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Buttons: Symbol of Wenzhou's Success



SPOTLIGHT



Washing by a pond in Longgang, a new town financed and constructed by the farmers themselves.

Glimpses of Wenzhou

The Wenzhou area in coastal Zhejiang Province has become a new mecca for those interested in China's economic reforms. People flock to see the countryside's booming industries, brisk trade and numerous housing projects.

photos by Gang Wang



Boats are a major means of transportation in rural Wenzhou.

Local farmers helped build Asia's biggest wholesale button centre in Qiaotou.

Extravagant funeral procession in Qianku.





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COVER: Wholesale button stalls in the
town of Qiaotou, Wenzhou.
Gang Wang

HIGHLIGHTS OF THE WEEK

Ideology, Reform and Open Policy

■ Dai Yannian, in "Notes From the Editors," argues that it is wrong to see the policies of reform and opening to the outside world as incompatible with building an advanced culture and ideology. Indeed, writes Dai, they complement and promote each other. Some of the negative social aspects that have arisen in recent years have less to do with the new policies and more with feudal ideology and bourgeois thinking (p. 4).

US-Soviet Reykjavik Summit Fails

■ Why the Iceland summit failed to reach any agreement despite previous high hopes (p. 10).

Improving the Investment Climate

■ A document published by the State Council detailing the preferential treatment to be accorded enterprises operated with foreign investment is intended to improve the climate for investment and attract both foreign funds and advanced technology (p. 5).

Buttons Work Miracles in Wenzhou

■ The booming cottage industry in buttons and other small commodities has brought prosperity to 400,000 rural households in Wenzhou. By extending the household responsibility system beyond agriculture, the "Wenzhou model" represents a new way of dealing with surplus labour (p. 14).

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Cultural, Material Advances: Hand in Hand

by Dai Yannian

Some people in China think the economic development of recent years has been achieved at the expense of its socialist morals and that the negative phenomena in society are caused by reform and the open policy.

Some foreigners, when they see China stress the importance of cultural and ideological progress, imagine that China's reform and opening to the outside world are being hampered and therefore its modernization effort will probably slow down. Others simply do not believe that it is possible for China to learn from the West and adhere to the socialist road.

All these views take reform and the open policy to be incompatible with socialist cultural and ideological progress, and, it seems to me, have missed the point.

As the Resolution of the CPC Central Committee on the Guiding Principles for Building a Socialist Society With an Advanced Culture and Ideology adopted at the 6th Plenary Session of the 12th Central Committee of the Communist Party of China on September 28, 1986, has pointed out, these elements are coordinated and promote each other. It is becoming more widely acknowledged that facts bear this out.

China's original political and economic systems had many defects, for instance, shunning international intercourse, with the result that the national economy developed rather slowly. Since 1978, efforts to replace the old system with a planned commodity economy based on public ownership but accommodating multiple economic sectors and to open the country to foreign investment and

foreign trade have actually promoted China's economic and cultural advance. In the countryside where reform was first pioneered, farmers who have "become rich" subscribe to newspapers and buy TV sets, radios and tape recorders. Some farmers donate money to run schools, libraries, clubs, recreational grounds, theatres and cinemas. The material progress has contributed to cultural and ideological progress.

Conservative parochialism has deep roots among China's peasantry. With the development of the commodity economy, the old ideas are being broken and superseded by new concepts of opening to the outside world, efficiency, information, association, competition, and cultivation of talents. These in turn promote modernization.

With the principle of remuneration according to work gaining ground, people no longer see absolute egalitarianism as a part of communist ideals. This is evidence of great progress in people's thinking.

The Chinese used to "look vertically," comparing today with yesterday, so they saw only progress and achievement. With China's doors opening wider, the people broaden their horizons. They learn to compare China with other countries, and gain new perspectives on China itself. They see that there is a great deal to learn in the way of practical and spiritual values. They see, for example, that in some places abroad people are polite, respect public order, do not spit or litter, set great store by historical relics

and are concerned about ecology and pollution.

The changes China is experiencing are also reflected in people's growing respect for knowledge and intellectuals, and the national enthusiasm to study science and culture, which of course is what developing the culture is all about.

Undeniably negative phenomena such as "working for money alone," "appropriating state and collective property" and "seeking self interest by misusing power" exist. These problems should be dealt with seriously, but it is not objective to see them as an inevitable corollary of reform and the open policy.

In fact, many of these negative phenomena contradict the aims of reform outright. People are encouraged to be competitive and become well-to-do through labour but not at the expense of state and collective interest. The government advocates that a number of people become well-to-do before others within the goal of common prosperity, but has never connived in economic criminal activities. Cadres are urged to work innovatively, but they are not allowed to line their pockets through their position. These negative phenomena are rooted in feudal ideology and bourgeois thinking as well. They could be overcome by encouraging socialist democracy, reforming the political structure and developing the socialist planned commodity economy.

Some of the negative phenomena do of course result directly from reform and the open policy. In our socialist commodity economy, which is based on public ownership, there exist non-

socialist elements. Although they are few and somewhat different from those in the capitalist world, they are alien to the socialist economy in nature and in the influence they exert. Along with the introduction of foreign science and technology, unhealthy foreign imports arrive too.

How do we prevent the invasion of corrupt ideologies? Not by cutting short the progress of reform and the implementation of the open policy and going back to the old rigid system. If we do that, we will fail in our modernization and will still be saddled with corrupt ideologies. The only practical and effective way is to persist in reform and the open policy and, at the same time, strengthen cultural and ideological education and perfect the legal system.

The socialist cultural and ideological construction is aimed at cultivating well-educated and self-disciplined socialist citizens with lofty ideals and moral integrity. Science and culture should advance so as to supply mental motive force to power the development of material progress and provide it with socialist ideological guarantees.

Some foreign commentators say China walks a tightrope in trying to reform its economic and political structures and open itself to the outside world while promoting cultural and ideological development. Indeed, to pursue the metaphor, the audience will have their hearts in their mouths with every movement; but for a good acrobat who knows how to balance, tightrope walking is nothing. Since China's reform and open policy as well as its cultural and ideological endeavours are well-designed, China should, through generations of effort, be able to build itself into a modernized power in the East with advanced culture and ideology and a high level of socialist democracy. ■

China Improves Climate For Foreign Investment

On October 11 the State Council of China published "Provisions for the Encouragement of Foreign Investment," a 22-article document designed to encourage foreign companies, enterprises and other economic entities or individuals to establish Sino-foreign equity joint ventures, Chinese-foreign co-operative ventures and wholly foreign-owned enterprises in China (for full text of the document see next issue).

The aim is to improve the investment climate, facilitate the absorption of foreign investment, introduce advanced technology, improve product quality and expand exports in order to earn more foreign exchange and develop the national economy.

According to the provisions, preferential treatment will be granted to two kinds of enterprises—productive enterprises whose products are mainly for export and which can earn a foreign exchange surplus after deducting all their foreign exchange expenditures ("export enterprises" for short); and enterprises possessing advanced technology supplied by overseas investors that can be used to develop new products, and upgrade and replace old products (known as "technologically advanced enterprises").

The document stipulates that export enterprises and technologically advanced enterprises with foreign investment shall be exempt from payment to the state of all subsidies to staff and workers, except for contributions to labour insurance funds, welfare costs and housing subsidies for Chinese staff and workers.

The provisions fix rents and development fees for the above-

mentioned enterprises at between five and 20 yuan per square metre per year, except for those located in the busy urban areas of large cities. The maximum rent shall be three yuan per square metre per year in areas where the development fee is computed and charged on a one-time basis, or in areas which are developed by the enterprises themselves.

Under the new provisions, export enterprises and technologically advanced enterprises shall be given priority in the supply of water, electricity, transport services and telecommunications facilities. They will also receive priority in obtaining loans for short-term working funds needed in production and distribution, as well as other credit.

One article of the document stipulates that after the expiration of the period of reduction or exemption of an enterprise from income tax in accordance with state provisions, technologically advanced enterprises may have their period of income tax reduction or exemption extended by three years at one half the former rate of tax; and the export-oriented enterprises the value of whose export products in a year amounts to 70 percent or more of the value of their products for that year may pay enterprise income tax at half the current rate of tax.

The provisions stress that when foreign investors in export-oriented enterprises and technologically advanced enterprises remit abroad profits distributed to them by such enterprises, the amount remitted shall be exempt from income tax.

If the foreign investors reinvest the profits distributed to them by

Marshal Liu's Death 'A Great Loss'

Marshal Liu Bocheng died on October 7 in Beijing at the age of 94 after a prolonged illness.

The obituary issued jointly by the Central Committee of the Chinese Communist Party, the Standing Committee of the National People's Congress, the State Council and the Central Military Commission praised Liu as "a great fighter for the Chinese people, a fine member of the Communist Party of China, one of the founders of the Chinese People's Liberation Army, and a great proletarian revolutionary and military scientist."

It described Liu's death as "a great loss to the Party, the army and the people."

Liu participated in the 1911

Revolution that overthrew the last feudal dynasty of China, and later in the war against the northern warlords. In 1926, he joined the Chinese Communist Party.

During the epic Long March he was Chief of the General Staff of the Central Military Commission.

Long respected as a great strategist he played an outstanding role in the War of Resistance Against Japan (1937-45) and the War of Liberation (1946-49).

After liberation he held the posts of Commandant of the Military Academy, Vice-Chairman of the National Defence Commission, Vice-Chairman of the People's Revolutionary Military Commission and other positions.

their enterprises in order to establish or expand export enterprises or technologically advanced enterprises for a period of operation of not less than five years, they shall be refunded the total amount of enterprise income tax already paid on the invested portion after application to and approval by the tax authorities.

The document also exempts from consolidated industrial and commercial tax export products enterprises with foreign investment produce, except oil, finished oil and other products subject to special state regulations.

The provisions call on the people's governments at all levels to guarantee the autonomy of enterprises with foreign investment and to support them in managing themselves in accordance with internationally advanced scientific methods. Such enterprises may hire or dismiss workers and staff as they see fit.

The document also makes clear that enterprises with foreign investment may mutually adjust

their foreign exchange surpluses and deficiencies among themselves under the supervision of foreign exchange control departments. It further provides that the agreement, contract and articles of association of an enterprise with foreign investment shall be examined and approved by the appropriate departments under the State Council, and that they must come to a decision on any application within three months of the date of receipt of all documents.

Hu Optimistic On Reunification

Chinese Communist Party General Secretary Hu Yaobang expressed confidence in the reunification of China on October 9.

"In our efforts for China's reunification," Hu said, "we look forward to the participation of the Taiwan authorities as the main partner in peaceful negotiations,

but we would also value the efforts by other patriotic forces and the Taiwan people."

"After Taiwan's return to the motherland," he said, "we would take into consideration the interests of those who contribute to the reunification, the Taiwan authorities included, as well as the interests of the other patriotic forces and the people."

The General Secretary made these remarks at a meeting with Huang Shunxin, 63, formerly a Taiwan legislator, and 45-year-old Zhang Chunnan, a former member of Taiwan's assembly, both of whom recently settled in Beijing.

Since 1979, Hu said, over 1,000 Taiwanese have come to live in the mainland together with their families.

Hu called his guests "noted patriots" and solicited their opinions and suggestions on China's reunification and the mainland's construction.

Hu said much remains for China to do. China's economy is recovering at a high speed and it is enjoying political unity and stability. However, he added, the people's income is still low and there remain many difficulties. Conscientious work is necessary to overcome them.

New Satellite Returns to Earth

China successfully recovered its eighth satellite on October 11, 30 years after the founding of China's first space research institute on October 8, 1956.

The land resource survey satellite returned on schedule, and brought back with it valuable scientific data.

It was sent to the sky five days before, by a Long March II carrier rocket, from Jiuquan Launching Centre, Northwest China, according to an official concerned.

"All the instruments on board worked normally," he said, "and

it, returned to earth exactly as planned."

This is China's 19th satellite. The first was launched in 1970. Previous ones have included satellites for telecommunications and broadcasting, and for scientific experiments and research.

"China has launched and recovered eight satellites with a 100 percent success rate since 1975," said Min Guirong, president of the Chinese Academy of Space Technology.

