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Deng on Reforming Political Structure

ABC OF INVESTMENT IN CHINA





A boy photographer picks up some pointers from his colleagues.

Photo by Gong Jianhua



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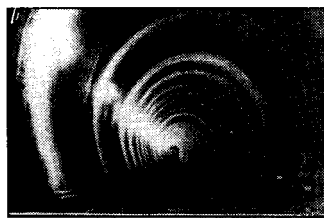
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COVER: A knitwear workshop of the Tianshan Woollen Mill in Xinjiang, one of the first enterprises set up with overseas investment.

Xu Xiangjun

HIGHLIGHTS OF THE WEEK



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Deng on Revamping the Political Structure

■ In recent years, Deng has, on many occasions, stressed the need to reform the political structure, the crux of the matter is correctly handling the Party-government relationship. A blueprint will be presented to the 13th National Party Congress this year. This is needed to ensure a smooth progress of economic reform. Translations of relevant statements (p. 14).

Reform Deepens in 1987

■ This year, while combating bourgeois liberalization, China continues to push reform and open wider to the world. Rural reforms, now in their second stage, is centred on breaking the state monopoly on purchasing, on strengthening contract cultivation and readjusting the rural economic structure. The urban reforms are aimed at invigorating state-owned enterprises by separating ownership from management power (p. 4).

How to Find a Partner

■ To help the foreign business person understand investment in the Chinese market, this first of a four-part series tells the prospective investor about choosing a business partner in China (p. 18).

Foreign Funds Aid China's Aluminium Production

■ Although China's aluminium output now ranks eighth in the world, it still does not meet demand. The government has decided to give priority to aluminium for the next few decades, and to increase aluminium's attractiveness to foreign investment (p. 22). This policy poses a challenge to many old enterprises. The Shandong Aluminium Factory, a 33-year-old alumina producer, has met the challenge, it has developed techniques to obtain high-grade alumina and imported equipment to raise its production capacity and diversify its products (p. 25).

Reform Deepens in 1987

by An Zhiguo

This year, while combating bourgeois liberalization, China continues to push reform forward and follow a more open policy towards the outside world. Since the Party Central Committee decided to reform the economic structure in 1984, China's reforms have spread quickly from the countryside to the cities.

Urban reform is focused on invigorating state-owned enterprises. Experience over the last two years has proved that separating an enterprise's ownership from its management is effective. Formerly, both ownership and management power belonged to the state, the enterprise had no autonomy. Enterprises performing well and those performing badly were treated the same. This hurt the initiative of the enterprise and dampened the enthusiasm of its workers. Many enterprises lack vitality. Separation of ownership from management power simply means that the state which owns the enterprise is entrusting it with the power of management. By exercising this management power, the enterprise has a share of profits commensurate with its performance.

Following the principle of separating ownership from management power, many small enterprises have already been leased or contracted, turning them around and helping them develop. The larger enterprises, however, have yet to be revitalized. It is necessary, therefore for these enterprises to enforce various forms of responsibility systems. This is a major part for enterprise reform this year.

The director responsibility system is being introduced in large

state-owned enterprises. Under it the factory director, and not the secretary of the Party committee, assumes full responsibility for production. This change meets the needs of modern, large-scale production.

Meanwhile, these enterprises are also reforming their labour and wage systems, introducing a labour contract system for new recruits. Under this system both the enterprise and the workers have an option, unlike the former labour system under which a job assignment would decide a person's lifetime's work.

The enterprises can now take out insurance for unemployed workers and pensions for retirees. In the light of their own conditions, they have adopted a new distribution system which links workers' pay with their productivity. For example, time-rate wages plus bonuses, piece-rate wages, or floating wages. This is to eliminate absolute egalitarianism.

The major elements of the structural reform now under way also include overcoming the isolation of enterprises, which formerly were administered vertically by the departments in charge and by their regions. According to the needs of economic development, further efforts are being made to develop horizontal economic associations between enterprises; where conditions permit, trans-regional and trans-trade conglomerates and enterprise groups are being established.

It is necessary to spread and improve the investment responsibility system and the bidding system for capital construction projects; to expand and improve

the markets for rolled steel, coal, cement, timber and other important means of production; to further the reform of the financial structure, developing various financial organizations, gradually turning specialized financial organizations into enterprises, giving play to the role of major cities as financial centres; to readjust the prices of a few products, but the rate of price increases must be kept lower than last year's.

The first-stage rural reform centred on the household responsibility system. The second stage will focus on breaking the state monopoly on purchasing and instituting a contract system (see issue No. 19 p. 14). The rural economic structure will be readjusted and, while work towards ensuring a steady grain supply proceeds, efforts will be made to develop diversified agriculture and rural industries.

The reform of the political structure has not been shelved simply because of the struggle against bourgeois liberalizations (see p. 14). As before, cadres promoted should be revolutionary, younger, well educated and professionally competent. It is necessary to do away with the overlapping of Party function with government administration which results in the government being replaced by the Party. The following tasks are also on the agenda: to combat bureaucracy, to streamline the administration, to raise work efficiency, to delegate power to the lower levels, to expand socialist democracy, and to raise the enthusiasm of workers, farmers and intellectuals. All these are a necessary part of



Zhivkov's Visit Cements Ties

Sino-Bulgarian relations entered a new stage with the successful conclusion of the recent six-day visit of Todor Zhivkov, general secretary of the Bulgarian Communist Party and chairman of the Bulgarian State Council.

Zhivkov arrived in Beijing on May 5. He is the first top Bulgarian Party and state leader to make an official goodwill trip to the country.

Let's look to the future and let bygones be bygones was the keynote of Chairman Deng Xiaoping's meeting with Zhivkov on May 7 and the entire visit.

In an apparent reference to the souring of Party and state relations between China and Bulgaria in the 1960s, Deng described his meeting with the Bulgarian leader as one between veteran revolutionaries. He said while veterans always serve the people, the country and the Communist cause, it is inevitable that they also commit some mistakes, and even have disputes among themselves. "Let's bring these disputes to an end in our lifetimes," he added.

Recalling his meeting with Yugoslav President Josip Broz Tito in Beijing in 1977, Deng said he had told Tito then, "The two sides had disputes before. We have made mistakes, but that does not mean you have been correct all along. The best way to solve the problems is to scatter them to the winds and look to the future."

Deng said he was impressed by Bulgaria's long-term political stability and economic development. "You have done a good job and we are pleased to see that," he told Zhivkov. "Bulgaria started its reform in the light of its actual conditions fairly early. Your experience is valuable for us."

He said that China experienced some twists and turns, adding "it is not until December 1978, when the Third Plenary Session of our

Party's 11th Central Committee was held, did we sum up our experience since the founding of New China in 1949 and put forward a series of principles and policies. And since then we have carried out our socialist modernization programme wholeheartedly."

Referring to China's reform and its policy of opening to the outside world, Deng said that much was achieved shortly after the reform was started. "Our short-term objectives can certainly be achieved and the objectives for the next century may also be realized, because we are taking a correct road and people support our policies," he said.

Zhivkov said he was satisfied with the development of Sino-Bulgarian friendly relations. Bulgaria is following closely China's ongoing reform, he said, and China's achievements have deeply impressed the Bulgarian people.

Zhao Ziyang, acting general secretary of the Chinese Communist Party Central Committee and State Council premier, met Zhivkov on May 6. They briefed each other on the domestic situation and foreign policies of their respective countries.

Zhao told Zhivkov that China is striving to build socialism with Chinese characteristics. China's practice in the last nine years has proved that the country's current policies are suited to China's conditions, and they have yielded good results and benefited the people.

He said that China is now confronted with two major tasks: economy and ideology.

In the economic field, he said, China is trying to raise cost efficiency and increase revenues while reducing expenditures. It is also trying to deepen its reform and further open to the outside world in order to achieve steady

the political structure reform. A blueprint for this reform will be presented at the 13th National Party Congress to be held this autumn.

China will open its doors wider to the outside world. Foreign business people are welcome to invest, set up joint ventures, cooperative enterprises and foreign businesses in China; they are particularly encouraged to bring in advanced technology, key equipment and raw materials which China is short of. If they do, they will be given preferential treatment.

China is working to increase its supply of products for export, in order to earn the foreign exchange it needs to boost its imports. The open areas are striving to improve their infrastructure, increase the skills of their work force, improve their work style and raise efficiency, so as to create a still better investment climate and service condition.

According to informed sources, the total value of foreign trade in the first quarter of this year was 7.6 percent higher than the same period last year. There is great potential for further development.

Deepening the reform and opening wider to the outside world shows that combating bourgeois liberalization is helping China implement rather than hindering these established policies. ■



WU JIGUO

Deng and Zhivkov: A meeting between two veteran revolutionaries after 30 years.

and sustained development of the national economy.

In the political and ideological field, he said, the country is conducting education in adherence to the four cardinal principles (adherence to the socialist road, the people's democratic dictatorship, the leadership of the Communist Party, and Marxism-Leninism and Mao Zedong Thought—*Ed.*), opposing bourgeois liberalization, promoting the development of socialist ideology and culture and consolidating and developing the political situation of stability and unity.

Zhivkov congratulated the Chinese people on their achievements in socialist construction and expressed the wish to share experience in construction and reform with China.

