 15 years.

But it took only three years to complete the socialist transformation and public ownership of the means of production. Such

to the national economy and the people's livelihood, the coexistence of an individual economy, a state capitalist economy and other economic forms should be allowed. While market regulation plays its supplementary role in the planned economy, we should also pay attention to the law of value and the changes in the market in state planning, according to Chen. This is conducive to the development of China's planned commodity economy.

In 1957, Chen Yun himself drafted three regulations concerning the management system for industry, commerce and finance departments. The views in these regulations and Chen's other speeches and articles since 1979 on economic reform may be summarized as follows:

—The central authorities should give local governments and enterprises more control over economic management in certain fields, but supplies for state key projects must be ensured.

—Factories have the right to purchase materials and find markets for their own products. But those products which have an important bearing on national economy and the people's livelihood are still under the system of state monopoly of purchase and marketing.

—Production of handicrafts, farm and sideline products should be scattered in different areas, instead of blind centralization.

—Commercial establishments should be scattered. The state should loosen control of market and open more free markets for local goods.

—The price policies should be beneficial to the development of industrial and agricultural production and the improvement of the people's livelihood.

—The government should reduce mandatory quotas in the state planning, and the mandatory quotas and guidance quotas should be adjusted by means of economy.

Chen Yun has emphasized that the current economic reform is a process of improving and developing the socialist system. It is essential to sum up the past experiences and to improve and reform those systems that hamper the development of production.

He holds the opinion that the government should absorb positive experiences of other countries, including those of the capitalist countries. But, when applying methods proven successful in other countries, China must be careful to integrate them with its own actual conditions — to mold them into socialist construction.

Chen has also pointed out that the realm of the current economic reform is rather wide, and many tough problems are likely to occur. The application of reform, therefore, must be brought about through practice and exploration.

The new volume presents some of Chen's other theories and proposals on economic construction:

—When various economic activities are conducted in a proportionate way, or when various proportional relations are well coordinated, the best economic benefits are obtained in the shortest amount of time.

—When various departments of the national economy are balanced, there will be proportionate development of the economy. This proportional "balance" actually means the balance between various departments, and the balance between links in the production chain. It also means an internal balance of various aspects in central and local departments.

—Consideration must be given to both economic construction and the people's livelihood. Construction must be conducted on condition that people have food to eat. The rate of accumulation must be brought under control. If China were to spend all its capital without substantial savings, there would

be no hope for the country. It is necessary to set the proportion between accumulation and consumption in the distribution of the state revenue.

—The government must follow the principle of maintaining agriculture as the base of the national economy. Agriculture is the mainstay for China. Economic construction cannot be consolidated without enough food and clothing. In recent years there has been a tendency to put undue emphasis on the development of industry and sideline production, while paying less attention to agriculture, particularly grain production.

—The scale of construction must match that of the state's financial and material resources. Maintaining an even pace between capital construction and the state financial and material resources is crucial to the durable stability of the national economy. In 1957, Chen warned that construction exceeding the country's financial and material capabilities would cause economic chaos. But just one year later, the "Great Leap Forward" started, which resulted in chaos.

Chen Yun, who is now secretary of the Central Commission for Discipline Inspection, pays great attention to Party style and ethical conduct. In November 1980, he pointed out that the style and examples set by a ruling party had substantial bearing on the future of a party.

The reader will discover a 15-year gap in the third volume between August 1962 to March 1977. Chen's ideas were ignored and criticized as being too liberal. Only after the downfall of the gang of four in 1976 did he return to the central leadership.

During the process of compiling the selected works, Chen asked editors not to make any changes in the original text. Even if he said something wrong in his works, he wanted them to remain. ■

by Zhou Shu

## China Hosts Aerodynamics Conference

**M**ore than 200 Chinese and foreign experts gathered on June 23 at the Beijing Science Hall to compare notes on the latest developments in fluid dynamics for high-speed missiles, rockets, planes and satellites.

The 10th International Conference on Numerical Methods in Fluid Dynamics (ICNMFD), sponsored by the Chinese Aerodynamics Research Society, was the first of its kind to be held in Asia.

"It is a great honour for Chinese scientists to have the conference held in China. The conference was a sign to Chinese scientists that China's theoretical and experimental aerodynamics research has got the attention of the world's scientists," said Zhuang Fenggan, chairman of the conference and president of the Chinese Aerodynamics Research Society.

Attending the conference were

many well-known aerodynamics experts, including Prof. Maurice Holt of the University of California, Berkeley, and founder of ICNMFD.