He added that the satellites had travelled in predetermined orbits for three to five days and had all returned on schedule.

Min also hinted that some new photographic techniques had been used on this latest satellite.

China will be working on satellites of a new generation to further the peaceful use of outer space, he added.

Two Systems: Long Coexistence

Chinese leader Hu Yaobang said that the socialist countries should try to relax their relations with the capitalist countries and aim for long-term peaceful coexistence with them.

Hu, General Secretary of the Chinese Communist Party Central

Committee, made these remarks at a meeting with a delegation from the Yugoslav People's Army led by Branko Mamul, federal secretary for national defence and admiral of the fleet, in Beijing on October 5.

"First of all," Hu said, "relations between Eastern and Western Europe should be relaxed."

Provided that the socialist countries follow correct foreign policies, and on the condition that their national defence is preserved, relaxation will be possible, he stated.

The general secretary told Mamul that the two armies of China and Yugoslavia should combine the defence of their own countries with the work for peace.

"Now that we are confronted with the task of boosting our economy, we are determined to reduce our military expenditures," he added.

To limit military expenditure, it was necessary for the defence industries to produce some goods for civilian use, Hu said.

He added that China also wishes to strengthen its co-operation with friendly countries in military technology, and hopes the Chinese and Yugoslav armies would find ways to co-operate with each other in this field. ■

Shanghai Tries Stocks and Shares

After being closed down for nearly four decades, Shanghai's "stock exchange" reopened on September 26, the first since the founding of New China. Some experienced local financiers feel that this represents a real breakthrough in China's financial reform.

The opening of business on the stock exchange was such a controversial event that it has not only drawn the attention of local people—some of whom want to buy stock, others are just curious—but has engendered

serious academic debate among economists. It has in fact become one of the "hottest" topics for discussion among Shanghai residents.

Having disappeared for so long, the stock exchange has acquired a certain notoriety—for the speculative trickery of "evil capitalism." But now people in China are beginning to change their ideas about things they have only learnt about from reading or by hearsay, and try to judge them by their own experience. The stock exchange "monster" has come back, and the myths surrounding

China & the World

■ **Deng: Foreign Investments Safe in China.** While meeting Dr. An Wang, president of Wang Laboratories of the United States, on October 8, Chinese leader Deng Xiaoping called for more foreign investment in China. He said, "Foreign entrepreneurs could not find a safer investment than in China." He urged overseas investors not to worry about China's repaying capability.

■ **China Hopes for Arms Cuts Deal.** A Foreign Ministry spokesman said on October 8 that China welcomes the meeting between the leaders of the United States and the Soviet Union, and hopes that they will negotiate in good faith and reach an agreement that will involve drastic arms reductions without compromising the interests of any other countries. "Attention should be paid to security in Asia as well as in Europe. The missiles deployed by the United States and the Soviet Union in Asia should be reduced simultaneously and in balance or be destroyed," he said.

■ **Weinberger Meets Chinese Leaders.** Chinese leader Deng Xiaoping met US Defence Secretary Caspar Weinberger on October 9 in Beijing. Both said they were pleased with the prospects for the further development of Sino-US relations. Weinberger, who began a four-day official visit to China on October 7, also met Chinese Premier Zhao Ziyang and his counterpart Zhang Aiping. They exchanged views on a wide range of international issues.

it have to be broken.

In the view of Mr. Ying Junhui, of the Shanghai Trust and Investment Company, a subsidiary of the China Bank of Industry and Commerce, what goes on in the stock exchange is quite acceptable, indeed a source of hope.

On the day of the opening, hundreds of people queued up early in the morning waiting to buy shares. Over the following couple of days before National Day (Oct. 1), more people were attracted by reports in the local media.

The prices of shares are decided each day on a floating basis in accordance with market conditions. The present prices for buying and selling a 50-yuan share float between 54 yuan and 54.60 yuan. Ying, young but self-confident, also told *Beijing Review* that 70 percent of stockbuyers are young people who know little about shares, but are very interested in them. The rest are old people who have personal knowledge of the stock exchange in Shanghai before the founding of the People's Republic in 1949.

On the first day, an old man in his 80s sent his daughter to buy 230 shares at 54.00 yuan each. "It pays to buy shares," he told his daughter. Another man, aged 65, a retired clerk of the Agricultural Bank of China, withdrew all his savings from the bank to buy 80 shares.

Though young people have fewer savings and no experience, they seem to be just as enthusiastic. "I have no knowledge of shares, but I believe I won't lose my money here. I want to buy 10,000 yuan worth of shares. I trust you, anyway. It is more profitable to put my money in your place," a fruit dealer told Mr. Cai, a veteran financier working for the exchange shop.

In Mr. Cai's opinion, there is a world of difference between the newly opened stock exchange and that which existed decades ago in old Shanghai. He believes that

more publicity should be given to help people, especially young people, to a better understanding of shares. According to him, the most obvious difference is that there is no cheating and no trickery. It is now impossible to speculate as state banks exercise effective control over the yield and transfer of stock. Most holders are ordinary people of small means.

"The newspapers call it a stock market, but that's too big a word for it," complained Wang Yuchun, manager of the exchange. Indeed, it is an exaggeration to use the word "market" for this tiny shop, which is only a small room of a dozen square metres opening onto the street. What is more, there are only two kinds of shares on sale, that of the Yanzhong Industrial Corporation and the other of the Feile Acoustics Corporation. For a real stock exchange, there needs to be sufficient stock issued, a contingent of qualified stock brokers, and modern premises with advanced communications and equipment, the manager told *Beijing Review*.

Mr. Wang's stock exchange, belonging to the Jingan branch of the Shanghai Trust and Investment Company, was first commissioned in 1984.

"This is a major step in the reform of Shanghai's financial system; an experiment to match the city's overall economic reform," Wang said. State and collective enterprises usually obtain their investment funds from two sources, financial allocations from the state and loans from state banks. But banks in Shanghai started to encourage enterprises, mostly collective ones, to raise funds in new ways. For example, they could issue bonds and shares to anybody, individuals or economic entities, who wished to buy. That was the beginning of the stock business. The aim is to vitalize both enterprises and commercial bodies, and make the best use of idle money.

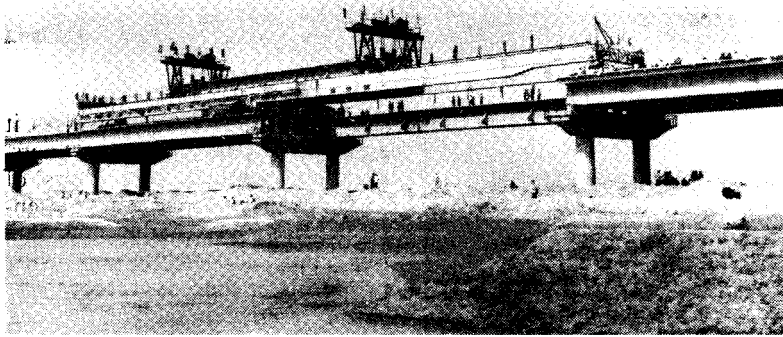
Since shares form a bond

between holders and enterprises, it is easy to mobilize shareholders, often the staff and workers of enterprises, to bring their enthusiasm into full play in production and in exercising control over the management and development of their own companies. Enterprises that have issued stock hold an annual meeting of shareholders, at which they enjoy the right to supervise administrative affairs. Some holders are even able to assist enterprises to import advanced equipment at favourable prices through their relatives abroad.

So far, with the approval of the People's Bank of China (Shanghai Branch), more than 1,400 enterprises, both industrial and commercial, have pooled funds in various ways, and the total raised exceeds 100 million yuan. Most of them just issue bonds within enterprises themselves, and pay holders annual dividends. Twenty enterprises have issued stock valued at 20 million yuan, and six of them, including the Yanzhong and Feile Corporations, have entrusted the Shanghai Trust and Investment Company to trade in shares on their behalf.

China's leaders have chosen Shanghai — because of the unique position it holds in the country's economic life, and its international reputation — as the place to conduct a number of experiments in economic reform. This summer Premier Zhao Ziyang called on enterprises in Shanghai to take the lead in transforming the existing fund-raising system so that all their capital is raised through the issue of stock and bonds. This is to be one of several major economic and financial reforms to be introduced next year, according to officials of the Shanghai branch of the China Bank of Industry and Commerce. State financial allocations made previously will become state stock, and the three other forms of stock will be that of enterprises, collectives and individuals. ■

by Dai Gang



The 5,549-metre-long bridge across the Huanghe River near Zhengzhou was opened to traffic on September 30 as the longest highway bridge in China. WEI DEZHONG

Plans to Upgrade Nation's Transport

China is to concentrate manpower, financial and material resources on constructing seven rail, road and water transport arteries to ease the strains on its transportation system.

The seven routes, benefiting most parts of the country, will open up new links between the east and west of the country, and between north and south to improve the country's transportation network.

One new railway is to link the existing Beijing-Guangzhou and Tianjin-Pukou lines. It will start from Beijing in the north and run to Jiujiang in the south. Its middle section, from Shangqiu in Henan Province to Fuyang in Anhui, will be built first and gradually lengthened at both ends. The other railways will be lines from Xian to Ankang and from Xian to Baotou to bring coal from Shaanxi to Sichuan Province. The Jiaozuo-Zhicheng and Zhicheng-Liuzhou railways will also be overhauled.

In the southwest, the main Zhuzhou-Guiyang, Kunming-Guiyang and Chengdu-Kunming railways will be electrified. New lines will be built between Nanning and Kunming, and from Nanning to Beihai. In the northwest, the Lanzhou-Urumqi Railway will be extended northwards to the Sino-Soviet border. A new line will be built from Baoji in Shaanxi to Zhongwei in Ningxia.

New railways are to be built linking Qinhuangdao in Hebei and Goubangzi in Liaoning, and another from Jining in Inner

Mongolia to Shenyang, Liaoning, making railway communication between northeast China and north China unimpeded.

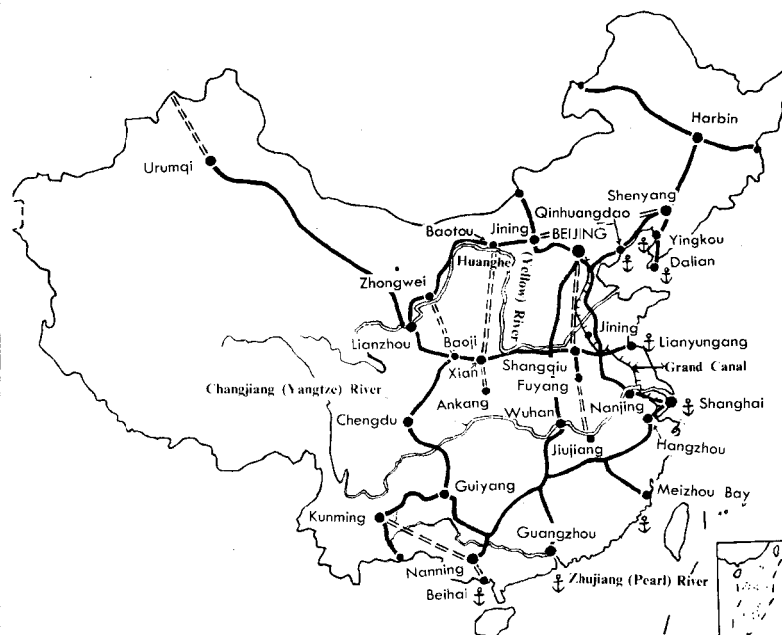
Coal from Shanxi will be carried along lines in the north, middle and south of the country eastwards to the coasts and also by sea to coastal areas. A number of railways are already being constructed or expanded, including the Datong-Qinhuangdao, Beijing-Baotou, Shijiazhuang-Dezhou and Jinan-Qingdao lines.

Along the 18,000-kilometre coastline from north to south China, a number of big ports and harbours are under construction. Dayao Bay in Dalian, the coal terminal at Qinhuangdao and Xidati at Lianyungang are among the largest. New harbour areas are being selected in Shanghai. The development of Meizhou Bay in

Fujian and Boyuquan at Yingkou in Liaoning has already been put on the agenda. In addition, China plans to build a number of satellite harbours along the coast to open marine shipping routes from Dalian in northeast China to Beihai in south China.