Chinese President Li Xiannian gave a banquet in honour of Zhivkov on May 5. In his toast, he described the visit as an important event in the history of Sino-Bulgarian relations and said it will greatly strengthen friendly co-operation and mutual understanding and friendship between the two peoples.

Both Li and Zhivkov expressed satisfaction with the marked

improvement in Sino-Bulgarian relations in recent years and pledged to make further efforts to raise these relations to an even higher level.

On May 6, Zhao Ziyang and Zhivkov signed an agreement on the basic orientation for long-term economic, scientific and technological co-operation between China and Bulgaria.

The two countries also signed on the same day a consular treaty, an agreement on cultural co-operation and an outline for scientific and technological co-operation in 1987-90.

According to Chinese officials, fast progress has been made in Sino-Bulgarian trade and economic, scientific and technological co-operation in recent years. The two countries signed an agreement on trade for the 1986-90 period last year. The projected volume of Sino-Bulgarian trade for the period will reach 1 billion Swiss francs, up 66 percent over the preceding five-year period. The volume of Sino-Bulgarian trade totalled 200 million Swiss francs in 1986, an increase of 28 percent over 1985. ■

Kokario Dorm Case Causes Concern

Speaking of the most recent development in the on-going Kokario case, a Chinese Foreign Ministry spokesman said in Beijing on May 6, "If the Japanese judicial organs ignore the objections raised again and again by China, cling obstinately to their present course and make an erroneous ruling, with tacit connivance of the Japanese government, the Chinese side will make a strong reaction."

He made these remarks at a weekly news briefing. "It is inappropriate here and now to talk about what kind of reaction China will make," he added.

The spokesman said that the Kokario case is, in essence, a violation of Sino-Japanese agreements and the norms of international law, and has openly created "two Chinas" or "one China, one Taiwan" in judicial language. This has jeopardized the rights and interests of China and done harm to the friendly relations between the two countries, he stressed.

A dormitory building located in Kyoto, Japan, Kokario was bought by a previous Chinese government with Chinese people's capital after World War II, and has been used as a dormitory for Chinese students studying in Japan. It was registered by the Kuomintang government as China's state property in the name of "the Republic of China."

In 1967, Taiwan authorities appealed to the Kyoto District Court, laying claim to the building. But in 1977, the Kyoto District Court rejected Taiwan's appeal in a ruling that the dormitory belongs to the People's Republic of China. After the normalization of Sino-Japanese relations in September 1972, the Japanese government recognized the Government of the People's Republic of China as the sole legal government of China, and held

that any of China's state property in Japan which belonged to former Chinese government was henceforth transferred to the People's Republic of China.

But after the Taiwan authorities appealed to the Osaka High Court, the latter accepted the appeal and overturned the lower court's judgement. On February 26 this year, a third judgement from the Osaka High Court maintained that the real estate belonged to Taiwan. The People's Republic of China has protested this ruling.

Generally speaking, the spokesman said, the development of Sino-Japanese relations is going smoothly but there are still some questions which should not be neglected. He described the Kokorio case as one of those questions, the other one is trade imbalance.

The Chinese have registered trade deficits with Japan for several years, while the Japanese side has talked much but done little to address the issue. This will prove harmful to the further development of economic co-operation between the two countries on the basis of equality and mutual benefit. He said China stands for taking active measures to solve the problem.

"China's policy towards Japan remains unchanged," he said. "It is the common desire of the two peoples to maintain friendly relations." He expressed the hope that the friendship and good neighbourly relations between the two countries will continue to develop. "The problem lies in the fact that the Japanese side has on many occasions created difficulties in the relations between the two countries and the Chinese side has to make necessary reactions," he added.

He believed that so long as the two sides abide by the statement, treaty and principles formed between the two countries, and positively and properly settle the existing issues, the friendship and

co-operation between China and Japan can develop further.

Answering questions concerning the emergence of militarism in Japan, the spokesman said that certain forces in Japan have tried and are trying to revive militarism. In view of historical lessons, people should be on guard against this trend.

China Urges India Not to Fuel Tension

A spokesman for the Chinese Foreign Ministry on May 6 urged India to immediately withdraw its troops along the Sino-Indian border in order to ease tension and avoid a possible "unpleasant event."

He said, "China cannot remain in a state of inertia when faced with the recent happenings along the Sino-Indian border, although tension there is not as serious as some news reports describe."

The Indian military personnel have repeatedly crossed the line of actual control, nibbling at Chinese territory, he said. India has also sent out military aircraft from time to time to violate Chinese airspace and launched large-scale military exercises. He said that the responsibility for the prevailing tensions lies with the Indian side.

The spokesman reiterated that China has always stood for an early and reasonable settlement of the Sino-Indian border dispute through friendly consultation, mutual understanding and accommodation.

"Before the settlement," he said, "the two countries should maintain peace and stability in the border areas. China has already made consistent efforts towards this."

"China has raised the issue with India through diplomatic channels on many occasions. It will be easy to solve the problem and ease the tension along the border (if

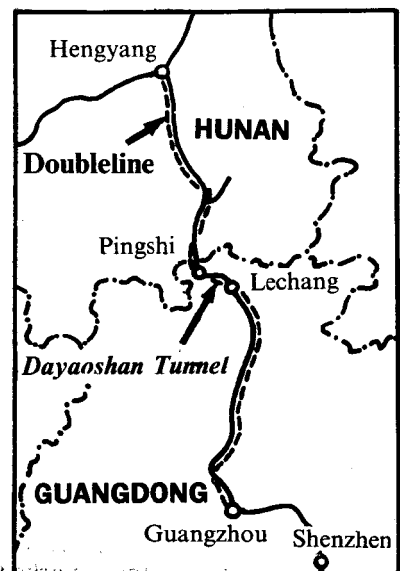
India stops its invasion and pulls out all its personnel who have crossed the line of actual control," he added.

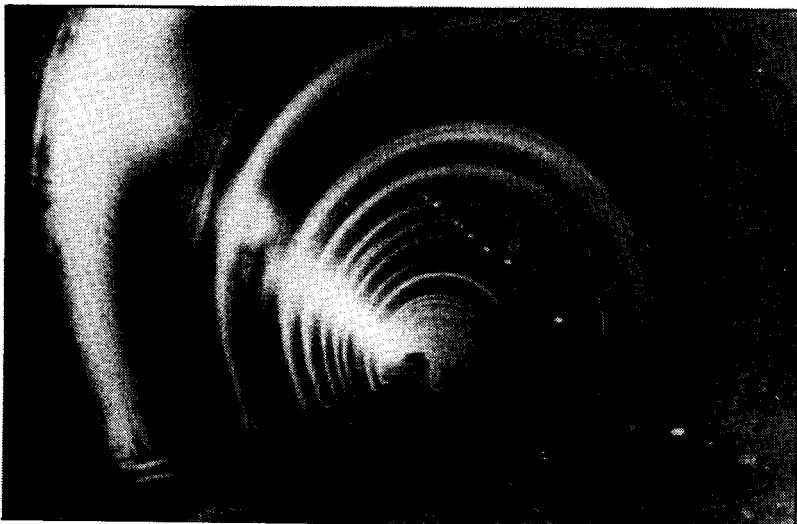
China Completes Its Longest Tunnel

Chinese builders recently bored through a high mountain in Guangdong Province and completed the world's 10th longest tunnel. Running a distance of 14 kilometres through Dayaoshan Mountain, it is part of the railway from Hengyang in Hunan Province to Guangzhou.

The longest in China, the tunnel contains electrified double tracks. It will shorten the travelling distance between Hengyang and Guangzhou by 15 kilometres, saving the state more than 5 million yuan annually in terms of transportation expenses. The new double tracks will increase the speed of train from 50 kilometres to 100 kilometres per hour and double the freight volume.

"The completion of the tunnel is of great significance for hastening the construction of the double track railway from Hengyang to Guangzhou, and promoting economic growth in southern China," said the State Council in a





Inside the Dayaoshan Tunnel.

CHEN XUESI

message of congratulations to the workers, technicians and officials engaged in its construction.

Hengyang-Guangzhou railway is a section of the railway linking Beijing and Guangzhou, an important open city in China's southern coast. However, for decades, the railroad, separated by the Dayaoshan Mountain, has to snake 53 kilometres around mountains. Rapid economic development throughout the country has brought many problems: passenger trains were overcrowded and every year large quantities of cargo were held up by the bottleneck there waiting to be loaded and unloaded.

To alleviate the situation, the State Council decided in 1981 to build the Dayaoshan Tunnel, and the work was listed as one of the key construction projects of the state and the latest technology in engineering was introduced to make the job easier.

The tunnel which passed through a dozen fault zones was a very difficult engineering project posed by adverse geological conditions. Engineers had to deal with 94 cave-ins and 39 water veins. Approximately 1.5 million cubic metres of earth and stone were moved, and 280,000 cubic

metres of concrete was laid. "I have built tunnels for 30 years, but have never run into such complicated conditions," said 53-year-old Fang Weipeng, deputy chief engineer of the Tunnel Engineering Bureau of the Railways Ministry, who personally directed the project.

"Despite the enormous difficulties," he added, "the endeavour was made possible by the efforts of mostly peasant-workers who completed the tunnel in little more than five years."

The project involved a total investment of 285 million yuan (about US\$77 million).