During the five-day conference, the participants from 18 countries and regions including the United States, the Soviet Union, the Federal Republic of Germany, Britain, France and Japan, discussed their research on the flow fields around high-speed rockets, planes and spacecrafts, shock waves from nuclear explosions, atmospheric movement, transonic flow and turbulence flow.

In all, 132 academic papers were read and presented at the conference. They dealt with recent advances in numerical methods applied to problems in fluid dynamics and solutions of new fluid flow problems established by

numerical modelling. The following fields were also paper topics: numerical simulation of flows around flying bodies; numerical solution of the Navier-Stokes equations; numerical techniques (free Lagrangian, adaptative meshes, multifluid method, etc...) in fluid dynamics; accuracy of numerical solutions, numerical modelling in gas dynamics, including transonic flows, transitional and turbulent flows, internal flows, rotating flows, boundary layers and combustion processes.

From early this century, when scientists realized that airflow can cause lift and resistance to bodies in motion, they have been conducting aerodynamics research. By that time, the speed of early planes was limited before the speeds of sound. The missile heads

## Singers Awarded Pop and Folk Titles

**A**t the first National Youth Vocal Contest for Folk and Popular Songs, the finals of which was held in Beijing not long ago, 10 of the 10,000 contestants were awarded the Gold Phoenix Cup, and 22 singers won the second place Silver Phoenix Cup. The

contest was sponsored by the China International Cultural Exchange Centre and the Chinese Musicians' Association.

Though since 1949 when the People's Republic was founded, the nation's folk music has developed dramatically, due to recent indifference to folk culture, pop songs have dominated China's musical repertoire. The competition of folk and pop

singers on the same stage was intended to help promote exchanges between the two genres of music.

The aim of the contest was to have more new songs, more new faces and new style of singing. The judges selected the winners in both categories according to the inventiveness and national feel of the songs' lyrics and delivery. The contest at once pushes healthy and

**Part of the prize-winner: Shi Yanyan, from the Central Song and Dance Ensemble, Yuan Zheng from the Oriental Song and Dance Ensemble, and Zhang Xiuyan from the Shenyang Conservatory of Music.**



melted in high speed flying. Only when scientists solved the problems of sound and heat resistance was accelerated flight made possible.

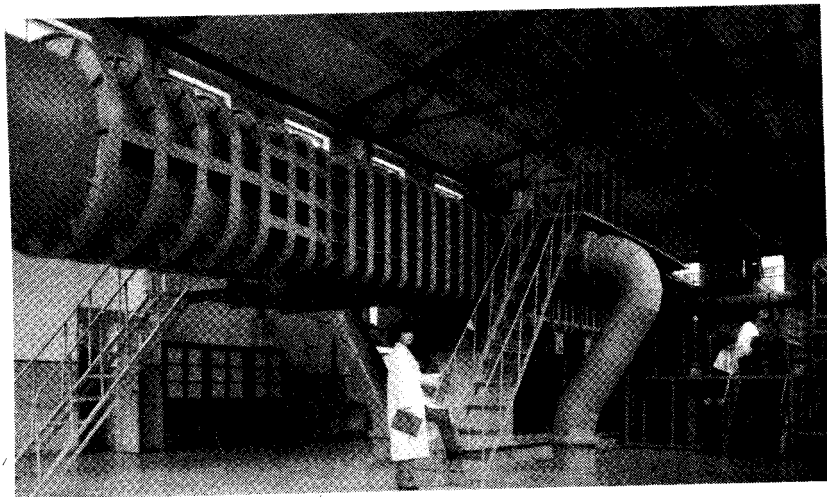
So far aerodynamics scientists have established a complete set of strict equations for the laws of flight. Theoretically, solution of the Navier-Stokes equations will help understand the flows around flying bodies and the influence of fluid dynamics and heat on flying bodies. Finding a solution with the N-S equations is, however, very difficult. Though many sophisticated computers can be used to solve complex problems in aerodynamics, no computer capacity is large enough to perform the N-S equations. Simplifying the N-S equations, finding a numerical model and a calculation for fluid dynamics, and improving computer technology have become pressing problems for scientists to solve.

China has made rapid progress in aerodynamics research in the

last 30 years. The government has attached great importance to the development of planes, missiles and atom bombs. The Ministry of National Defence has set up an aerodynamics research institute. Scientists of the Dynamics Research Institute under the

Chinese Academy of Sciences also conduct aerodynamics research and undertake the research and design of aerodynamic test facilities. And many well-known aerodynamics experts such as Shen Yuan, Lu Sijia have been invited to help educate young

**A general view of the test hall at the China Aerodynamics Research and Development Centre in Sichuan.**



refreshing pop music forward and helping popularize old folk songs.

Some of the judges said folk singers today are better than those of the 1950s and 60s. They said, the singers have a better understanding and mastery of vocal techniques, and put more emotion into their songs.