Motorways are to be built linking some busy cities and ports. They include the Beijing-Tianjin-Tanggu and the Guangzhou-Shenzhen-Zhuhai express highways. Several more motor ways along coasts, rivers and railway arteries are to be built.

A plan has also been drawn up to improve inland water transport. It covers the dredging of the Changjiang (Yangtze) River, and building and expanding harbours along it so that 10,000-ton ships can reach Nanjing, 5,000-ton ships can go up the river to Wuhan and 3,000-ton boats can reach Yibin in Sichuan Province. The Grand Canal from Jining in Shandong Province to Hangzhou in Zhejiang will be dredged and a new canal dug in Anhui to link the Changjiang River with the Huaihe River. Another canal from Hunan to Guangxi will be dug in the future to link the Changjiang and Zhujiang (Pearl) rivers. ■



US-SOVIET SUMMIT

Disappointing Results After High Hopes

The two-day meeting between US President Reagan and Soviet leader Gorbachev failed to reach any concrete agreement. This once again proves that the defence of world peace rests with the peoples of all countries and not only with the superpowers.

The two-day summit between US President Ronald Reagan and Soviet leader Mikhail Gorbachev ended in Reykjavik, Iceland, on October 12 with no specific agreement finalized and no exact date fixed for a full-scale summit, due to be held in Washington by the end of this year.

Speaking to US servicemen near Reykjavik, Reagan said he had made the Soviet leader a historic offer on arms control which Gorbachev rejected. Gorbachev, addressing a news conference in Reykjavik, said the US leader had come to the meeting with empty hands and the talks had collapsed.

Reports say the summit failed because of a dispute over the US Star Wars programme to build a space-based anti-missile shield. Gorbachev proposed "strengthening" the 1972 Anti-Ballistic Missile Treaty over a 10-year period while offering to accept US "laboratory testing" for the Star Wars programme. But Reagan insisted tests must be carried out in space and not only in the laboratory.

Why are the two superpowers so serious about the Star Wars programme? Because both the United States and the Soviet Union are saturated with nuclear weapons, and the relative strategic balance that has existed between the two countries since the 1970s will not be upset by any improvements in the quality or quantity of their strategic arms. However, whoever masters space

weaponry could gain a first-strike capability.

Of course, the dispute over the Star Wars programme is only one aspect of the overall confrontation between the two superpowers. Another reason for the failure of the talks is that the summit meeting was arranged in a hurry, and the two leaders went to the meeting with domestic political purposes in mind. Reagan hoped a successful summit would give a boost to the Republican campaign in the mid-term US elections in November. Gorbachev wanted to bring the costly arms race under control so that the Soviet Union can devote more attention to domestic economic development.

In the two months before the meeting in Iceland, the United States and the Soviet Union held a series of consultations to explore

the possibilities of reaching agreements on arms control, regional conflicts and the observance of anti-ballistic missile treaty. Both sides made compromises and also came up with proposals of their own. However, neither yielded an inch on the Star Wars programme.

In the first three rounds of the summit talks the two sides moved closer on the issues of medium-range missiles, the reduction of strategic nuclear weapons, regional conflicts, human rights and bilateral relations. The Soviet Union proposed that both sides reduce strategic offensive weapons by one half, and the United States was ready to agree to this. However, in the last round of the talks the atmosphere worsened sharply as a result of the dispute over the Star Wars programme.

Observers believe that although this meeting failed, it does not mean that relations between Washington and Moscow will necessarily deteriorate. Both Gorbachev and US Secretary of State George Shultz said it was not the end of the road. "We'll return to Geneva and I suppose they will," Shultz said, while Gorbachev indicated that "this meeting has brought us to the point where accords are possible."

by Chang Qing

SOVIET UNION

Attitude Towards EEC Changes

The change in the Soviet attitude towards the European Economic Community reflects a change in its political approach to the EEC.

Experts from the European Economic Community (EEC) and the Council for Mutual Economic Assistance (COMECON) held a three-day closed-door meeting in Geneva last month at

which they discussed the establishment of official relations between the two organizations. Afterwards the EEC in a statement said that "the meeting was of an exploratory character and had the

aim of discussing ways and means of establishing official relations between the EEC and COMECON."

These talks were initiated by COMECON, and observers noted they reflect a fundamental change in Soviet attitude towards the EEC.

When the EEC was established in 1958, Moscow first condemned it and then consistently refused to recognize it. But in the latter part of the Brezhnev era Soviet relations with the EEC began to thaw. COMECON and the EEC started a dialogue in 1975. However, as a protest against the Soviet invasion of Afghanistan, the EEC suspended discussions with COMECON in March 1980.

The EEC has stated that it cannot recognize COMECON as an equal in trade relations because it lacks a common external tariff, a commercial policy and other features of a full-fledged trading entity. COMECON unexpectedly handed a document to the EEC last year proposing that the two sides establish formal relations. Then on June 14 this year the secretary-general of COMECON sent a letter to the chairman of the EEC Executive Commission requesting that both sides hold discussions on the establishment of official relations and closer co-operation. The EEC responded positively to it. This led to the recent three-day meeting in Geneva.

It is for strategic reasons that Soviet leader Mikhail Gorbachev has changed his attitude towards the EEC. The existence of the EEC is an objective fact that the Soviet Union must come to terms with. It is an economic and political entity having official ties with more than 100 countries in the world. In recent years in particular the EEC has made big strides, despite the different interests and the contradictions within it. There would be little point in the Soviet Union developing relations with Western Europe in the political field while continuing to disregard the EEC.

It is also important for Gorbachev to strengthen economic co-operation with Western Europe in order to help him realize his strategy for the rapid development and rejuvenation of the Soviet economy.

Promoting pan-European co-operation, while making use of the strategic differences between the United States and Western Europe to sow discord between them, is the Soviet Union's consistent policy. To use West European influence to constrain the United States is also Soviet policy.

COMECON cannot provide the East European countries with all the funds, energy and raw materials that they need, so the latter have a strong wish to establish some ties with the EEC—not only to increase their exports to Common Market countries but to gain access to finance and advanced technology from Western Europe. This has influenced the Soviet Union, too.

Although Moscow has not recognized the EEC in the past, trade between COMECON coun-

tries and the EEC has been steadily increasing. Between 1970 and 1984 the total value of trade between the two increased 7.2 times. Three-quarters of Moscow's exports to the West go to the EEC. During this same period Soviet exports to the EEC increased 14.5 times, making it the EEC's fourth largest trading partner, after the United States, Saudi Arabia and Japan. Trade between the EEC and COMECON totalled US\$43.9 billion last year, half of it with the Soviet Union. In 1970 the EEC signed 350 contracts with East European countries; by the early 1980s the number was more than 2,000.

The EEC considers the COMECON decision to establish official links with it a victory, as it will effectively weaken Soviet control and influence over the East European countries through its direct bilateral relations with these countries.

How relations between the EEC and COMECON develop in the future will be worth watching. ■

by Chang Qing

IMF MEETING

Much Talk, Little Progress

The recent annual meeting of the IMF and the World Bank, which concentrated on the trade imbalances among developed countries and the debt problems of the developing countries, failed to produce any encouraging results.

The 1986 annual meeting of the International Monetary Fund (IMF) and its sister organization, the World Bank, ended in New York on October 3.

One of the long-standing issues that has been a source of instability and tension in the world

economy is the huge trade imbalances among the leading industrial nations, mainly between the United States, Japan and West Germany. The US has been bedevilled by a US\$130 billion deficit on its current account, while Japan will have a surplus on its current account of US\$83

billion this year against US\$49 billion in 1985, and Germany one of US\$31 billion, up from US\$13 billion last year.

In an attempt to resolve this problem the United States has been insisting that its main trading partners increase demand at home so that they absorb more imports from the US and hence reduce its trade deficit. So long as they refuse to do so, the US will continue to lower the dollar, making it more difficult for them to sell their products on the world market. "Surplus nations, in particular, must spur domestic demand to grow faster than gross national product," declared US Treasury Secretary James Baker. "Some of these countries appear to be taking steps to enhance growth, although not as rapidly as the trade imbalances may necessitate."

However, Japan and West Germany seem to be not as cooperative as might be expected. The US has made it clear that it thinks West Germany has a greater responsibility to act than Japan, despite the smaller size of its surplus. Concerned about the sustainability of growth in West Germany, the US has suggested it could do more to liberalize its labour and financial markets and accelerate the pace of tax reform, in addition to cutting interest rates. "But they have not been as responsive as we would like," said Baker. West Germany rejected the demand to lower interest rates and increase domestic demand, explaining that this would refuel inflation. While ensuring that the economic situation in West Germany improves steadily, with real domestic demand expected to grow by 4.5 percent in 1986, Bonn has cautioned that "the economic thinking of the US and West Germany is not identical."

Japan, the largest surplus country, also under pressure from the US to expand its domestic demand, argues that its interest rates have been cut to the limit and

cannot be cut any more. The continual rise of the yen against the dollar is already posing a serious challenge to Japan's economy.

It is obvious that the huge US trade deficit can be reduced only through the joint efforts of all countries concerned. As Mr. Baker put it, "We must increase productivity, boost private savings and orient our business culture towards exports. Moreover, these steps will not correct the trade imbalance unless our major trading partners also adjust their economies and attitudes."

The debt problem of the developing countries, which is becoming a major brake on the development of the world economy, was also discussed. It was generally agreed that the debt problem was caused by the drastic reductions in the prices of primary

commodities, including oil, on the world market, and increasing international protectionism. Another factor was the liquidity of capital flows in the third world.

In his address to the closing session of the four-day meeting, Jacques de Carosiere, managing director of the IMF, said, "Industrial countries should assist in forming a debt strategy" in the context of sustained growth in the indebted nations by abolishing protectionism. The active participation of commercial banks was also important.

Mexico, the test case of the Baker Plan, which calls for banks to lend more and for debtor nations to adopt growth-oriented reforms, signed an agreement in principle with creditor banks for a US\$6 billion loan. This was seen as representing at least some light at the end of the debt tunnel. ■

by She Duanzhi

ISRAEL

After the Change-Over

The Switch of premiers in Israel is expected to influence peace moves in the Middle East as well as bring a change of style to Israel's diplomacy.

The change-over of jobs between Prime Minister Shimon Peres and Foreign Minister Yitzhak Shamir took place smoothly on October 10 in accordance with an agreement signed by the Labour Party and the Likud bloc in 1984.

Peres, when announcing his resignation, said that he was very proud of what he had achieved for Israel's economy and in improving relations with neighbouring countries. When he took office two years ago, Peres set four goals for himself: first, to withdraw Israeli troops from Lebanon; second, to stabilize the economy and cut the rate of inflation; third, to relax

tension between Israel and Egypt and fourth, to find a new way to settle the conflict between the two countries that had lasted for nearly 40 years.

Looking back over his two years, it can be said that Peres has made some progress. Most noticeable have been the reduction of the rate of inflation from 800 percent to 25 percent and the return to negotiations with Egypt.

Peres has also said that his Labour Party is willing to discuss territorial concessions to Jordan in return for a peace settlement. He has made overtures to Jordan

one of the main planks of his foreign policy, along with a campaign to foster moderate Palestinian leadership on the West Bank. During his last two years in office, Peres insisted that diplomacy was the only way to avert war with neighbouring Arabs.

He held summit meetings with King Hassan II of Morocco and President Mubarak of Egypt. He established diplomatic relations with Spain and the Ivory Coast, renewed links with Cameroon, and started a dialogue with the Soviet Union. All this has laid a good foundation for his campaign for the premiership in the next general election.

What lies ahead of Israel now Yitzhak Shamir has become Prime Minister is uncertain. As leader of the hardline Likud bloc, Shamir is reluctant to continue with Peres' foreign policies, though he has promised to maintain the momentum of the peace process in the Middle East.