There are now 4,100 railway tunnels in China, totalling 2,100 kilometres. Previously, the longest tunnel in the country was seven kilometres long. ■

Japanese Journalist Ordered to Leave

Shuitsu Henmi, a Japanese journalist stationed in Beijing by the Kyodo News Service, was

ordered to leave China and left the country on May 11.

According to an official from the Beijing Municipal Bureau of State Security, on May 8, the Chinese state security organs ordered Henmi to leave China within a set period (ten days) because Henmi had been engaged in activities incompatible with his status as a journalist, and had violated Chinese laws and provisions.

"Henmi obtained a lot of confidential information by illegal means," said the official. According to the official, Henmi filed an exclusive story from Beijing on January 25 this year, which included detailed excerpts of a confidential document of the Central Committee of the Chinese Communist Party (CPC), given the source as a "reliable Chinese person."

The official said that the source, who has been detained, is Tang Dadi, an employee at a Chinese government department.

"At Henmi's request, Tang provided internal secrets on a number of occasions, and Henmi worked out a method for secretly contacting Tang." When Tang had urgent classified information for Henmi, he could make an appointment with Henmi through a third person at any time.

The official said, "Henmi paid Tang 500 yuan monthly (about 135 US dollars) in foreign exchange certificates for his services, and Tang would sign receipts prepared beforehand. As a cover-up, Henmi wrote 'monthly pay for Chinese language teaching' on the receipts. But Tang admitted never teaching him Chinese, and said the money he received was in payment for turning over China's internal information to Henmi.

"On February 26 this year, Henmi published confidential documents 1, 2, 3, (1987) of the CPC Central Committee, and reported that they had been disclosed by a senior leading

official of the CPC in a meeting with journalists from the Kyodo News Service and two other foreign news organizations in Beijing.

"Investigations have shown Henmi's statement to be a lie, designed to cover his illegal acquisition of China's secrets, to confuse the public, and debase China's reputation," said the official, "Henmi also obtained other important confidential information about China by illegal means during his stay in the country."

The official expressed his appreciation of the many foreign journalists stationed in Beijing, including Japanese journalists, by saying, "foreign journalist have done a great deal of objective reporting on China, and have promoted mutual understanding between the Chinese people and peoples of other countries."

"Henmi has time and again stolen China's secrets and published them," the official said, "and this behaviour is not permitted in any country."

"The Kyodo News Service has said Henmi's actions are 'within the scope of normal news-gathering activities,' but in gace of the evidence, this statement is not worth refuting," the official said. "Any journalist who knows the basics of his profession, knows that disregarding the laws and regulations of the host country and obtaining important secrets belonging to a sovereign state by illegal means and reporting them is completely incompatible with normal news-gathering and the status of a journalist." ■



Weekly Chronicle

(May 4-10)

POLITICAL

May 4

■ *Renmin Ribao* (People's Daily) carries an article by Wang Zhen, vice-chairman of the Central Advisory Commission of the Chinese Communist Party, calling on Chinese young people to study more Marxism, modern science and -technology, managerial expertise and other skills necessary to make the country prosperous.

May 10

■ More than 500 writers, artists and specialists attend a symposium in Beijing to mark the 45th anniversary of the publication of "Talks at the Yanan Forum on Literature and Art" by Mao Zedong.

ECONOMIC

May 5

■ Zhou Hanrong, vice-president of the People's Construction Bank of China, discloses that China will issue 17 billion yuan in bonds and open long-term money markets this year.

May 7

■ A spokesman for the Chinese Ministry of Foreign Economic Relations and Trade says that China will take "stern measures" against some Hong Kong business people for selling forged licenses that allow the export of Chinese textiles to the United States. This has seriously damaged China's economic interests.

■ *Renmin Ribao* reports that state investment for capital construction in the postal and telecommunications industries will exceed 11.16 billion yuan this year, 8 percent more than last year.

CULTURAL

May 5

■ China has set up 16 nature reserves specially for cranes, Xinhua says. There are altogether 15 species of cranes in the world. China boasts nine.

May 6

■ Xinhua reports that the People's University in Beijing has set up a foundation to give cash awards to outstanding academic works in social sciences in the name of Wu Yuzhang, the university's first president, and a noted historian, linguist and educator.

May 7

■ Xinhua reports that the tomb of Genghis Khan, which is located in the Ejin Horo Banner in Inner Mongolia, has been repaired with an investment of more than 3 million yuan by the State Council.

SOCIAL

May 4

■ Shanghai has set up monitoring centres in hotels and restaurants to offer physical check-ups, blood tests and other exams to guard against the spread of AIDS, according to Xinhua. So far, no AIDS carriers have been found to enter the city.

FOREIGN RELATIONS

May 5

■ Senior Chinese leader Deng Xiaoping tells French Foreign Minister Mean-Bernard Raimond that the development of both China and Europe will result in the growth of forces for peace and that China hopes to see a strong and united Europe as well as a strong China.

May 10

■ Chinese Premier Zhao Ziyang meets UN Secretary General Javier Perez de Cuellar and tells him that industrialized countries should open their markets to third world countries and should change their own industrial pattern.

VIET NAM

A Disservice by Private Japanese Firms

Recent protest from the Association of Southeast Asian Nations to the Japanese government criticizing some private Japanese firms for giving credit and other assistance to Viet Nam hit home.

The six member states of the Association of Southeast Asian Nations (ASEAN) recently protested to the Japanese government for permitting some private Japanese firms to extend credit and other assistance to Viet Nam. This has, however, aroused the ire of Viet Nam's leading newspaper, *Nhan Dan*, which in its April 25 commentary, described ASEAN's action as "short-sighted, creating tension and conflict in the region, and against the trend of the times."

Despite a trend towards peace and development in the region, Hanoi still stubbornly clings to its aggressive policy, relying on the support of the Soviet Union. This is condemned by the peace-loving people of Asia. However, there are a few people who want to persuade Viet Nam to withdraw its troops from Kampuchea by means of economic assistance to Viet Nam. The private Japanese firms are of this school of thought.

Many countries including those of ASEAN—Thailand, Singapore, Malaysia, Indonesia, the Philippines and Brunei—hold the view that only steady diplomatic pressure against Hanoi's aggressive and expansionist policy can force Viet Nam to withdraw all its troops immediately from Kampuchea. They have introduced economic sanctions against Viet Nam. In the political and diplomatic fields, they have exposed and condemned Viet Nam's aggressive acts, and supported the just struggle of the patriotic Kampuchean forces under the Coalition Government of Democratic Kampuchea while urging the Soviet Union to stop its

support of Hanoi's invasion of Kampuchea.

The international community has always stood for punishing aggression, hence Viet Nam is isolated in world politics. This conforms to the United Nations resolutions concerning the Kampuchean issue and the stand of the International Conference on the Kampuchean Issue. But some private Japanese companies have

recently decided to extend the long-term credit, economic co-operation and assistance to Viet Nam. This has naturally aroused worries from ASEAN. An official of the Thai foreign ministry pointed out that any assistance, even private assistance, to Viet Nam could give a wrong political signal to Hanoi. It could also undermine efforts by the ASEAN to force Viet Nam to withdraw its troops from Kampuchea. That is why the six members of ASEAN have jointly lodged protest against Japan.

The accusation by the Vietnamese authorities against ASEAN shows that Hanoi wants to mould public opinion both at home and abroad and extricate itself from continuing isolation.

by Tang Tianri

SOUTH KOREA

Unrest Follows Chun's About-Face

South Korean President Chun Du Hwan decided recently to suspend a planned constitutional change, and choose his own successor. This has aroused strong opposition.

South Korean President Chun Du Hwan announced on April 13 that he had decided to put off a planned constitutional reform, which would guarantee direct presidential elections. He said he would pick his successor next February through the current electoral college system.

The decision has raised strong opposition from politicians, religious activists, students and other dissidents.

Dissident leader Kim Yong Sam, who recently broke away from main opposition party, the New Korean Democratic Party (NKDP), to form his own Unified Democratic Party, said that Chun's decision was blocking the path for democracy and would trigger strong opposition from society. The well-known dissident

Kim Dae Jung, who has been under house arrest on charges of violating party establishment law, said that South Korea would suffer a great disaster unless the constitutional reform can be implemented. Both Kims vowed to intensify the campaign for constitutional reform in favour of direct presidential elections.

The constitutional reform has been at the centre of struggles between the ruling Democratic Justice Party (DJP) and the opposing forces in recent years.

The present constitution of South Korea was developed after Chun Du Hwan came into power and follows the system of indirect presidential election through the electoral college introduced by former President Pak Jung Hi. It

was opposed by NKDP, which had pressed for constitutional reform to ensure direct presidential election since it was established in 1985. Early last year it launched a massive 10-million-signature drive for constitutional reform. Since then it has held mass demonstrations demanding that the ruling DJP reform the constitution. At first, Chun Du Hwan refused, saying that it could not be changed until 1989. But later, under strong opposition from the people, he was forced to agree to reform the constitution during his term of office, and a special congressional committee for constitutional reform was established. But the committee collapsed in less than two months when NKDP withdrew from its meetings. Later, in order to break the deadlock, the NKDP put forward a proposal of holding an opinion poll on the two sides' constitutional drafts. The proposal was refused by the ruling DJP on the pretext that it had no basis in law and would disturb the public order. At the same time, Chun, making use of the slogan of "reforming the constitution through consultation," began infiltrating the opposite NKDP and won over several NKDP members to its position on the electoral question. The NKDP virtually collapsed after Kim Yong Sam and other important figures broke away from it and set up a new opposition party called the Unified Democratic Party.