According to the judges, pop music has also made progress.

Many of the popular songs dealt with more serious subjects, and not only unrequited love, nostalgia and nature, they said. One such song, *When I Was With My Squad Leader*, for instance, is an ode to a hero in the battlefield.

The simplicity and sincerity of the songs is new to musical compositions. Many musicians have tried to explore new approaches by blending opera,

pop and artistic song together. Their efforts not only brought more expression and appeal to the songs, but also set higher goals for pop music. Many of the more accomplished singers also fused some difficult vocal techniques into their pop music. Their impressive performances, along with their natural stage manner, won the hearts of the judges and audiences alike. ■

**Cheng Fangyuan from the Oriental Song and Dance Ensemble, Mu Xuanpu from the Oriental Song and Dance Ensemble, and Zhang Baomo from an art troupe of the P.L.A. Second Artillery Corp.**





scientists interested in aerodynamics. The Beijing Aeronautical Engineering Institute has built wind tunnels in Shenyang, Liaoning Province. Beijing University, Qinghua University and others have opened aerodynamics courses and have begun conducting experimental research.

To conduct research into computational aerodynamics, the Computer Institute of the Chinese Academy of Sciences has built China's largest capacity computer.

In 1964, the Commission of Science, Technology and Industry for National Defence organized a special team under Prof. Qian Xuesen (Tsien, Hsueh Sen), a well-known aerodynamicist and missile expert. The principal mission of the group has been to guide the nation's aerodynamic research, the construction of wind tunnel, and other experimental research.

The China Aerodynamics Research and Development Centre, founded in Sichuan in 1976, has completed a group of wind tunnels, including low speed wind tunnels, trisonic wind tunnels, hypersonic wind tunnels, shock tunnels, arc tunnels, arc heaters and free-flight ballistic ranges. The centre also performs research into computational aerodynamics, and is now China's largest base for aerodynamics research.

In 1980 Prof. H.S. Tsien founded the Chinese Aerodynamics Research Society. He and Prof. Shen Yuan of the Beijing Aeronautical Engineering Institute were selected honourable presidents of the society, which incorporates six special committees and publishes a journal about Chinese aerodynamics research.

Zhuang Fenggan, president of the society, confirmed that Chinese scientists have applied their research findings into such fields as aviation, astronautics, nuclear industry, weather forecasting, environmental protection, textiles and metallurgy. He said he hopes more international academic exchanges will be conducted to promote the development of China's aerodynamics research. ■

## Chess: The Secret of Longevity

**A** centenarian in Shanghai says he owes his longevity to chess.

Xie Xiaxun, 100, is now the honorary vice-chairman of the Shanghai Chess Association. He was first crowned the king of Chinese chess at the first Chinese chess tournament in Shanghai in 1918. One observer said of Xie's playing style that it was "as insipid as water and as soft as cotton. But water can extinguish fire and softness conquers hardness."

Ranked second of China's four traditionally intellectual hobbies—music, chess, calligraphy and painting—chess has long been regarded by the elderly as educational and character building. Many also say that once you understand one of the four rather completely, you understand the essence of all of them.

According to Xie, who has authored 29 books on chess, learning to play chess is like learning breathing exercises. He remembers that as a child, he used to watch adults playing chess for hours on end. For the nine decades since then, the game has dominated his life. "Whenever I sit before the chessboard," Xie said, "all my troubles and worries disappear."

All year round, Xie gets up at dawn, and after washing, he drinks a cup of green tea. Then he jogs around Shanghai's Fuxing Park. After some massage and other exercises under the trees, he likes to recite ancient Chinese poems.

Though vegetarian diets have long been regarded as a key to longevity, Xie said he owes his 100 years at least in part to good meat. He said he never eats to his full capacity, and that he drinks an occasional glass of wine. He said he enjoys seafood and bean curd, but not hot peppers or onions.

He said he also takes pleasure in

helping others, and that he is always optimistic and happy. "Being moderate and honest help prolong life," he said. He said it is wrong to seek power, fame, or money, and that helping one's friends is the way to enjoy life.

Xie brought international chess to China. He said decades ago he was invited to Malaysia (then Malaya), where a British airforce commander, the local international chess champion, challenged him to a game of international chess. Though he outwitted the officer, Xie also returned home with some of the Briton's tricks and the British board.

Like ancient Chinese scholars, Xie links chess with patriotism. In 1938, when China was invaded by the Japanese, Xie volunteered to be one of the five roving ambassadors whom the Kuomintang government sent abroad. In Singapore, the Philippines, Malaya and Burma, Xie raised money for China at chess tournaments.