Shamir has already rejected the holding of an international conference to resolve the Middle East conflict as had been agreed at the summit meeting in Alexandria last month between Peres and Mubarak. Moreover, he has declared his intention to accelerate Jewish settlement on the Israel-occupied West Bank and in the Gaza strip, a move that is certain to arouse Arab hostility.

The Likud bloc views the Arab lands captured by Israel as an integral part of the country. It has consistently refused to trade land for peace, and the more militant elements in the bloc have advocated annexing the West Bank of the Jordan river, where some 800,000 Palestinians live. "We will walk the tested path, without concessions, without giving up on the main points," Shamir recently told activists of his right-wing Likud bloc.

Yet Shamir and Peres have one thing in common: both have categorically refused to consider the Palestine Liberation Organiz-

ation (PLO) as a negotiating partner. This stubbornness has prevented any substantial headway being made with any of Peres' many initiatives.

With the change of power, flexibility will give way to rigidity. This is certain to slow down the peace process in the Middle East. ■

by Zhu Jiefei

LIBYA

Why the Divorce From Fiat ?

After 10 years of partnership. Libya has parted company at last with Fiat as a major shareholder in this largest Italian private company.

Ten years ago, the Fiat motor company, the largest private concern in Italy, found itself in deep financial trouble from the impact of the world oil crisis, as did all other European car manufactures. In November 1976, after 18 months of negotiations, Libya agreed to purchase 9.5 percent of Fiat's shares at a cost of US\$400 millions, making it one of the principal stockholders. Libya's marriage with Fiat attracted much attention in Europe at the time.

Ten years later, however, Fiat has overcome its difficulties and things are getting better and better for it. Since 1981, its profits have increased each year, its productive efficiency and competitive abilities have improved, and the prices of its shares have risen day by day. This year has been the best for Fiat. In the first half of the year its income increased by 10 percent over the same period last year. This favourable turn in its fortunes was one of the factors contributing to the break with Libya. But a more important factor was Fiat's relations with the United States.

Because of the tense situation in the Mediterranean and the deteriorating relations between Libya and the US, Libya became an obstacle to Fiat's plans to expand sales in the United States.

In April this year, the US authorities banned the import of bulldozers valued at 12 billion lira, with the obvious intention of putting pressure on Fiat. In addition Fiat is very interested in participating in the US Star Wars programme. But if Libya had not given up its stake in Fiat, it is unimaginable that the US could agree to Fiat taking part.

At first Libya refused to sell its shares, but in mid-August it suggested that negotiations be held on condition they were kept secret. Only 20 days later, on September 3, the two sides agreed that 10 percent of Libya's shares, the value of which has increased to US\$3 billions, will be bought by the Agnelli family holding company which controls Fiat and the remainder sold on the open market by Deutsche Bank and the Bank of Italy.

Why has Libya agreed to part company with Fiat? Because with the decline in oil prices last year, Libya's oil revenues have fallen by US\$10 million a day. The reduction in their oil income is also causing oil-producing countries to spend their oil dollars on developing their oil refining industry, or investing in smaller companies where they can hold a controlling percentage of shares. ■

by Wang Yanlin

SPECIAL REPORT

Buttons Work Miracles in Wenzhou

Great historic transformations are often preceded by seemingly insignificant events. The booming cottage industry in buttons and other small, cheap commodities in Wenzhou, Zhejiang Province, is one of the signs of a new economic upsurge in China's countryside to follow the one sparked by the household responsibility system.

by Our Correspondents Wang Youfen and Li Ning

Wenzhou, a municipality including a city of that name and nine surrounding counties, has become a new mecca for those interested in the current economic reforms. In the last couple of years, thousands upon thousands of people from all over China have flocked to see its booming household industries, fast growing co-operative factories and private enterprises, and the numerous housing projects going up in the old and new towns.

Premier Zhao Ziyang, Vice-Premier Wan Li and several State Councillors were among the visitors, as were Party and government officials from various localities and levels, economists, sociologists, town planners, journalists, professors and students. Newspapers and journals have carried numerous reports on the advantages and problems of the "Wenzhou model" in China's rural economy. "Small commodities with big sales," now a media catchphrase, is described by Fei Xiaotong, the famous sociologist, as the major feature of the "Wenzhou model."

Wenzhou is opposite Taiwan across the Taiwan Strait (a 14-hour trip by speedboat). It was the "frontline" in the 1950s when the air around the strait was tense. It was the hottest spot in the country during the "cultural revolution" in the 1960s when various factions of the Red Guards held pitched battles with guns and cannon. As a result, during 37 years since liberation, state investment in

local economic buildup accounted for only 1 percent of the total spent on the province, despite its area being 11 percent of the province and its population 15 percent of the province's total. It is little wonder that the local economy has remained relatively stagnant.

Wenzhou exemplifies the pro-

blem that accounts for much of China's poverty: too many people for the farmland available. The average area of farmland per person in Wenzhou is only 0.45 *mu* (one *mu* = 1/15 hectare), among the smallest in the country. Two-thirds of the workers in the countryside were considered sur-



plus. Many urban people were also unemployed.

According to Jin Guowen, editor-in-chief of *Wenzhou Daily*, in the first couple of years after the downfall of the gang of four in 1976, hundreds of people went to the Wenzhou municipal government everyday to demand jobs. "We want to work," "We want to live" was drawn over walls of buildings in the streets. In Jinxiang Town in Cangnan County, people who had no means of livelihood were reduced to snatching food from local government office dining hall.

The "Wenzhou model" is a new way of dealing with surplus labour in China's countryside. It extends the household responsibility system beyond agriculture.

Since 1979, China's rural areas have practised the household responsibility system which links remuneration to output. It is widely recognized that the system is successful in promoting farmers' enthusiasm and in increasing output. However, it has not provided a solution to the problem of surplus rural labour. In recent years a great number of these labourers have moved into township industries, commerce, transport and other collectively owned enterprises where such things were well established and the public funds adequate. This trend is typified by the southern rural area of Jiangsu Province and is therefore known as the "southern Jiangsu model."

However, such a transfer is still a long way off for most of the country. Only 67 million people, about one-fifth of all labourers, have thus far been transferred to non-farming trades. So labour productivity and the living

standards in the rural areas overall still remain very low.

The "Wenzhou model" provides a possible way of further dealing with surplus labour, by using funds from all the families to develop household industry and other trades. It is an extension of the household responsibility system beyond agriculture.

According to 1985 statistics, about 107,000 household workshops and joint household factories have been set up in the area. Most of the joint household factories are classified as small private partnerships, the rest operating as co-operative enterprises. Usually these joint household factories employ fewer than 10 people but some of the larger partnerships employ a few dozen or more people. There are now over 400,000 people engaged in the co-operatives and the partnerships.

Another 400,000 labourers or more now work in commerce, transport, information, catering services and many have left the area to play their trade elsewhere. A good number of the country's tailors, barbers and cooks come from Zhejiang Province and some of them from Wenzhou. They are known as the three professional skills: the scissors, the razors and the kitchen knives.

Today, unemployment is no longer a problem in Wenzhou (except in the poor mountainous areas where many farm workers are still considered surplus). The living standards have greatly improved with an average income per head of 447 yuan in 1985, an increase of 150 percent over that in 1980.

Of the nine settlements we visited in Wenzhou, the town of Qiaotou in Yongjia County 30 kilometres north of Wenzhou city, was the smallest, but also the most typical.

"You can't find our little town on the map, but it is well known across the country," Xia Ruizhou, the Party secretary of the Qiaotou

Party committee, told us proudly as he received us in his newly built four-story office building. The reception room was furnished with about 20 high-backed sofas and elegant lily-shaped pendent lamps—signs of wealth in the small town.

A small town of only 660 families has become Asia's biggest button trading centre. Its development has started a boom cycle.

The town has only 660 families, but also the biggest button wholesale market in Asia. Annual trade volume averages 80 million yuan. "Everyday we receive 2,000 to 3,000 visitors," said Xia. "Most of them coming for business." In the first half of this year alone, 71 officials above the level of minister or governor were among the visitors.

We visited the new trading building with its 650 stalls all selling buttons. The old shopping centre was too small to meet the demands of expanding business, so the farmers in the town and in the 25 surrounding villages collected 300,000 yuan to build this new one double the size of the old. Other products available include zips, watchstraps, gilt earrings and cosmetics.

Behind most of the stalls are local women. Typically: the husband or father is in charge of the button supply, and the wife or daughter keeps the stall.

We were told that there were 12 categories of buttons incorporating over 1,400 varieties in the building. It would take only a couple of hours to collect some of all the types of buttons here; in Shanghai one would expect to spend almost a week doing the same. The stalls here have established steady business with



A glimpse at the button market in Qiaotou.

XU BANG

over 300 button manufacturers across the country. Once a new variety is made, it is available in the building within two weeks.

The button merchants are not exclusively concerned with the button trade in Qiaotou. In 1983, Wang Yongzheng, a local farmer, and a few friends set up co-

operation links with several department stores in Tianjin and Beijing to sell buttons. The big stores provide the spaces while the funds, buttons and shop assistants come from Wang. Every night, around midnight, Wang must wait by his phone to find out what kind and how many buttons the market

in Tianjin or Beijing requires. He purchases them the next day and delivers them immediately. Wang's experience was copied quickly in Qiaotou. Before long, special counters selling Qiaotou buttons were set up in the cities of Shenyang and Harbin.

In Qiaotou, no one can remember who first initiated the button business. Various romantic legends are already circulating among the people but one thing is certain: a few years ago somebody brought some buttons from outside and they sold well in the town. More and more button stalls mushroomed into the big market there is today.

Since 1981, Qiaotou has taken the logical step of producing buttons itself. The town, in co-operation with the nearby villages, runs 130 workshops, where 2,000 workers make buttons. Locally made buttons now make up 20 percent of the total sales in the Qiaotou market. Seventy clothing factories and two zip factories have also been set up in the town.

The farmer who was once so easily fooled and uninformed is now accumulating business acumen.

The impact of the button boom has inevitably spread beyond garment fastenings. Xia told us that previously there was only one restaurant and one hotel in the town. Now there are 44 restaurants and 55 hotels. The individually run transport services have developed beyond recognition. The boom cycle is in full swing and the local people's lives have greatly improved.

We visited Chen Mingnan's home in Qiaotou. His wife showed



A household button factory in Qiaotou.

GANG WANG

us around their new three-story house. Each floor has three big rooms and one small one. The furniture and decorations in the rooms were little different from what one sees in well-off homes in the big cities. But there were some surprises. We found a jar of Nescafe on Chen's wife's tea case and two telephones. (This is where even in Beijing, 90 percent of families do not have phones.)

They testifies to how important communications and information is for people like Chen Mingnan's family who own a clothes shop and a button stall in the trading building. Another surprise was on Chen's desk there were a pamphlet from the national lawyer's correspondence teaching centre, a copy of the civil law and a copy of the economic law. The farmers who was once so easily fooled and

uninformed is now accumulating business acumen.

According to the local authorities' estimate the number of families who own a new house like the Chens' account for more than 90 percent of the total.

After visiting Qiaotou, we went to see four towns—Jingxiang, Qianku, Yishan, Longgang and their rural areas in Cangnan county, on the southern border of Zhejiang Province. The first three are the most impressive of Wenzhou's ten major markets, while Longgang is a new town whose rapid expansion attracted nationwide attention.

Cangnan county has an area of 1,261 square kilometres with a population of one million. While there, we made sure also to visit a remote mountainous district which is very poor and backward.

Jingxiang town has a population of less than 20,000, but is famous for its badges, placards and plastic film products. In 1977, when residents of the town heard that the system of college enrolment by examination was being resumed after a long interruption by the "cultural revolution," at once they grasped

New apartment buildings have replaced the slums in Qiaotou.

GANG WANG



the opportunity. With the 270,000 new college students in mind, they designed some beautiful college identity badges and sent them to each college inviting orders. It is estimated that by now, over half the primary school, middle school and university students in China, tens of millions of them, are wearing identity badges produced by Jingxiang town.

Noted for its small-scale production with co-operation on an extensive scale, Jingxiang's cottage industry is much like the Swiss household clock and watch industry.