Religious figures are also active in the present struggle against Chun's decision to freeze the constitutional reform. In Kwangju, the southern part of South Korea, 18 Roman Catholics led a hunger strike on April 22, calling for free elections and the resignation of the present government. It immediately gained the response of religious figures in Seoul. It is estimated that 300 religious figures have joined in the hunger strike.

Students have also risen up to

protest Chun's decision. On April 17, some 16,000 students from 40 universities nationwide held rallies and demonstrations, shouting the slogan of "Down with the military dictatorship." Police have been

put on special alert, but the protests continue. The world will be watching to see whether Chun's decision can be implemented under such conditions.

by Gao Haorong

USA

Is Protectionism Triumphant?

A tough trade bill approved recently by protectionists in the US House of Representatives has triggered internal dispute. Many Americans fear it will set off an international trade war.

The US House of Representatives, anxious to eliminate the nation's huge trade deficit, approved a lengthy trade reform bill on a 290 to 137 vote along partisan lines late last month that would punish unfair foreign trade practices and expand US export. The action coincided with the US visit of the Japanese prime minister who was then in Washington seeking to calm the trade quarrel, but a House spokesman denied any intention of embarrassing him.

The 900-page trade reform package contains numerous provisions designed to enhance US competitiveness, reduce the record US trade deficit, open foreign markets to American products and improve assistance for import-battered industries. But the controversial Gephardt amendment to the trade bill attracted the most attention.

The Gephardt amendment, approved by a scant four-vote margin, takes its name from its sponsor, Richard Gephardt, House Majority Whip and a presidential candidate. Aimed at giving the United States the "teeth" it needs in trade negotiations to ensure a free trade agreement, the Gephardt provision would require any country Congress felt was committing unfair trade practices to cut its trade surplus by 10 percent

annually or face tough retaliatory tariffs or import quotas.

Japan, Federal Republic of Germany, Italy, South Korea and Taiwan are most likely to become the main targets of the sanctions. The United States last year ran a deficit of US\$59 billion in its trade with Japan, making Japan the major single contributor to the record US\$169.8 billion US trade deficit in 1986. The Gephardt amendment would give the president six months to negotiate an end to trade barriers in countries having the large surpluses. If they fail to reach agreement with the United States during the six-month period, the US government will impose import quotas or tariffs to reduce their trade surpluses by 10 percent.

President Ronald Reagan has threatened to veto the legislation if it emerges from Congress with the Gephardt measures attached. The president, when warning the Congress not to rev up a fierce trade war, said, "The result is more and more tariffs, higher and higher trade barriers, and less and less competition." The Reagan administration has tried its best to prevent Western Europe from exporting more farm products and manufacturing a more competitive civil airliner, and last month it slapped 100 percent import tariffs on Japanese semiconductors and

television sets. But indications are that Reagan, long an avowed champion of free trade, does not want to go too far down that road.

Moreover, not all businessmen in the United States will be cheering the Gephardt amendment. Some of the United States' most successful companies are worried about the consequences if a truly protectionist bill should ever make it out of Congress and win the president's signature. One after another they sent people to the Senate and the White House lobbying against such a bill. They pointed out that the US trade legislation is aimed primarily at those nations that provide a big market for US products. The lobbying took place at a time when more and more American business giants are becoming increasingly globalized and are depending

heavily on commerce among their far-flung international operations. Commerce Secretary Malcolm Baldrige attacked the bill by saying that it needs substantial rewriting to avoid leaving US companies open to the same sanctions Congress would slap on foreign firms. "Retaliation would come just as sure as I'm sitting here," he said.

On its way through the Senate to the Oval Office, the Gephardt Amendment has brought many Americans' thoughts back to the Hawley-Smoot Tariff Act. The act, signed by President Herbert Hoover in June 1930 in defiance of a petition signed by 1,028 opposing economists, raised import duties to their highest level in US history on 890 foreign articles. It held down US foreign trade and helped initiate the Great Depression.

by Wan Di

PRETORIA

The Election — a Political Farce

South Africa's ruling National Party won 123 out of the 166 directly-elected seats in the white parliament on May 6, signifying a turn to the right.

The election of the whites-only parliament in South Africa ended under the shroud of a nationwide state of emergency on May 6, when the ruling National Party (NP) captured 123 of the 166 seats. These elections were held two years earlier than they were due as Pretoria has been reeling over international sanctions and internal disturbances and needed to solidify its authority.

In the campaign, the NP repeatedly vilified the African National Congress (ANC), spreading rumours that armed ANC members were infiltrating into South Africa from neighbouring countries to disrupt the election.

On the eve of the election, the Pretoria regime raided alleged ANC bases in Zambia, assuring whites that only the NP could protect them.

From the beginning of the campaign, the Pretoria authorities issued a series of news curbs, banning any news reports of political unrest in the country and of the campaign to release the tens of thousands of detainees being held under emergency orders.

Meanwhile, the ruling NP spared no efforts on its own propaganda machines, spending 100,000 rand (about US\$50,000) per day on advertising. As the price of gold, which accounts for nearly half of South Africa's

export earnings, has surged to its highest level since 1983, this is tantamount to giving the apartheid government a shot in the arm.

South Africa has a population of 30 million, of which about 24 million are blacks. This majority has been denied right to vote. But analysts say the future of the NP is dim despite its absolute majority in the white parliament. There is division growing at the core of the party. After the ex-NP member of parliament Wynand Malan and former ambassador to Britain Denis Worrall quit the party and stood as independent candidates, some of the party elite have joined the movement to resign from the party in protest against its apartheid policy. About 330 scholars in Stellenbosch University, of which President P.W. Botha is the president, wrote to him urging him to abandon the racist policy and speed up the reform.

The voice of international condemnation will be louder as the regime is bound to intensify the policy of apartheid. The Organization of African Unity (OAU), Botswana, Algeria, Ethiopia, Sweden and Norway condemned the whites-only parliamentary election in South Africa. The Pretoria regime is likely to be further isolated in the international community.

Moreover, tension between the blacks and whites is higher than ever before. 1.5 million black workers and students stayed away from their jobs and classes in protest against the whites-only election. Four universities, including University of Cape Town and the University of Witwatersrand, had to be closed during the elections because of clashes between the police and students.

Many black leaders in South Africa have expressed their dismay at the elections. Archbishop Desmond Tutu said the result of the elections was very depressing indeed and the country had moved further into a terrible, dark age. Alan Boesak, president of the World Alliance of

Reformed Churches said: "Every white knows deep down that the time of white South Africa is running out and that the wave of resistance generated in the black community has become unstoppable." From the headquarters of the ANC, President Oliver Tambo said the election result blew whistles for the ANC to intensify its armed struggle. He warned that the Pretoria regime will now take the election result as

a "mandate" to increase internal repression and external aggression.

Generally speaking, the elections will not end the crisis, but deepen it. The only way out for the NP is to give up its apartheid policy, and bring all political parties in the country together in negotiation for a non-racial, equal and united South Africa.

by Yan Hongzhang

BRAZIL

New Debt Strategy Likely After Funaro

Brazil seems to be heading for more concessions to the International Monetary Fund after its finance minister resigned amid economic chaos.

On April 26 Brazil's Finance Minister Dilson Funaro announced his resignation. This is the most serious challenge the Sarney administration has faced since it came to power in March 1985, and it will exert a far-reaching influence upon Brazil's effort to adjust its economy and to negotiate with foreign bankers on its debt repayment.

This latest development followed several previous resignations, including Marco Maciel, another important member of Sarney's cabinet. Funaro's resignation was in response to intense pressure from several governors and private enterprise representatives, who accused him of being unable to harness the soaring inflation or resolve the debt problem. Brazil is the largest debtor nation in the third world with a total foreign debt of US\$110 billion.

Funaro was nominated as finance minister in August 1985. In order to tackle the runaway inflation and other economic difficulties, he, along with some economists, worked out a so-called "Cruzado Plan," which came into effect on February 28 last year. In the months that followed, the high inflation rate

was brought down and prices were stabilized.

But since the end of last year, inflation resumed its previous rate and prices began to rise out of control. In addition, public expenditures increased drastically while the foreign trade surplus dwindled.

According to statistics, accumulative inflation indexes in the first three months this year amounted to 52.13 percent, the highest quarterly record of inflation in Brazil's history. What is worse, Brazil's capability to repay international debts declined. The trade surplus in the first three months this year was only US\$525 million, less than one tenth of that in the same period last year. At the same time, foreign currency reserves dipped far below the "dangerous point" of US\$4 billion. High interest rates made it impossible for small enterprises to get loans from banks and forced them to declare bankruptcy. The public responded with large-scale strikes.

The debt situation is also very grave. Conflict between Brazil and foreign bankers has intensified since Brazil announced on February 20 this year that it would

suspend its repayment of interest of its debt which amounts to US\$68 billion. Brazil demanded negotiations with commercial banks to rearrange debt payment, but this was rejected by Western creditor bankers, who insisted that Brazil work out a plausible plan before they would agree to negotiate. In addition, some international banks demanded the resignation of Funaro as a precondition for talks on debt.