Born in Wenzhou, Zhejiang Province, in 1887, Xie has 107 descendants, living in various foreign countries, or in Hong Kong and Taiwan. Xie has also trained many chess champions, including Yang Guanlin, Hu Ronghua and Liu Dahua. Hu has won 12 gold medals at various competitions and now heads the Shanghai Chess Association.

Before the People's Republic of China was founded in 1949, Xie lived in exile. Only after 1949 was Xie given a home in Shanghai for his wife and his eldest daughter. Though their single room was small and poorly equipped, Xie said he was satisfied. Now that with his living standard raised alongside with his descendants and countryfolks, he has all the more reasons to satisfy the chess fans' wish to see him live another 100 years. ■

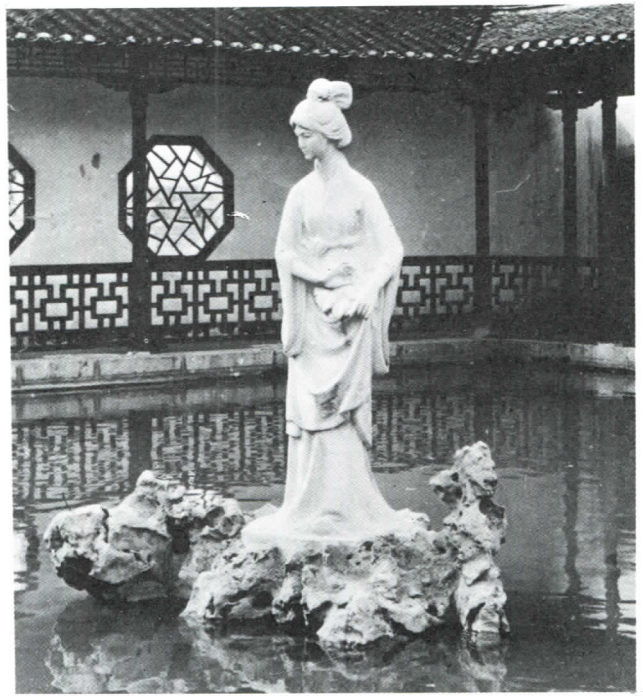
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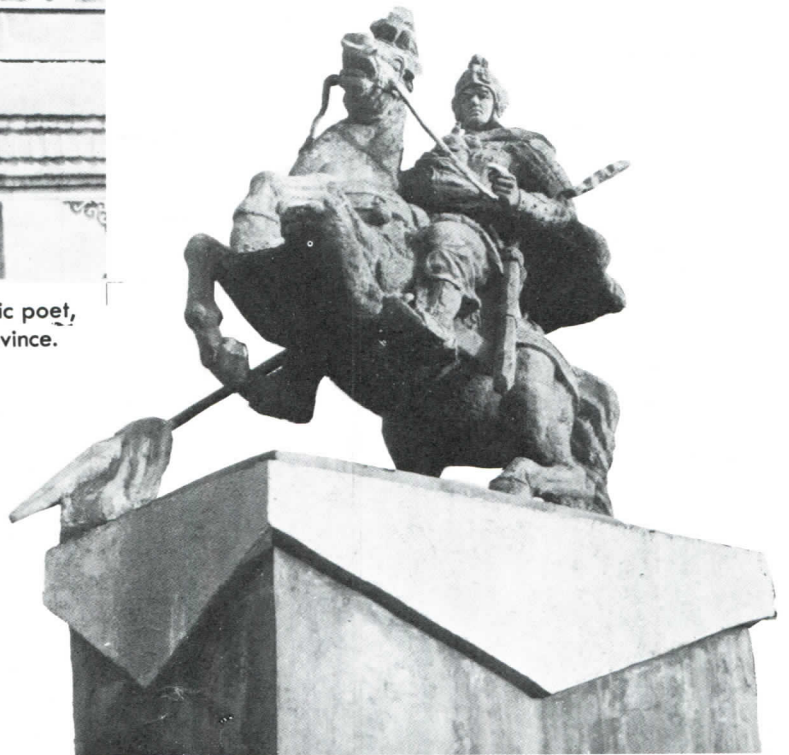
Qu Yuan (340-278 BC), the great patriotic poet, in his hometown Zigui County, Hubei Province.

### City Sculptures

These sculptures are of figures from Chinese history and legends.



The Maiden Mochou (Don't Worry), a legendary figure, in Nanjing's Mochou Lake Park.



Zhao Zilong, a fictional general from the Chinese classic *Three Kingdoms*, in Dangyang County, Hubei province.



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Publisher: **China International Book Trading Corp. (Guoji Shudian)**

(P.O. Box 399, Beijing, China)