Quickly Jingxiang's people began to see information as "invisible wealth." Xu Fangshu, a



Zheng Xiaochun and her children.

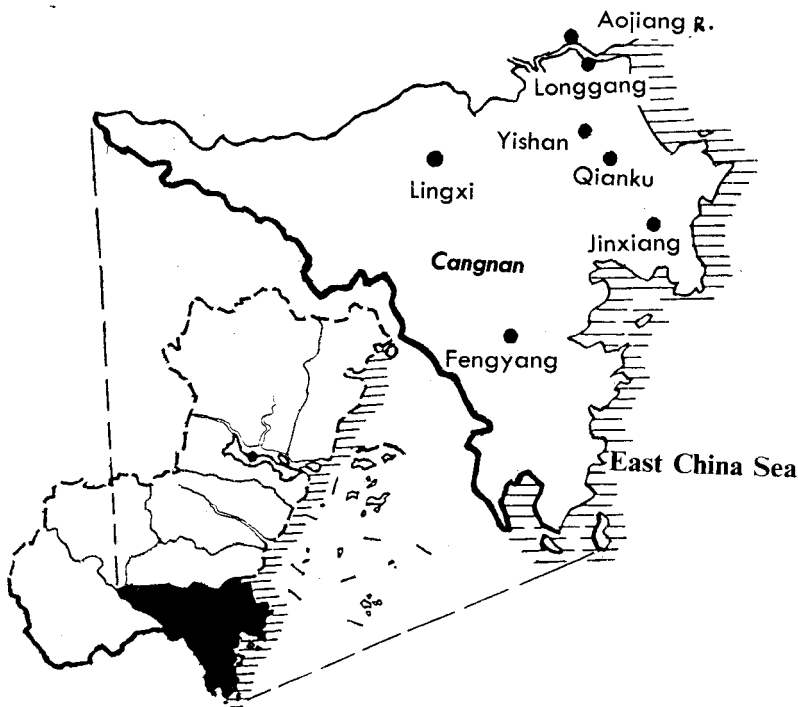
GANG WANG

farmer, has been dubbed the "authority on information." He subscribes to nearly 100 newspapers, and employs five people to help gather and classify the information to help keep Jingxiang in touch with the market. The town also established a scientific and economic information associ-

ation and publishes the small newspaper, *Jingxiang Information*. When a provincial sports event was just being prepared, Jingxiang was sending samples of their badges and eliciting orders.

It seems Jingxiang's household industry is much like the Swiss household clock industry, where clocks and watches are made in every family's workshop. Jingxiang's household industry is noted for its "small-scale production with large-scale co-operation." For example the aluminium badge undergoes more than 10 production stages including design, model production, raw material processing, pin production and assembly. Each stage has been undertaken by a group of special household factories, so each badge has circulated around many households before it is complete.

Unlike Jingxiang town, Qianku is a market town, with household industry thriving in its neighbouring areas. According to the Cangnan County records, Qianku's history goes back to the period of the Five Dynasties and Ten States, when Qian Liu (852-932), the King of Wuyue established an office here to collect taxes on tea and salt. That is why



the town was called Qianku: Qian's coffer in Chinese.

With the household industry developing in Qianku's rural area, the living standards of the people have risen year by year. Now Qianku has become a large comprehensive market selling small everyday articles, cloth, fashionable dresses and food. One can buy there things ranging from Shanghai textiles and Guangdong electrical equipment, to edible fungus from Guangxi, and litchis and *xianggu* mushroom from Fujian Province. In the town there are about 500 passenger craft carrying some 50,000 passengers a day. Many are local farmers and wholesale businessmen from Zhejiang and Fujian Provinces. The residents in Qianku town number 12,000; one-quarter are engaged in commerce.

When we visited Qianku, we lived in a family hotel run by Zheng Xiaochun. Her husband works in the local government office and heads the town's planning department. Their house faces a newly built street. The one-kilometre street is flanked on both sides by three-storey apartment buildings recently built by the residents themselves. They usually use their ground floor as a shop.

Zheng Xiaochun runs a hardware store which also sells electrical home appliances. She lets a room on the first floor as an office, and two rooms on the second floor she hires out to travellers. She is friendly with her guests, and has all the arrangement properly made. Sometimes one of us would miss lunch to take photographs, she twice invited him to have lunch with her family. When we left, her husband showed us off at the dock. Judging by conversations with her about her business, we estimate her family's annual income at about 10,000 yuan, a college professor's income for three years.

Last February, a press conference was held by 21 specialized



Young women at a market in Yishan.

GANG WANG

households in Yishan town. It introduced the name of Yishan into the national consciousness. What these households did was unprecedented in China. As well

Salesmen for the recycled clothes empire travel as far as Tibet, Sino-Burmese and Sino-Soviet borders.

as inviting the local media, correspondents from Beijing, Shanghai and far off provinces were also brought in. These households then introduced their products to the nation through the media themselves.

What Yishan town and its rural area were publicizing was their regenerative polyacrylic fibre products. These products are made out of leftovers from the man-made fibre plant and clo-

thing factory. After respinning and reweaving, various clothes and carpets can be made. They are low in price (a piece of child's clothing is only 0.3 to 0.5 yuan) as they do not need to compete for the material with the state-owned factory, so they sell well in the border district and poor mountainous areas. Annual sales volume in the product has reached 200 million items, representing an item of such clothing for two out of every three children in the country. Needless to say the households producing these items soon saw a rapid rise in their incomes.

Yishan's residents can identify the people who contributed to the growth of the industry. Sun Acha was in her 60's when she improved the spinning machine and was the first to spin remnants into the regenerative polyacrylic fibre. She died in 1980. In a tribute to her, the several hundred spinning machines in the town stopped for one day.

There are 8,500 people in this area trading in raw materials and local goods. They work away from



Chen Shangyou.

GANG WANG

home year after year, travelling the length and breadth of the country as far as the Sino-Burma and Sino-Soviet borders.

At Yishan's market, we saw young salesmen purchasing clothes. One, Chen Shangyou, 21, has been doing this for three years and has travelled to many provinces including the Inner Mongolia Autonomous Region, Xinjiang Uygur Autonomous Region and Sichuan Province. He told us that on a good trip he could earn 2,000 to 3,000 yuan.

In the Wenzhou area, there are 100,000 people like Chen. They spread both commodities and information. It is interesting to note that even in Lhasa, the capital of the Tibet Autonomous Region, small traders from Wenzhou account for one-quarter of the city's 2,000 retailers.

Longgang town strikes the visitor immediately as being different from other places. It starts with the reception. In other towns, we first heard an introduction from the local leader and then were taken on our visit. This time our visit began with a fifteen minutes video entitled *Longgang's Revelations*. Then a

young man asked what we would like to talk with the town's leader about.

Longgang is a seaport at the mouth of Aojiang River. In the past there were only five villages here. Given the favourable geographical position and the potential of the harbour, Cangnan county authority decided in 1982 to establish a town here. In November 1983, the proposal was approved and five months later Longgang town established its people's government.

In contrast to the desperate farmers of the enclosure movement, Chinese farmers move into towns gladly.

In a couple of years, Longgang town has attracted 4,000 people and organizations from three provinces and eight counties (including Cangnan) to invest in Longgang. These include specialized households, workers, cadres, scientists and more than 100 small enterprises and economic associations. The total investment reached nearly 160 million yuan (US\$43 million). The total area allocated to capital construction is 820,000 square metres. Three-fifths have been completed. 23 kilometres of roadway have also been built.

Longgang had little money and so had to rely on the masses to build the public utilities. Rates are collected on the bases of housing, and enough money was collected this way to build roads, tap water installation and drains in the residential areas. In the early winter of 1984, when a new road was built in front of every resident's door, the residents were so proud of it that in the evening they put straw on the new

cement road to protect it from frostbite. The masses also collected money to buy saplings from the government to plant them in front of their doors.

"The enclosure movement that came before industrialization in some capitalist countries pushed urban construction and industrial development forward, but as a result many farmers were made destitute and had to go into the towns out of desperation," Chen Dingmo, secretary of the town's Party committee said. "We arranged for farmers to move in Longgang town gladly. Most of them are local and have become prosperous in recent years."

Chen also told us that the farmers have already begun to undergo some of the changes that a modern, urban life entails: they pay more attention to the time, hygiene, to cultural activities and to their children's education.

In Wenzhou, some misgivings were expressed about Longgang's development. People were concerned that most settlers used their money to build houses while neglecting investment in product-

A girl in Dingbao Village.

G. NG WANG



ive construction. It was suggested that the farmers were afraid of changes in the present policy, so they channelled their incomes into the safest outlets. That may be true, but Longgang's own construction goals have been met, and what this tells of the Chinese farmers' potential should not be overlooked.

After driving about 40 kilometres east of the Cangnan county town, climbing a mountain and walking several kilometres, we arrived at Dingbao village in Chixi district. Dingbao is hardly a village; the people live dispersed over a large area. Most villagers have to climb over a few mountain tops to reach each other.

Lei Bizu, 48, took us into his thatched cottage. There are ten in his family including his wife, his mother who is over 85 and seven children. They cultivate 4.5 *mu* of sweet potatoes and rice. They also raise a pig. Their yearly average income each is only 50 yuan which is not enough to feed them.

As towns thrive, people in rural pockets of poverty see hope.

Lei's wife opened the cupboard for us. We saw a little fish soup in a bowl and some pickled cabbage in another; the salt pot was empty. In order to live, they have had to borrow money. In the room, there was hardly anything which one could call real furniture. In front of the old lady's bed there hung a pathetic mosquito net, many bits of old cloth stitched together.

We visited a few other households in the "village." They were less wretched, but still very poor. There was only one household in the "village" that had learnt how to grow mushrooms as well as the usual tea, red bayberry and pigs. This



Li Laizhu(middle) and his two deputy managers.

family had more income and slightly easier circumstances.

When we visited Cangnan county town, Zhou Fangquan, secretary of the county Party committee, told us that the population in the prosperous areas accounted for only half of the county's population. Their average per-capita income last year was about 400 yuan. In Chixi district, the annual average per-capita income was only 139 yuan. The very poorest households such as Lei Bizu's income was even lower.

Liu Huabiao, head of the general office of the agricultural committee of Wenzhou municipal people's government, told us that there were more than 1.2 million households in Wenzhou. Of them, one third were described as well-off. In 1985 their annual average per-household income was 5,000 yuan. Another one third had enough to eat and wear. Besides these two groups the last third lived mainly in the mountainous areas and their life was difficult. Of them, 80,000 households had to rely on the state's relief and lived by borrowing.

Liu added that some hired labourers worked in Jingxiang

town had gone back to their poor mountainous areas, and their skills had helped household industry in their home villages. Some mountain farmers had moved to the prosperous areas to help local farmers with their "responsibility fields."

Using the greater tax revenue from prosperous areas, the county government has been increasing its interest-free loans in the poor areas. The money is used to buy cows, raise pigs, sheep and rabbits, plant fruit trees and Chinese medicinal plants. More importantly, part of the highway from the county town to the mountainous areas has been opened to traffic, and many good cadres have been sent to work there. By the time we had visited Chixi district, the county government sent 12 university students who had at least two years working experience to Chixi to help the poor households.

"Our 'Central Committee' has seven people, including two deputy managers and myself. We don't have to ask for the approval of any higher official in making our decisions," said Li Laizhu, manager of a polyvinyl chloride yarn factory in a village near the

town of Qianku, Cangnan County.

Li's factory was built in 1982 with a fund of ¥60,000 raised

Co-operative factories are doing well, with serious attempts at democratic management and welfare for fellow-villagers.

from about a hundred villagers. As a result of continued investment, the factory now has assets of ¥390,000 and 157 employees. The factory makes yarn of various colours from polyvinyl chloride. Though not quite as warm as wool, the price of this kind of yarn is only one eighth that of wool; it has therefore become very popular among the less well-off people in the countryside.

Li has adopted a democratic policy. There is a monthly meeting of all the workers, who at the same time hold shares, to hear briefings on production and management. Major policy decisions, such as expansion of production, distribution of profits, and the like, have to be discussed and approved by all the workers.