Following Funaro's departure, economist and lawyer Luiz Carlos Bresser Pereira was appointed as new finance minister. Bresser Pereira was secretary of science and technology of Sao Paulo State. He told the press that in order to pull his country through the current economic crisis, he must do two things: first, strive to achieve a 3 percent increase of gross national product this year, and second, try to bring the trade surplus back to US\$9 billion. He also plans to reduce taxes and cut interest rates. Some other measures will be taken to combat inflation.

As for the debt problem, the new finance minister said that Brazil must reach an agreement with international commercial banks as soon as possible. The agreement, he pointed out, should be favourable for both Brazil and foreign creditor banks. This indicated that Brazil may take a flexible debt strategy and put an early end to the debt crisis.

At a recent press conference, Pereira disclosed that Brazil is planning to resume contact with the International Monetary Fund and foreign creditor banks in the near future, and propose a flexible policy in an effort to pave the way for negotiations on foreign debt. He said the Brazilian government is drafting a plan to set the national economic growth rate at 3-3.5 percent, and based on this, to cut public expenditures and control the issue of money. Trade surplus, he added, must reach US\$8 billion at the minimum.

by Tong Duan

Deng on Reform of Political Structure

"Beijing Review" carried the translated text of Deng Xiaoping's article "On the Reform of the System of Party and State Leadership" last August (issue No. 32, 1986). Over the last year, Deng has made further statements on the issue. The following five articles are selected from the recently published enlarged edition of Deng's book "Fundamental Issues in Present-Day China" (formerly translated as "Build Socialism With Chinese Characteristics"). The translations here are Ours.—Ed.

Reforming Political Structure, Strengthening Legal Sense*

Some comrades have raised the question of how to demarcate the work of rectifying the Party's mode of conduct from that of checking unhealthy tendencies. In fact, it is not a question of how to distinguish one from the other, but one concerning the relationship between Party and government. It is inappropriate for the Party to handle matters that come within the scope of law. Too much Party interference will prevent a sense of the law from becoming embedded in the minds of all Chinese people. The Party should handle things relating to Party discipline, and whatever comes under the law should be handled by the state and the government.

The crux of the matter is the relationship between the Party and the government, one which concerns the political structure. Further consideration should be given to this issue. I think at the 13th National Party Congress next year we may clearly delineate this relationship. Solving this problem will then help to show how to separate rectification of the Party's style of work from checking unhealthy tendencies.

* Speech delivered to the Standing Committee of the Political Bureau of the Central Committee June 28, 1986.

At present the focus of our work is to rectify the Party's style. But as far as the whole country is concerned, we should strengthen the legal system. Our country lacks a tradition of implementing and abiding by the law. Since the Third Plenary Session of the 11th Party Central Committee, we have begun directing our efforts towards the establishment of a legal system; this is indispensable. A legal sense is related to people's cultural level. The high rate of crimes committed by young people has something to do with their low cultural level. Therefore, in strengthening the legal system, the important thing, the fundamental question, is to educate the

people. Children should begin receiving education in the law, and such education should be conducted among primary and middle school students. These days young people commit crimes without scruple and children commit crimes in defiance of the law.

In short, leaving legal matters to the Party and including the question of crime in the scope of rectifying the Party's mode of work is counter-productive in our effort to root a legal sense firmly in the minds of all people. Cracking down on crime and checking unhealthy tendencies, both of which come within the scope of law and social order, should be handled by strengthening the legal

ANNOUNCEMENT

'Fundamental Issues in Present-Day China'

This book contains 44 of the most important of Deng Xiaoping's statements since December 1984. The questions covered include adherence to the four cardinal principles, opposition to bourgeois liberalization, reforms of both the economic and the political structures and opening to the outside world.

The book appears in English, French, Spanish, Japanese, Arabic and Russian.

system and education. To improve our work, we should sum up experience in this area.

In addition, we should also sum up our experiences of the Party administering the government. We have been raising the question of separating the Party from government administration since the Third Plenary Session of the 11th Party Central Committee. We must uphold the Party's leadership. But the point is whether the Party is good at this leadership. The Party should be versed in leadership and ought not to interfere too much; the process begins with the Party Central Committee. This is not meant to weaken the Party's leadership. Too much intervention and mishandling of things will actually weaken the Party's leadership. Maybe this is at the heart of the matter.

Last time I discussed economic work with some comrades. I said that attention should be paid to reform of the political structure, and the issue of too much Party interference is part of this — but of course not the only question. There are also unwieldy organizations where there are more hands than are needed and a dilatory style of work. With surplus hands, people are looking for something to do. So many units, through their companies, retake powers from the lower levels. We advocate delegating power to the lower levels whereas they retake the power. I have heard comrades say that China's economic development in the first half of this year has been slow, and this is due partly to factors created by men, including taking back powers from the lower levels. Our policy is to continue delegating powers to the lower levels. Many localities, however, are divesting the lower levels of their powers, thus dampening enterprises' enthusiasm. This is one of the causes for the falling rate of development.

I think all comrades, particularly comrades of the Secretariat, should consider the problem of the

reform of the political structure. In solving this problem, we must first work out a plan. Without one, we should not go ahead. A year or so is allowed for research and study, then we can begin to tackle the problem. Whether all our reforms are eventually successful depends on the reform of the political structure because it's the people who will be responsible for their success. While you advocate delegating power to the lower levels, some people take back power from their subordinates; what can you do about it?

There are other problems. Reform of the political structure and the economic structure are interdependent and mutually coordinated. Reforming the economic structure without revamping the political structure will simply not work, because it will primarily come up against obstacles set up by other people.

Rectifying the Party's style has been going well over the last half year, but we should not overestimate our achievements, because this work has just begun. We decided that beginning this year, two years of vigorous efforts should be devoted to this work. In fact, even thereafter we will still need to continue with it. Of course, we will not necessarily set up a special organization for it. But the matter still requires attention, and will persist throughout the whole process of our reform.

Opening to the outside world and invigorating the domestic economy will inevitably bring with them negative consequences; unless we face this squarely, opening up and economic invigoration will go astray. This is, therefore, a long-term task. The work of rectifying the Party's style will go on as long as we pursue the policies of opening to the outside world and enlivening the domestic economy, and so will our effort to check unhealthy tendencies and crack down on crimes. Only in this way can we guarantee correct

implementation of our policies of opening up and economic invigoration.

Not Reforming the Political Structure Will Hamper the Development of Productive Forces*

Our current reform of the economic structure is, on the whole, proceeding smoothly. But as it advances, it will unavoidably meet with obstacles. Some people in the Party and the state are against the reform, but there are not many who really oppose it. The major problem is that the political structure does not meet the requirements of the reform of the economic structure. Therefore, without reforming the political structure, it will be impossible to safeguard the fruits of the economic reform or to guarantee its continued advance.

When we set forth the task of reform, we meant to include reform of the political structure. Now as the economic reform proceeds, we feel keenly the need to reform the political structure. Not reforming the political structure will hinder the development of productive forces and prevent the four modernizations from being successful. The nature of political reform is now under discussion because the problem is very complicated. Each reform involves a broad section of people and a wide range of issues; it affects the interests of many people and will encounter many obstacles. This requires us to steer a very cautious course.

We should first determine the scope of the reform of the political structure and make clear where to begin.

We should begin with one or two things and not tackle

* Part of Deng Xiaoping's talk with Takeiri Yoshikatsu, chairman of Komei Party of Japan, on September 3, 1986.

everything all at once, for that will cause chaos. This problem is very difficult and very complicated, and we have not made up our minds where to begin.

The purpose of the reform of the political structure is, generally speaking, to eliminate bureaucracy and stimulate the enthusiasm of the people and the grass roots. Through reform, we should come to a proper way of handling the relationship between government by law and government by people and between the Party and government in China.

The Party's leadership is unshakable. But the question of how the Party exercises leadership should be placed on the agenda. The Party should be good at leadership and its function should be separated from government administration. In the last few years, we have been experimenting with the director responsibility system in some factories, with great success. We have also done a great deal to delegate power to the lower levels, but problems persist. We have delegated powers to the lower levels, but some people have set up organizations through which they have retaken those powers, so the lower levels lack adequate vitality.

Involved here is the question of streamlining the administrative structure. The leading bodies at all levels are unwieldy and overstaffed. The extra hands look for something to do. The worst consequence of this is debilitating delays, slowness in making policy decisions and ineffective problem-solving, hampering any effort to motivate the lower levels. In addition, the problems of tapping and using intellectual resources, and developing socialist democracy, have not been solved satisfactorily. We need to promote democracy and stimulate the enthusiasm of the grass-roots level and of the people.

At the Sixth Plenary Session of the 12th Party Central Committee

to be held some time this year, there will not be enough time to make any decisions on the reform of the political structure, but some aspects of the reform will certainly be dealt with. We should also think about where we should begin with the reform. Since our country is very large and the situation is very complicated, reform is not easy. Therefore, we must be prudent when making policy decisions. We will make up our minds only after we are certain about the possibility of success.

A Blueprint Is Needed for Reform of the Political Structure*

Without reforming the political structure, it will be difficult to implement reform of the economic structure. The separation of the functions of the Party from government administration involves the reform of the political structure. How should the Party committee exercise leadership? It should administer only the major undertakings, not the minor ones. Overlapping organizations are the greatest obstacle to reform. The Party committee should not set up economic management departments; those departments should be handled by the government, but at present this is not so.

We should discuss what should be included in the reform of the political structure. I think the aim of the reform of the political structure is to motivate the masses, raise efficiency and overcome bureaucracy. The substance of reform should primarily be separating the Party from government administration, finding a solution to how the Party should exercise leadership, and how to improve that leadership.

* Part of Deng Xiaoping's response to a report by the Central Financial and Economic Leading Group on September 13, 1986.

This is the key to the question. Then it should also comprise delegation of powers to the lower levels and resolving relations between central and local governments. At the same time, local governments also face the problem of delegating powers to the lower levels. Reform should also involve simplifying the administrative structure. This is related to delegating powers to the lower levels. There is one more thing, and that is raising efficiency. So what should constitute the reform of the political structure is something which needs thought and planning.

There should be a time limit on reform; there must be no delay. There should be a blueprint to present to the Party Congress next year. In my opinion, first place should be given to separating the Party from government administration in the process of reform. Western patterns should not be copied mechanically, nor should bourgeois liberalization be encouraged. Our former system of leadership had its own advantages; decisions could be made quickly. The system of checks and balances, if overstressed, may entail problems.

Reforming the Political Structure in Light of China's Conditions*

Both our countries are now implementing reforms. We now propose to reform the political structure. Many of the methods we use here in China will probably differ from yours; this shows precisely that you decide things in light of your conditions and we in light of ours. Since conditions in our two countries are different, so

* Part of Deng Xiaoping's talk with Wojciech Jaruzelski, first secretary of the Central Committee of the Polish United Workers' Party and chairman of the Council of Ministers of Poland, on September 29, 1986.

are the ways we approach things. But our general aims are the same. They are no more than the following:

One, consolidating the socialist system; two, developing socialist productive forces; and three, promoting socialist democracy and stimulating the enthusiasm of the masses. The key to motivating the people is developing the productive forces, improving living standards, and at the same time increasing the strength of our socialist state, consolidating and strengthening the socialist system. That is why we can understand the series of policies and measures you have adopted.

Of course, what we are doing is a great experiment. Some tasks cannot be accomplished at one go, sometimes mistakes may even be made. But this does not matter, as long as we dare to explore, are careful and prudent, we can correct our mistakes whenever they are made. While minor mistakes are unavoidable, it would be desirable if gross errors could be avoided. As long as we do so, there is nothing to be afraid of.

The political structures of our two countries were modelled on the Soviet Union. It seems to me that the Soviet Union has not been very successful; even if it had been one hundred percent successful, could it be adapted to China's or Poland's actual conditions? The realities of many countries are not the same.

Some Ideas About the Reform of the Political Structure*

With regard to the reform of the political structure, we have not yet moulded it into shape. I have given it some thought recently and I think the reform should be carried

* Part of Deng Xiaoping's talk with Japanese Prime Minister Yasuhiro Nakasone on November 9, 1986.

out in line with three goals.

The first goal is always to maintain vitality in the Party and state. Vitality is associated with the younger cadres. Several years ago we set forth four requirements for cadres: They should be revolutionary, younger, better educated and more professionally competent. What we have done in this respect in the last few years is only the beginning. The first goal cannot be achieved in three to five years; it would be excellent if we could attain it in 15 years. We will take a step forward at the 13th Party Congress next year, but by then we still will not have accomplished this task. We envisage a further step forward at the 14th Party Congress and that the task will be finished at the 15th Party Congress. This is not something for people in our age range—but setting the goal is very important. It will be good if some day a generation of outstanding statesmen, managers, scientists, writers and other specialists of 30 or 40 years old will emerge in China. We should establish some system, including education, for encouraging young people. Strictly speaking, we have just taken the first step in this respect. There are still many problems to be pondered and measures to be adopted. But we must do it all.

The second goal is to overcome bureaucracy and raise work efficiency. Inefficiency results from unwieldy, overstaffed organizations, and dilatory work style. But the main problem is the mixing of Party and government, so that in many cases the Party takes over the government's work, and many Party and government organizations overlap. We should uphold the Party leadership, a major characteristic of China, and not abandon it. But the Party should lead well. We raised this question a few years ago, but have still not formulated a clear idea about how to do it. In launching the four modernizations, it won't

do to neglect efficiency. In the world today, as humanity and science and technology progress at a tremendous pace, if we lag one year behind, we will find it hard to catch up. So we must improve our work efficiency. Of course, improving work efficiency is not only a matter of separating the Party from the government; other problems also need to be resolved.

The third goal is to stimulate the enthusiasm of the grass-roots: workers, farmers and intellectuals. One experience we have gained in reform over the last few years is that we should first motivate the farmers' enthusiasm and propose delegating powers to the lower levels. Rural reform means delegating powers to the lower levels. The same holds true for factories, mines and enterprises—delegate powers to the lower levels, to the grass-roots level; motivate workers and intellectuals, and let them take part in management. This means democratizing management. The various units should tackle this problem.

Only when the leading bodies are imbued with vigour, have overcome bureaucracy, raised efficiency and motivated the grass-roots level and the people, can there be a bright future for the realization of the four modernizations.

Are these three goals the last word in the reform of the political structure, or are there only two goals, or is there a fourth or a fifth goal? These questions are now being studied.

It will be impossible to set forth a policy for comprehensive reform at the 13th National Party Congress, because there is not enough time; in less than one year the 13th National Party Congress will be convened. Some tasks may be outlined at the 13th Congress, others in 1988 and still others in 1989. What I can do today is to affirm the necessity and urgency of the reform of the political structure. However, because we lack experience in this respect, we are still groping our way forward.

THE ABC OF INVESTING IN CHINA (1)

First, Do Your Homework

In response to reader demand, "Beijing Review" begins a series of articles on investing in China based on research in Shanghai, Tianjin and Dalian.

by Our Correspondent Yue Haitao

What a huge market China is!" declared Lord Young, British cabinet minister as he watched the floods of people moving along the avenues of Beijing in the spring of 1985. He was carrying a number of Chinese order bills worth tens of millions of pounds in his briefcase at the time.

Since then China has opened further. Several thousand business people have invested in China a total of US\$6.6 billion and contracted 7,800 joint ventures and co-operative projects. On October 11, 1986, the Chinese government promulgated the

Provisions for the Encouragement of Foreign Investment (see *Beijing Review* issue No. 43, 1986), which guarantees foreign investors preferential treatment in taxation, site use fee and labour service expenses, and profit-remittance which are no worse than elsewhere. At the same time, the provisions require the government to improve its working efficiency, speed up the procedure for approving projects and grant approved technologically advanced or export-oriented enterprises special preferential treatment.

Michael Miles, chairman of the

Swire Group, Hong Kong, is a shrewd businessman. He has grasped that to do business with China, two points must be borne in mind. One is that China needs advanced technology; another is that as China has limited foreign currency, one must help it earn some.

The Chinese government dearly wishes to co-operate with foreign businesses across the gamut of economic endeavour on the basis of equality and mutual benefit. Meanwhile, within the coming five years, foreign investors are particularly encouraged to invest

The Beijing Amusement Park, a Sino-Japanese joint venture.

XUE CHAO



in the following fields:

— Energy development, including coal mining, electricity production and oil.

— Electronics, especially manufacturing computers, electronic elements and components.

— Machine-building, especially large precision machines and instrument.

— Modern building materials and infrastructure projects in industrial areas.

— Revamp old enterprises to improve product quality and increase variety and patterns; improve the production of principal parts, components and elements; help develop much needed production and expand export goods.

It is generally accepted that foreign investors risk little of their investment in China. But business people here say that making a profit can be difficult. The key is finding a good partner.

To do this, the simplest way is to make direct contact with Chinese counterparts by letter or telex. This is still a shortcut for China experts who know where to go but it is probably unsuitable for the newcomer.

There are alternatives. The Chinese government has embassies, consulates and commercial, banking and trade agencies in almost every country. The 29 provinces, municipalities and autonomous regions and many large cities on the mainland have almost all set up foreign economic relations commissions (departments). Foreign investors can send their preliminary proposals for the sort of project they want to invest in, along with an introduction to their businesses, products, technology and marketing channels to any of the above places or write directly to the Foreign Capital Management Department under the Ministry of Foreign Economic Relations and Trade. They will help find a suitable counterpart in China.

One could also try the approach

that Jacques Konchier, the French partner of the Nantong Jacques Bogart Co. Ltd., made: "I came to know about Nantong through the China International Trust and Investment Corporation's Paris office." CITIC is the largest company in China dealing with international co-operative business. It replies thousands of enquiries from foreign businesses and receives thousands of foreign visitors every year. Another non-governmental firm—the Everbright Industrial Company, Ltd., with its head office in Hong Kong, also offers a similar service. In addition, almost all the provinces and cities on the mainland have their own special trust, investment, consultancy and business companies. Practice has shown that it is worthwhile contacting them direct. If the foreign investor can send a brochure of his business along with a letter of intention, it would be ideal.