The number of shares each worker can buy is commensurate with his responsibility in the factory. This year the factory sold 55 shares at ¥2,000 each. Purchases range from three shares bought by one person to one share bought by four people. In addition to the two percent monthly interest, each share will attract a dividend of ¥1,000 at the end of the year, provided the profit rate remains at the 1985 level.

Interestingly, this factory still uses the workpoint system previously used in collective farming. The number of workpoints one earns depends upon his job and skill, and it is adjustable after a certain period. Leaders of each of the three shift groups are

responsible to the management, and each group is rewarded according to its performance. Then the reward is distributed within the group according to workpoints.

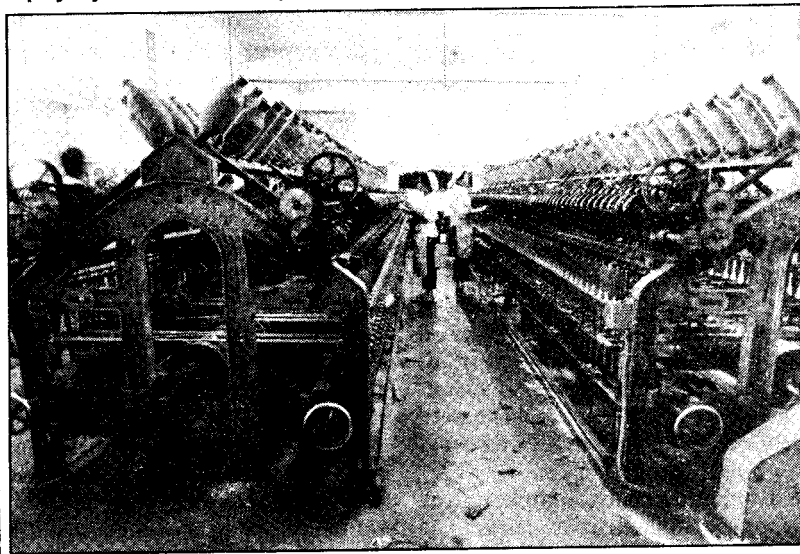
Li, for many years Party secretary in the village, recently won the title "Model Manager" awarded by Zhejiang Province. He is nearly 50 now and has expressed his wish to retire. When asked privately about who he thought should succeed him, he said: "Both deputy managers and another young man are good candidates. However, it has to be voted on by all the workers."

We were then introduced to the other six members of the Committee. Talking about the factory's future plans, Li expressed his concern about weaknesses in their present equipment. The Committee has decided to get some carding and twisting machines. This will make it possible to raise annual output value from 3 million yuan to 4.5 million yuan. "We haven't agreed on a more ambitious plan yet, but personally I'd like to see constant expansion in the factory to where each of the 550 families in the village have at least one person working in it." Last year's average income of the workers was ¥120 a month, which is not bad for this village.

Li has the support of Li Tongchang, a 36-year-old deputy manager. The other deputy manager, 43-year-old Li Laixing, would prefer a different approach: "It is quite a challenge running a big factory. If you don't have the right management, you will fail sooner or later. I propose our factory help develop the cottage industries in the village." He is thinking of the potential of the knitting industry in the village. A few families have already made good profit from it. But they only use one fifth of the yarn the factory turns out. All the rest of the business is taken by people from nearby areas.

A polyvinyl chloride workshop.

GANG WANG



Li Laixing used to be a local high school maths teacher. He served as a consultant to Li Laizhu when the factory was first started four years ago. It was not easy for the factory to prise him away from the school, and not long ago he was sent to study business management at Tongji University in Shanghai for three months.

With their knowledge and skills, people like Li Laixing are much needed in the Wenzhou countryside. One factory manager told me that he once got a contract to print bags. Since they did not have anybody to proofread the type, "Made in China" became "Made China." That cost him several thousand yuan.

For school teachers, who get paid less than countryside factory workers, these factories have become a magnet. There is now a brain drain from the schools, weakening an already fragile educational system in the countryside.

There is now a brain drain from schools to the rural industries, weakening an already fragile educational system in the countryside.

Not too far from Li's factory, we met Xiang Yanlong, manager of another small business which makes and prints plastic wrappings. It is only a little bigger than Li's factory, but makes much more profit. Last year its 181 workers invested a total of ¥400,000 and made a profit of ¥110,000. Though the dividend has not yet been calculated, they have decided to spend ¥70,000 building a cinema, installing running water and mending roads.



Zhang Liecheng.

GANG WANG

Xiang is well known among his colleagues for his conscientiousness. He was an accountant last year and in charge of only one workshop in the factory. He made far more profit than had been expected. In accordance with his contract, he was awarded ¥10,000, but he donated it all to the factory for re-investment. His managerial abilities and his spirit of dedication won him the trust of the workforce, and he was chosen as manager of the factory.

As well as co-op factories, businesses funded and run by private individuals have also grown rapidly.

The first private steel rolling mill is at Aojiang, Pingyang County, a town of some 100,000 people. The 27-year-old manager, Zhang Liecheng, only finished grade six, but he is honest and has a sense of humour. He used to work as a salesman in a small machinery factory, where he picked up much of his know-how. He was also very well paid there, since the factory made enormous profits. When he decided to start his own business, he took out all his savings and pooled them with those of several other partners to form a fund of ¥300,000.

They borrowed a blue print of a steel-rolling machine from a state-owned factory and had the main parts of the machine made at a machinery plant. All the other parts they made, and assembled the machine themselves. That cost them a little over ¥200,000, not

yet half the price of a new machine. Zhang worked hard for it though. For four and a half months he never got home before midnight. The factory's materials come from ship-breaking yards in and around Wenzhou. It turns the scrap into various kinds of steel for construction which have sold well. Last year the market price of steel was ¥2,000 per ton. After Zhang started his business in October the price came down to ¥1,700 per ton. Still, in the last six months alone the factory has made two million yuan, ¥250,000 of which was profit.

It may take some years of experimentation to work out specific policies on bigger private enterprises.

Zhang has around 80 employees and pays them from ¥200 to ¥300 a month. All the four salesmen and himself are paid ¥500. "But in fact," he said, "I never take a fen home." Of the factory's profits, 40 percent goes in dividends, while the other 60 percent is ploughed back to expand production. However, in order to keep up with the intense competition, the dividends also have to be used for further investment in a new plant site and machinery to develop new products.

"Do you have a secretary?" he asked him when a smartly dressed young woman came in with a bunch of business letters.

"Oh, come on. My wife would be jealous," he said with a smile. The woman was the firm's cashier and Zhang's wife was the accountant. Apart from them, Zhang's three partners were his father-in-law, his nephew and the husband of his niece.



Ye Wengui.

GANG WANG

Ye Wengui, 36, is well known as an entrepreneur in Cangnan County and the whole Wenzhou area. He is the chairman of two businesses in Jinxiang, which between them have assets of 1.6 million yuan and 158 employees. During the "cultural revolution" he worked for nine years as a farm worker in Heilongjiang Province. He also has a lot of experience in running a small factory and in working as a salesman.

When he returned home in 1979, he discovered there was an extreme shortage of aluminium sheetings due to increased demand by the expanding local cottage industry. So he clubbed together with 16 other people to set up an aluminium rolling factory. Within three years they had made more than ¥60,000, five times more than their original investment. All his partners insisted on splitting the money. Ye was unable to convince them not to, and pulled out with his own share.

Soon after he found some other partners and set up his present factory reprocessing plastic off-cuts into plastic sheetings. The factory's annual output is 600 tons. Before, this work had to be done in Shanghai.

Last year Ye put an advertisement in the *Wenzhou Daily* to recruit some workers. Unlike other advertisers, he required only single, high-school graduates. Applicants would have to sit an exam and the successful ones would be trained for three months before working for a further three months on probation. Only then

would they be taken on as long-term contract workers (as long as the business survived). Once employed, workers received board and lodging as good as any in the big cities. They are also given priority in the purchase of shares and in medical and retirement insurance, an idea that Ye learnt from the book *The Secret of Toyota* by Waka Yama Fujio and Sugimoto Tadaaki.

"They are glad to be here," Ye told us "because I can help them raise their standard of life." The factory arranges lectures for workers to improve their skills. Workers can take any correspondence course they wish in order to study science and technology, management or economics, and get their fees reimbursed. The factory also sends a few workers to university.

The factory has a bonus system that is determined by the profit it makes and by the contribution of each individual. The maximum bonus last year was ¥2,100. The annual income of an ordinary worker fluctuates between ¥800 and ¥1,000. This, plus free room and board, makes their remuneration better than that of workers in factories run by the government.

Ye spends his earnings expanding production. Last year he set up the Cangnan Micro-Instrument Factory. In co-operation with the Shanghai Medical Institute, his factory successfully produced a blood coagulation analyzing machine, the price of which is only one third that of imported models. This year he has already opened up another workshop making polyvinyl chloride plastic wrap-

ing material. He has also signed a letter of intent with the Bomin Trading Co. of Macao Ltd. to co-produce granite slates, making use of rich local deposits. At the moment he is working with some researchers from the Shanghai Institute of Railroad Transportation to try to make long-life storage batteries.

When asked what was his motive in running the factories, Ye said, "It's not the money I'm after. If I sold all my properties now and put the money in the bank, the interest would be more than enough to last me the rest of my life. What holds me here is my ambition. I want to do something big, I want to do it well. If one day the government requires me to sell them the factories, I want to hand over rich, efficient businesses, not a mess."

At the moment the government does not have any definite policy towards private businesses of a substantial size like Ye's. It is still watching. However, some economists have published their opinions. They believe that as long as the economy is dominated by public ownership, private businesses can do a lot to develop production; and that measures of taxation and industrial and commercial control can be introduced to eliminate their negative effects. Moreover, with state guidance, ways can be found to help them become enterprises in the nature of co-operatives.

It will take some years of experimentation to find out whether, and to what extent, these ideas are justified and feasible. ■

Forthcoming...

How does the booming cottage industry affect state-run enterprises and their workers in Wenzhou? What kind of challenge does it pose to the urban reforms? We examine these questions in the special report next issue.

China Wakes Up to the Plight of Its Blind Children

by Our correspondent LI Qiong

July 14th in Beijing saw the opening ceremony of the first Chinese summer camp for blind children. The ceremony was also

the culmination of months of effort on the part of Xu Bailun, chief editor of the monthly, *China Blind Children's Literature* (in

Beijing Review No. 26, 1980).

At the end of last year, Xu, an architect formerly with the Beijing Architecture Institute, joined with Zheng Yuanjie, a famous children's writer to publish the magazine. They had to do so with their own money, so the first print-run was small, only 500 copies, and a copy was sent free to every school for the blind.

Between February and April this year *China Blind Children's Literature* conducted its pre-launch publicity campaign and coupled it with an appeal on behalf of blind children. Children from all over the country donated over 20,000 yuan to finance a holiday in the capital for their blind contemporaries.

The magazine also joined forces with the China Welfare Fund for the Handicapped, the China Association of the Blind and the Deafmute, and the Beijing Garrison Command to ensure that 60 children from across the country spent the best possible week in Beijing.

The children were taken to see the city's sights, and everywhere they went they received an especially warm welcome. They were allowed at the Great Hall of the People to climb onto the platform and touch the flags at the back, as no one else can. They were also encouraged to touch the carved figures on the Monument to the People's Heroes in Tian An Men Square.

The Miyun International Amusement Centre gave the children free admission and presented each with a terry cloth quilt. The Beijing Garrison Command donated the children's

Zheng Yuanjie (fourth from right) with blind children.

LIU YANPIN



board and lodging, and the Beijing Weili Soft Drinks Factory supplied free drinks.

There are 500,000 blind children in China, but in the past, with its backwardness and upheavals, little thought was given to their plight.

In recent years the government has built some schools for the blind, but their number is still in short supply. There are only 11 schools specifically for blind children, and 32 schools for the blind and the deafmute. They cater for 5,000 blind pupils or 1 percent of the total number.

Some provinces have yet to establish a school for the blind (Guangxi, Zhejiang, Tibet, Ningxia, Qinghai). As a result most blind children are kept at home. According to Teng Weiming, head of China's Association for the Blind, China has not a single kindergarten for blind children. At home the children are often either spoiled or neglected.

Things are set to improve, however. The provinces without schools for the blind have planned to establish some, and others plan to expand what facilities they have. Jiangsu, for example, intends to build two more schools for the blind, one in the south and one in the centre of the province.

More to the point, perhaps, the government is considering setting up classes for the blind within ordinary middle schools.

As things stand, blind children in China who do go to school, do so later, at ages between eight and 15. The courses are the same, but the scale smaller. The Siping School for the Blind in Jilin Province has 203 students, and 109 on the teaching staff. Primary school, middle school and specialized school are each represented by three years of study. The specialized subject is massage, but the school hopes to add law, weaving and telephone-wiring.

Writer Zheng Yuanjie believes that if blind people are given an education and the chance to learn a skill, they need not be a burden to society. They are not inferior to "bright-eyed children," he says.

Ma Fangqin proves his point. She is 14 and one of the children who was on the summer camp. She lives in Jiangsu Province and her father, a railway worker, works in another province. She lives with her mother, a farmer. But her mother is afflicted with arthritis and heart disease. Though blind, Ma has to look after her younger brother and sister, do chores around the house, cut the grass and feed the animals.

Whenever she could she would sit in on the primary school's classes. When she was eight, she started at the school for the blind. She has read 200 braille books with her hands, and has learned to play eight musical instruments, including the piano, the mandolin, the accordion, and the dulcimer.

Just before an exam, her father wired that he had broken his leg in an accident. She coped with her distress and passed the exam with flying colours.

Her stamina and determination were increased by her circumstances. At school she helps her roommates with their studies and shares in the washing and cleaning around the dormitory.

She says she hopes to give other children like her an opportunity to gain knowledge. Her plan is to attend a teachers' college and then work in one of the new schools for the blind.

Although the summer camp received the support of the President of the All-China Women's Federation Kang Keqing and of Deputy Mayor Feng Mingwei of Beijing, Zheng feels dissatisfied.

"As humanists," he says, "we should give more attention to blind children, and we should try to get the society involved." ■

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Correction: Line 5, Column 1, page 30 of our last issue, No 41 should read "United Workers' Party," and Line 7 should read "(state) Council of the Polish People's Republic."

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China Adopts and Adapts Shakespeare

by Our Correspondent Ling Yang

Since the beginning of this century when Shakespeare's works were translated into Chinese, Chinese dramatists have staged many of his plays. It is only in recent years, however, that Shakespearean dramas have

commemorating Shakespeare's 386th birthday. Huang then suggested using Chinese theatrical techniques in staging Shakespeare's plays so as to meet the tastes of Chinese audiences. Today, 36

is performed in chronological order.

As the curtain goes up, four clowns leap onto the stage doing somersaults and jumps to the beating of drums sound in the background. This is a typical Beijing opera opening. Usually these clowns have no expression on their faces, but in this performance they wear broad grins and perform with obvious glee. In such a joyful atmosphere and accompanied by boisterous music, Othello appears on stage. His brisk steps are accompanied by drum and gong beats. This too is typical Beijing opera. The hero wears a suit of armour covered with a cloak painted with the traditional pattern of dragons and pearls. He wears high-heeled shoes to look more soldierly. With four soldiers in front of him holding flags, indicating the hero commands thousands of soldiers, Othello marches to the middle of the stage and stops there. As the gong is tinkled the hero strikes a theatrical pose, placing one hand on his sword and lifting his cloak with the other.



"Richard III" performed by the China Children's Art Theatre.

XUE CHAO

become as frequent and colourful as they are today in China. During its first Shakespeare Festival in April this year, China staged 16 of Shakespeare's 37 plays in a variety of adapted forms, including Beijing opera. Some were done in Chinese, and some others in English.

"Chinese traditional theatrical techniques are very suited to performing Shakespeare's plays. I believe Shakespeare's plays have bright prospects in China," said well-known director Huang Zuolin, at a meeting in 1950

years later, the old dramatist was delighted to see the colourful blend of East and West in many of China's Shakespeare productions.

Combining East, West

The Beijing opera version of *Othello* is a brilliant example of how well Chinese theatre works with Shakespeare. The opera, performed by the Experimental Beijing Opera Troupe, is not represented in flashback form as in the original version. Instead, it

The heroine in *Othello* is also a combination of East and West. She wears an evening dress and Western-style leather shoes. Her hair and make-up, however, are like those from Beijing opera. The ornamental hair pin she wears is a sign of her status as a noble. When the villain woos the heroine, he uses the acrobatic techniques of Beijing opera. First the villain does a series of somersaults and then walks around her with his eyes fixed on her face before he kneels at her feet to ask her for her love—a Western custom. When rejected, he follows her on his

knees and pleads with her again and again in Beijing opera style.

Following Suit

Shakespeare's plays are usually a labyrinth of plots and sub-plots.



"Twelfth-Night" performed by Shanghai Yueju Opera Troupe.

XIE ZHONGSHAN

Chinese operas, however, tell a single story in chronological order. The adaptation offers the main story while its structure is changed to meet Chinese audience's tastes.

Huangmei opera, a local opera from Anhui Province, is characterized by its local flavour and the songs of hero and heroine. The use of such songs in a *huangmei* opera version of *Much Ado About Nothing* makes the play particularly popular with local people.

Hu Weimin, the director of the successful *yueju* opera adaptation of *Twelfth-Night*, said the features of a local opera must be given due consideration when adapting it to Shakespeare. For example, *yueju* opera from Zhejiang Province is characterized by its subtlety and delicacy in performance and music. It is very suitable for *Twelfth-Night*, which is full of misunderstandings and complications to do with love.

Adaptation, Creativity

Not all Shakespeare's plays can be adapted into local Chinese

operas. Zhang Jihong, director of China's Youth Drama Troupe, changed *The Merchant of Venice* into a romantic comedy. Its opening is very beautiful: on a rippling lake young men and women are boating and singing.

The actors and actresses paddle their feet to illustrate the movement of the boat.

There is disagreement about Zhang's deletion of the religious background of the Jewish merch-

ant and the conflict between different nationalities. Some say the changes are useful because audiences may not be familiar with the aspects of Western history involved and would follow the play better without such "complications." Others say the change makes the Jewish merchant an empty character and detracts from the original.

Some plots of *The Merchant of Venice* have also been changed. For example, the heroine tells her three suitors that she will marry the one who chooses the box in which she keeps her portrait. In the performance by China's Youth Drama Troupe, the boxes are not placed on the table as they are in the original version. Instead they are held by three dancing maids over their heads. The Prince of Morocco chooses the golden one held by the woman in Arabic dress. He is wrong, however. The conceited Prince of Aragon chooses the silver one held by a woman in Spanish costume. He, too, is wrong. The right one is the lead one held by a handsome woman in plain Italian dress.

Directed by 44-year-old Xiong Yuanwei, China's Coal Miners'

"The Merry Wives of Windsor" performed by Wuhan Modern Drama Troupe.



Drama Troupe performed *A Midsummer Night's Dream* in a modern style. The only settings on the stage are 11 U-shaped ropes hung from the ceiling. The change in their positions and curves indicates the transition in acts. For example, the ropes serve as rows of trees in the "forest" where spirits appear. "Fairies" dance and play in the "forest" in yellowish pink nylon clothes. Their quick and strong movements with outstretched arms and opened palms resemble modern dance. But their light and elegant turns and leaps resemble ballet.

The young ladies and gentlemen who visit the forest wear large cloaks through which only their heads, arms and legs show. Some traditional Chinese patterns are painted on them to represent the idea of "returning to nature." The British craftsmen are changed into Chinese people and wear ancient Chinese clothes and speak a dialect of north China.

Shakespeare's plays have impressed the Chinese deeply. There is something very significant about their popularity. It is best for Shakespeare himself to explain the point. When the curtain went up in a Shanghai theatre and the *yueju* opera version of *The Winter's Tales* was about to begin, a "Shakespeare" surprisingly appeared on the stage, accompanied by two British soldiers in 17th-century uniform. "Shakespeare" spoke to his audience:

"Three hundred and seventy years have passed. I have never been so excited as today.

"Every nation has its own traditions, but they all influence, enlighten and promote each other. Real art transcends national boundaries and at times can arouse sympathy in every human heart... I belong not only to the British people but also to you, my Chinese friends. I would like my works to be flowers in the splendid garden of Chinese opera. ■



"Antony and Cleopatra" performed by Shanghai Youth Modern Drama Troupe.

China Disappointed at Textile Protocol

China has reservations about the extended trade protocol of the new international textile trade agreement reached on July 31. The Chinese government will make a careful study of the agreement before deciding whether to sign it.

The Textile Committee of the General Agreement on Tariffs and Trade has made four agreements, each placing stricter limitations on exports of textiles by developing countries. The Chinese government believes that the revisions in the new textile protocol make it more restrictive again than the last.

The main problems are the limitation on export goods being expanded to include all plant fibre, blended plant fibre and blended silk products and the expansion of importers' rights to limit imports themselves. This is a regression since the basic aim of the international textile trade

agreement is to free the textile trade step by step.

"The new agreement limits exports of flax, ramie and blended silk fabrics," said Lin Guangtai, deputy head of the Managers' Office of the China National Textiles Import and Export Corporation and expert on textile import and export. "China is a noted producer of ramie and has a 4,000-year history in ramie growing and processing. Ramie is one of China's main exports and accounts for 80 percent of the world's total. China is also a silk producer and has exported silk products for a long time. The Chinese government is greatly concerned about the limitation on exporting these products."

The world's major ramie importers are the regions of Hong Kong, South Korea and Taiwan. China exports raw ramie, ramie yarn and grey cloth to Hong Kong for processing and imports them back

to weave in Xiamen, Shenzhen and Guangzhou. The cloth is then made into clothes and other products in Hong Kong. China exports raw ramie to South Korea and Taiwan through Hong Kong. To limit ramie exports is, directly or indirectly, to limit Chinese exports.

China's ramie industry has developed rapidly in the last few years to meet the world's needs. The 1985 export value was US\$300 million. The high purchasing price has meant very many farmers now grow ramie instead of grain. The new limitation will directly affect them and indirectly many others.

China has 189 flax and hemp mills and textile mills producing linen fabrics with a total workforce of 175,500. Farmers who grow hemp and ramie are too many to quantify precisely. ■

Yue Haitao

Chinese TV Sets' Bebut In Britain

At the end of last August, the first batch of the 30,000 Huanyu-brand 14-inch colour TV sets ordered by the London TV Sales Ltd. from the Shijiazhuang Television Factory were awaiting delivery. Since last April Mr. Wacey, general manager of the London company, has inspected the factory twice and sent sets back to Britain for quality tests; they were up to British standards.

The Shijiazhuang Television Factory belongs to the Huanyu Export Group and the Huanyu-brand TV sets are new products

jointly developed by the factory with the Japanese Hitachi Company. Over 80 percent of its parts are made in China. Tests against high and low temperatures and high humidity by the Chinese Ministry of Electronics Industry show that this brand of TV sets has life-expectancy of 45,000 hours and is more durable than the same TV sets made by Japan. ■

by Yang Aimin

China, FRG Foster Co-operation

On October 3 the China Agricultural Bank and the D G Bank of the Federal Republic of Germany started to discuss

opening an agro-technical consulting company in China, President Wang Jingshi of the China Agricultural Bank told *Beijing Review*.

Wang said early in May last year he led a delegation from the bank to the D G Bank. They discussed the project and signed a letter of intent with the D G Bank. Its main points are:

— That both sides co-operate under the principle of equality and mutual benefit in order to develop the agriculture of both countries;

— To provide funds and consulting services for the clients of both banks;

— To investigate co-operative projects both sides are interested in; and

—To strengthen the exchange of information and personnel training.

Some achievements have been noted since that meeting including the Chinese-Germany Co-operation Symposium held on September 22-24 in Beijing. Leather and a dozen other co-operative production projects have also progressed.