Jeffrey Cannell, president of a British instrument firm, came into contact with China's domestic market when, in 1979, he received an invitation to an electronics trade exhibition in Beijing. He took this opportunity to establish contact with Chinese traders and

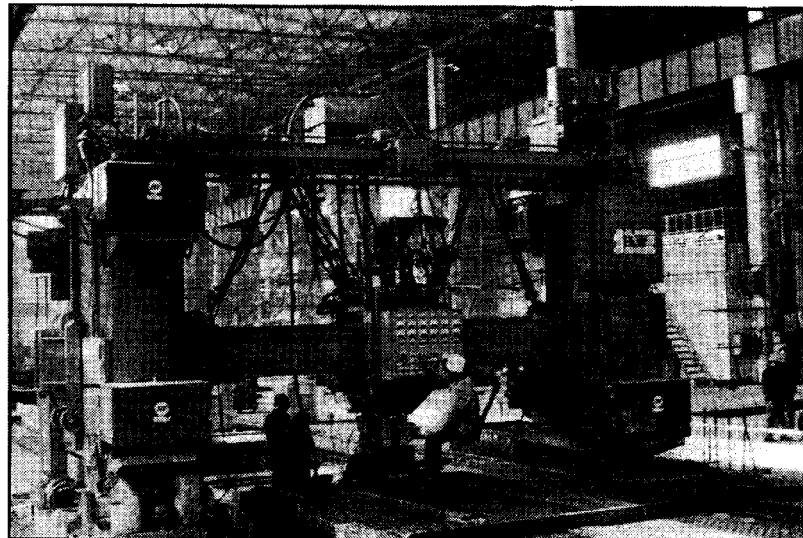
seven years later, he received an order worth 3.5 million pounds to help produce voltmeters for a Chinese factory.

Chinese government departments, industrial and commercial enterprises and academic organizations often hold commodities fairs and symposia on investment and economic co-operations, including the export commodities fairs held twice a year in Guangzhou. The provinces, autonomous regions and open cities also hold occasional press conferences to announce planned projects. The sponsors invite as many people in relevant fields as they know. During the Beijing meeting on foreign economic relations and technological co-operation held last November, 16 agreements valued at US\$441 million were signed, and letters of intent on 108 other projects reached.

Many foreign enterprise groups have set up their branches or offices in China. One of their principal tasks is to help medium-sized and small enterprises from their own countries establish some sort of co-operation in China. Mr. Mineo Murai, chief representative of the Beijing Office of the

A workshop at the Beijing Boller Works, a joint venture between the Works and the American company—Babcock & Wilcox Asia Ltd.

XU XIANGJUN



Japanese Nomura Securities Co. Ltd., said that every year about 100 Japanese enterprises apply to make contact with the Chinese through his company.

The Chitec Comercio International Ltd. of Brazil, and the Credit Suisse also offer such a service to smaller companies from their countries.

The newly established China Co-ordinating Centre of Co-operation for Medium-sized and Small Businesses under the State Economic Commission is a good means of getting information on potential partners in China.

Then there are the huge projects. The Antaibao Coal Mine and Beijing Jeep Co. Ltd., both involving American investment, and the German-funded Shanghai-Volkswagen Automotive Co. are the products of bilateral talks between govern-

ments, or of agreements between well-known entrepreneurs and Chinese government officials.

Major Chinese newspapers, magazines, economic almanacs and investment guides are also useful ways of finding Chinese partners. The best reference book in this field is the China Investment Guide, which appears in English and Chinese and is jointly published by China International Economic Consultants, Inc. and the British Longman Group Ltd.

The business and trade column in our *Beijing Review* covers information regularly on planned projects, business opportunities and keeps the readers up to date on successful cases as well as troubles the foreign investor might encounter.

One piece of advice: think long-term. Generally, investment in a

new product or in a large-scale energy project can be recouped in 10-30 years. The period for recovering an investment in a medium-sized project would take about 5-10 years, and much less time if the project is smaller. This may be a conservative estimate, but is what C.B. Song, (president of board of directors of E-S Pacific Development & Construction Co. of the United States and a partner of the Great Wall Sheraton Hotel in Beijing,) believes after five years of working with China. The Chinese Government's estimate is that an investment totalling less than US\$5 million in a small project could be recovered within about three years and an investment of between US\$5 million and US\$15 million in a medium-sized enterprise within five years. Larger projects will take at least eight years. ■

CITIC Father: The Truth I Have Sought

Rong Yiren

On April 26 Rong Yiren, former capitalist and now vice-chairman of China's NPC Standing Committee, spoke at the St. John University alumni society meeting in New York. In his speech Rong reviewed his career over the 50 years since his graduation from the university. Following is the full text translated from "Guangming Ribao (Guang Ming Daily)

I would like to extend my sincere thanks to you for inviting me to attend this unforgettable gathering. It is an honour for me. Today in Shanghai our fellow classmates are now celebrating the 50th anniversary of their graduation. Meeting my former schoolmates half a century after my departure from the Alma Mater arouses in my strong emotions and I feel very happy to be here recalling the past.

Fifty years ago, bearing in mind the school motto "Brightness and Truth," we bade farewell to the

university and moved out into the world. At that time, a friend and I vowed to "do our best to contribute to the motherland after graduation." I still keep the school motto and my vow at the forefront of my mind. Our great motherland has a long history, brilliant culture, vast territory, abundant natural resources and, above all, millions of people, of over 50 nationalities, who are industrious and brave. All this encouraged and inspired us to pursue brightness and truth and to render

service to the country and its people.

With the idea of "saving the nation by engaging in industry," which was instilled in my mind by my parents, I returned to my hometown, Wuxi, in Jiangsu to take part in the development of the Chinese national flour processing industry, hoping that this would alleviate the food problem which was severe at the time. This was stopped short though by the Lugouqiao (Marco Polo Bridge)

Incident on July 7, 1937 and the roaring guns that shook Shanghai on August 13 the same year. The Japanese imperialists began ram-paging across much of China's territory. While our country was torn by foreign invasion and its people suffered, my family's textile and flour businesses, which were anyway in trouble suffered further. This you understand, was only a tiny speck in the disaster that befell our country. To preserve something of the national industry and commerce, I moved to Shanghai to manage a few small enterprises. In the eight difficult years of resistance against Japanese aggression, while I was struggling to keep those workshops afloat, I came to see that without independence and unity, China would not be able to become strong, nor could its people lead happy lives, nor could any individual be able to realize his or her potential.

At last China won the war and was listed as one of the five world powers. Rejoicing at this victory, I reckoned that it was time for me to help revitalize China's industry and commerce. That was my ambition, to live up to the expectations of my motherland, my Alma Mater and my fellow students. With great effort, I drafted a grand programme for the nationwide development of the flour industry. Unfortunately, as I was setting the industry in motion, the plan vanished like a soap bubble because of the corruption of the Kuomintang, in-fighting between various factions and the tangled warfare among the separatist warlord regimes, which plunged the Chinese economy further into a chaos and kindled the civil war. Wuxi was the only place where a flour mill was set up. During that time, I was invited by another St. John graduate, T.V. Soong to go to Shanghai and stabilize the flour price there. Out of love for my country, I applied myself. But how could I do it? It is not hard to imagine how in times like that, even though I loved my

motherland deeply, I was at my wits' end and could accomplish nothing. Harsh reality taught me that only with good politics would people work in unity and harmony; and that the national cause would flourish only with the support of the people.

After the founding of New China, the mainland was united, and its political, economic and social life quickly moved onto the right track. I too was taking part in New China's reconstruction. Over the last 30-odd years, I have always linked my own destiny to that of the motherland. Owing to lack of experience and the mistakes in guidelines and work, the young republic took a roundabout course in its development. Naturally I did not enjoy a smooth ride myself. I travelled a tortuous, rough road and met with unfair treatment. But even during the catastrophic "cultural revolution" (1966-76), despite my own tribulations I could see the rock-firm unity of the mainland, the growing vitality of the nation and the ray of truth dispelling the mist and dust. So I never lost confidence and courage.

The Third Plenary Session of the 11th Central Committee of the Chinese Communist Party was held in December 1978. The Party corrected its own mistakes, proving itself a serious party with truth and strength, as well as the leading core of China's socialist cause. Without the Communist Party, there would have been no New China; and again, without the Communist Party there would be no socialist modernization. Taking the socialist road is a historical choice made by the 1 billion Chinese people after protracted struggles. The session set down a new political line, new principles and policies for the country's development. Charged by the state and people, I have taken part in the nation's economic construction, organizing the China International Trust and Investment Corporation

(CITIC) which was set up in 1979. Since then the corporation's workforce has grown from a dozen people to 900 cadres and workers; now it runs 180 Sino-foreign joint ventures, co-operative enterprises jointly with various departments and regions. The corporation is a socialist conglomerate engaged in production, technology, trade, finance and service. It has become an important window in China's opening to the outside world and developing international economic and technological exchanges and co-operation.

I have briefed you, my fellow schoolmates, on my experiences, and half a century is not a short time to me. So what truth have I been pursuing? I have thought about this over and over again and summed it up into the following points: One, only when the country is united, only when it follows a correct road under the correct leadership, can it make genuine advances and achieve prosperity. Two, all state policies must conform with the interests and demands of the Chinese people if they are to have the support of the people and succeed. Three, it is not realistic to expect life to be smooth-sailing. The important thing is to sum up experience and draw lessons in time, add to the achievements and correct mistakes. In this way, we are sure to get everything done well.