Adsale to Hold Exhibitions in China

The Adsale Exhibition Services of Hong Kong will hold eight exhibitions in Beijing, Shanghai and other places in 1987 providing China with a good opportunity to buy advanced foreign technology and equipment in line with its Seventh Five-Year Plan. These exhibitions will deal with chemical and petrochemical equipment, construction (machines, products and technology), the automobile industry, meters and instruments, telecommunications, automatic office equipment, leather technology and equipment, plastic and rubber industry, and high-grade electronic technology and equipment. Of these exhibitions the construction machines and technology exhibition will be the biggest and will cover an area of 10,000 square metres.

Established in 1980, Adsale Exhibition Services has held more than 20 international industrial exhibitions in China. Of them the International Automobile Industrial Technology Exhibition, the International Nuclear Energy Equipment Exhibition and Surveying and Testing Equipment Exhibition were the biggest of their kind ever held in China. ■

by Zhang Zeyu

News in Brief

■The China International Monetary Corp., a Sino-foreign

joint venture, will open to business this autumn in the Shenzhen Special Economic Zone in Guangdong Province. The corporation is managed by the Bank of China, the Bank of East Asia Ltd. of Hong Kong, the Pacific Security Corp. of the United States, the Sumitomo Bank and the Namura Security Corp. of Japan and has shares worth US\$7 million held by all the banks and corporations. In addition to banking the corporation will collect funds for Chinese economic constructions.

■An overseas import and export corporation, the first joint venture by Shenyang in northeast China and Hong Kong, opened on August 25. With full legal status, the corporation will handle imports and exports of textiles, light industrial goods, handicrafts, machinery, metals and minerals, chemicals, medicines, local products and livestock products.

■The Guangdong provincial government recently decided strictly to control the import of 28 industrial projects producing refrigerators, washing machines, TV sets, radio cassette recorders, cameras, heavy-duty trucks, duplicators, elevators, cassette recorder and video tapes.

The local government will consider their importation if foreign businessmen are willing to invest in them and the products have a ready market in the world.

Daqing Buys Hotel In West Germany

The Daqing Economic and Technology Development Co. has recently bought the Hotel Ravel on Niddastrasse in Frankfurt, the Federal Republic of Germany. The 70-room hotel was bought for DM 8.4 million and renamed Lianyi Hotel (Union of Friendship). Daqing owns the hotel but it will be operated by a subdivision in the country using mostly Chinese staff. The

restaurant, after renovation, opened on October 1 this year, serving Chinese food. Most of the ingredients needed will also be brought from China. CAAC has agreed to advertise the hotel to its passengers. ■

New Chances For Investment

The Changbai Mountain areas need foreign funds for their development, Liu Runpu, an official of the Administrative Bureau of Township Enterprises of Jilin Province, told *Beijing Review*.

The region produces 10,000 tons of ginseng and 24 ginseng products, 3,000 tons of canned wild fern and mushrooms, 7,000 tons of wild fruit juice, 5,000 tons of wild fruit wine, and 2 million cubic metres of timber annually.

Liu said the provincial government welcomes foreign firms joining the development programme of Changbai Mountains. Funds are urgently needed. Advanced technologies are also needed for the utilization of ginseng for many purposes, for wine making and packaging, for processing canned food and timber, and for tanning marten pelts. Jilin Province is looking to increase its export trade, Liu said.

Jilin Province, in northeast China, covers 0.18 million square kilometres with the Changbai Mountain region occupying 55.7 percent of its total territory, or 100,200 square kilometres. China's largest forestry base, the region is rich in minerals, including significant deposits of gold, nickel, wollastonite and diatomite. Wild ginseng from the Changbai has been China's best tonic for 2,000 years. The medicated wine made with ginseng, pilose antler and animal's penis is said to be "a man's treasure." ■

Yue Haitou

Li Keran: Blending Tradition and Innovation

More than 200 ink-and-colour traditional paintings, sketches, line drawings and works of calligraphy by contemporary artist Li Keran were shown not long ago at the China Museum of Fine Arts in Beijing. Li's exhibits provided an overview at how the artist has progressed during the past several decades.

Li Keran is now vice-president of the Chinese Artists' Association, president of the Research Institute of Traditional Chinese Painting and a professor of the Central Academy of Fine Arts. Born in Xuzhou, Jiangsu Province, in 1907, Li came into contact with folk arts as a child

and taught himself calligraphy and drawing. At 13, he began to learn traditional painting. He turned to oil painting when he entered the state-run West Lake Art Institute at 22.

In 1943, he began to be known for his expressionistic portraits and landscape paintings while a teacher at the state-run fine arts school in Chongqing, the war-time capital. After the war, he was invited by master Xu Beihong (Ju Peon) to teach at the Beijing State Art College. During this period, Li advanced his study under the two great masters Qi Baishi and Huang Binhong.

After the founding of New

China in 1949, Li became an even bolder artist and forged ahead with new techniques. Incorporating Western painting skills with ink-and-colour painting, Li advanced the traditional Chinese painting of landscape to catch the spirit of the era. Be it a hill, a rock, a stream or a tree, every item in his paintings reflects Li's unique vision. A "full composition to express complex ideas, the extraordinary employment of simple strokes, the versatile use of dark ink, the treatment of light from various angles" all these are characteristic of Li's landscape paintings.

Li spent decades perfecting his

Under the Shade of Old Vines.

LI KERAN



Twin Waterfall.

LI KERAN



art. While diligently studying the strong points of his forerunners, he has also been an innovator. He said he "has spared no efforts in learning from tradition, while trying with every bit of courage to break from it."

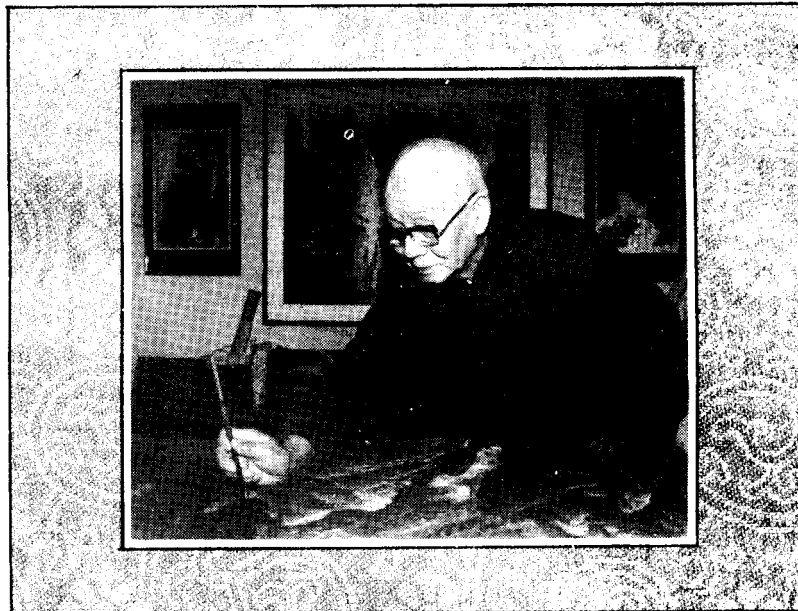
To break from predecessors, Li Keran uses out-door sketching as the starting point of his creation. He says out-door sketching helps him discover new laws governing painting and inspires his work. Starting in 1954, he began leaving his studio to traverse thousands of kilometres around China. His purpose then, he says, was to watch the transition of the four seasons, landscapes in different kinds of weather, and endless scenery changes in different hours of a day so he could use his brush to portray nature better.



A Merry Monk

LI KERAN

Li Keran says he takes each stroke seriously. His favourite is dark black ink, and he often puts layers upon layers of ink onto the paper in order to give his works depth and a three-dimensional effect. To the artist, images are more important than reality, and moving objects are more important than still ones. In his *Waterfall*



Li Keran in his studio.

by a *Mountain Village*, done in 1970, a mountain village is shown in the heat of summer. The mountain is the most impressive part of the work and is made even more so by the layers upon layers of black ink used to paint it. The colour contrast—the dark mountain against the village, trees, and the waterfall, which are bathed in hues of sienna sunshine—gives the work its harmony and lyricism. Though the village are quiet, sounds and motions can be heard and seen—the thunderous roar of the waterfall, the murmuring streams, the singing cicadas, the rustle of leaves and voices on the bridge. A common mountain village is transformed into a poem of life by Li's brush.

Li Keran is also known for his paintings of buffaloes and cowherds. The reason Li's buffaloes and cowherds are so fascinating is that Li is very familiar with water buffalo. For years in the 1940s he lived next door to a cowshed and was impressed with the buffalo's obedience, its hard working nature and apparent selflessness. His studio is named "Hall of Learning From a Buffalo."

The Church, done in 1957 in the Democratic Republic of Ger-

many, shows another aspect of the artist. Blending Western oil painting techniques with traditional Chinese painting, Li infused the beauty of steadiness in



BY LI KERAN

A Cloud-Shrouded Mountain Village.

the picture with a powerful straight line composition. Every figure inside and outside the

church is, however, lively, though each is more or less the size of an ant.

A good traditional Chinese artist is very particular about the use of different shades of ink. The general tone of Li's paintings is "darkness." No photos of scenery against the light can be compared with the artistic conception presented by Li's different shades of ink through his plump brushes. His deep, subtle and vigorous "darkness" leaves a lingering impression on viewers. His darkness is also quite full of colour and vitality.

When Li finishes a new work, he hangs it on the wall. He will not recognize it a creation unless he has been satisfied with every detail of it. He has a chop engraved with the four characters "three



Examining a Scroll.

BY LI KERAN

thousand no-goods," meaning that he is not satisfied with his creations, and that he often ends up shredding them. He has done so to more than 3,000 of his works.

In summing up his 60 years of artistry, Li Keran said: "If I have achieved something with my work, it is because I have learnt from tradition. I have dug deep into life, pondered a lot and put my ideas into practice. No one will achieve anything if he or she departs from life and tradition. I am not talented, but I work diligently. Whenever I paint, I ask myself, 'Am I painting, or learning to paint, or studying painting?' My conclusion is: I'm learning to paint and studying painting. I am forever in the process of learning."

Theory Explaining Beached Whales

Reasons on why 12 sperm whales may have mistakenly swum ashore in Fuding County, Fujian Province, last year were given by Li Tingxing, a lecturer at the Xiamen Aquatic Products College. He attributed the group beaching on December 22 to the disorientation of the giant mammals due to the monsoon, the temperature of the sea water, and variable sea currents.

Sperm whales like deep water and temperate or tropical waters. When they entered the shallow sea by mistake, their sense of hearing, which is their major guide, was lost. This may have caused the whales to panic and swim blindly ashore, Li said.

According to eye-witnesses, the beaching occurred when one of the whales rushed onto the beach in a place called Qinyu. The other

whales all followed the first whale ashore, even though some of them were washed out to sea several times. Li attributed this to the animal's strong habit of group activity.

He quoted some older people living in Qinyu as saying that whale beachings have occurred three times over the past 50 years, all between the late autumn and early spring when strong northeast winds prevailed.

Li said his college sent a working group to the scene soon after receiving the news. A 12.4-meter-long male sperm whale, weighing over 20 tons, was shipped to the school for samples and examination. Other whales were video-taped and dissected for research.

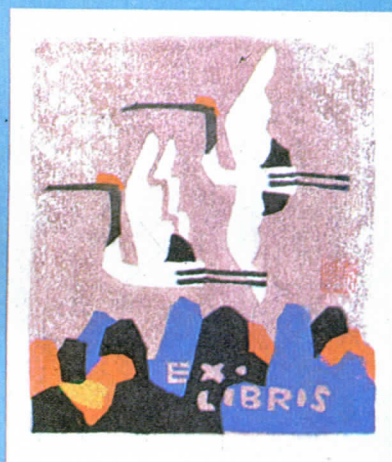
The school will build an exhibition hall to display the whale specimens as well as thousands of other specimens of marine animals and plants, he said.





Ex Libris

Some of new works by Li Hua, Liang Dong, Tan Quanshu, Chen Yadan and Wang Donghai. Very Chinese, some are graceful, others are sharply contrasted in black and white.



ART PAGE



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