Generally speaking, the history, culture, people, territory, resources, customs, in fact—everything—of the motherland, of the Chinese nation, are the light which always illumines our pursuit of truth. Under its light, we will gradually approach, understand and master the truth and thus bring credit to the motherland. As your schoolmate, I have, after 50 years of practice and tempering, come to understand something of the teachings of our Alma Mater "brightness and truth" and I also ask for your advice and guidance.

Foreign Funds for China's Aluminium

by Huang Jichun

With the approval of the State Council, the China Non-Ferrous Metal Industry Corp. has decided to use more foreign funds to boost the country's aluminium production. This policy will find expression at the China Non-Ferrous Metal Trade and Technology Symposium which the corporation is sponsoring at the Jacob K. Javits Convention Centre in New York City between June 29 and July 11.

In addition to discussing trade in non-ferrous metals, both ore and processed, the Chinese will offer a number of projects for co-operation, nearly half of them large aluminium projects.

Investment Environment

China's verified bauxite reserves are among the largest in the world. Aluminium smelting consumes enormous amounts of electricity. However, China also has enormous potential energy resources. China's proven coal reserves amount to 780 billion tons, making it third in the world; and the country's exploitable hydroelectric resources total 370 million kw, first in the world. In places where bauxite deposits are rich, energy resources are also abundant.

More than 80 percent of China's bauxite mines are located in Shanxi, Henan and Guizhou provinces and the Guangxi Zhuang Autonomous Region, where energy resources are plentiful. For instance, Shanxi and Henan are China's coal production centres with strong thermal



Huang Jichun.

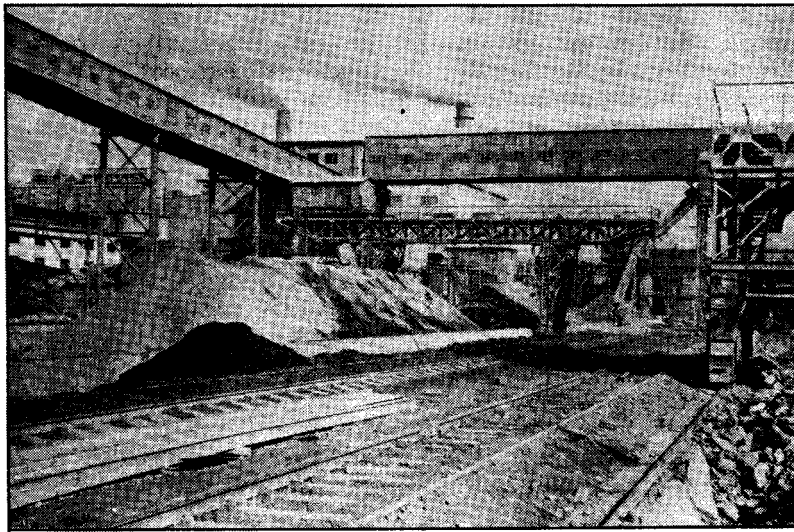
power grids. Coal production in Guizhou Province has also expanded in recent years. Last year, the coal output of large state-owned mines in the three provinces amounted to 266 million tons, over 50 percent of the total output of China's large coal mines. The Guangxi Zhuang Autonomous Region is rich in water resources. The potential hydroelectric power of the Hongshui River alone totals 10.9 million kw. It is planned to build 10 terraced hydroelectric power stations on the river. Construction of five of them is underway, and one has already started generating electricity. China has been siting high energy consuming alumina and electrolytic aluminium factories in the southwestern and northwestern regions, as well as in Henan and Shanxi provinces, all of which have plenty of energy resources; and building its aluminium processing industry in eastern coastal areas and industrial cities where the market is.

China's current aluminium output ranks eighth in the world. However, it still does not meet domestic demand, so each year China buys aluminium ingots from abroad using precious foreign exchange. To change this situation, the government has decided to give priority to aluminium production for the next few decades. The corporation's target is to double its aluminium production capacity in the shortest possible time. For this purpose it will not only make the most of domestic funds but also attempt to attract foreign funds.

The key projects for the Seventh Five-Year Plan period (1986-90) include the second phase of the Shanxi Aluminium Factory and the second phase of the Qinghai Aluminium Plant, both of which are scheduled to begin production in 1990, and the second phase of the Baiyin Aluminium Plant in Gansu Province which is expected to be completed before 1990. In addition, a number of existing enterprises will be expanded or revamped. These include the Zhengzhou Aluminium Plant, the largest alumina factory in China; the Xinan Aluminium Processing Factory, the largest of its kind in China; the Guizhou Aluminium Factory, the Shandong Aluminium Factory, and the Qingtongxia Aluminium Factory in the Ningxia Hui Autonomous Region. A number of projects with fairly good geographical and production conditions have been chosen for international loans and co-operation.

The corporation has also decided to use foreign funds to build two large aluminium production centres. One is the Pinguo bauxite mine located in

*The author is deputy general manager of the China Non-Ferrous Metal Industry Corp.



Raw materials processing at the Shandong Aluminium Factory.

HAN BAOCHENG

southwestern Guangxi with a verified reserve of 160 million tons. Of very high grade, the deposit is easy to exploit. The mine is 70 km from the nearest station of the terraced hydroelectric stations on the Hongshui River and 300 km away from the furthest one. The electricity generated by the hydroelectric stations during the high water season can ensure the mine's power supply, and a local thermal power plant can make up the deficiency in the periods of low water. The mine is also easily accessible. The Kunming-Nanning railway, which will link the capitals of Yunnan and Guangxi, will skirt the southern fringe of the mine. Youjiang, another major river in Guangxi, passes by the mine making direct water transport possible to Guangzhou, and the region's Beihai and Fangcheng ports can handle the mine's exports. Investment and production prospects are both excellent. Currently, the China Non-Ferrous Metal Industry Corp. is conducting talks with the British and French governments and related businesses on developing the mine jointly, and is making good progress.

Another aluminium production centre being planned is located in bauxite-rich and neighbouring

Henan and Shanxi provinces. The centre will be close to a trunk railway line and will have sufficient electricity from local thermal power grids.

When completed, the two aluminium production centres will undoubtedly raise China's aluminium production capacity considerably.

The corporation is seeking economic and technological co-operation with foreign businesses on the principles of equality,

mutual benefit and stable long-term co-operation. The form of co-operation is not fixed. Loans are encouraged for large mines and aluminium smelting plants which will take a longer time to construct and repay the investment. Joint ventures and compensatory trade are recommended for technology-intensive projects and those with short construction periods and quicker returns, such as monocrystalline silicon and aluminium processing factories. Project scale is optional too—either separate projects or comprehensive projects involving mine construction, smelting, and other production processes are available. Co-operation is also encouraged in the construction of new projects, as well as in the expansion and re-equipment of existing enterprises.

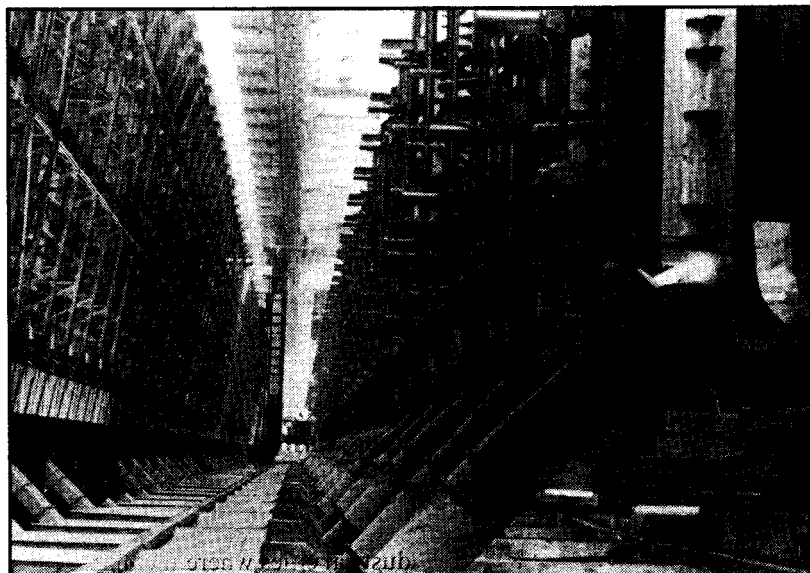
To encourage foreign businesses' direct investment, the corporation is formulating favourable terms for foreign investment.

Background

China's aluminium industry started up in 1954. During the First Five-Year Plan period (1953-

The 953-metre-long electrolytic workshop at the Qinghai Aluminium Factory. Its daily production capacity is 260 tons.

WANG JINGYE



57), a number of backbone enterprises were set up, such as the Shandong Aluminium Factory, an alumina producer, the Fushun Aluminium Factory which mainly produces electrolytic aluminium, and the Northeast Light Alloy Metal Factory. Since then, and with the founding of the China National Non-Ferrous Metal Industry Corp. in April 1983, aluminium production has

become a major industry. This is manifested in the following aspects:

- The nature and location of China's aluminium resources have been identified, and the reserves of bauxite verified, which facilitates long-term steady progress.

- A complete production setup, from geological prospecting to mining, smelting and processing, has been established; and

production capacity expanded through a large number of bauxite mines and factories. Excluding small local enterprises, the country's aluminium industry has a workforce of 120,000, including 16,600 scientific and technical personnel (13.25 percent of the total).

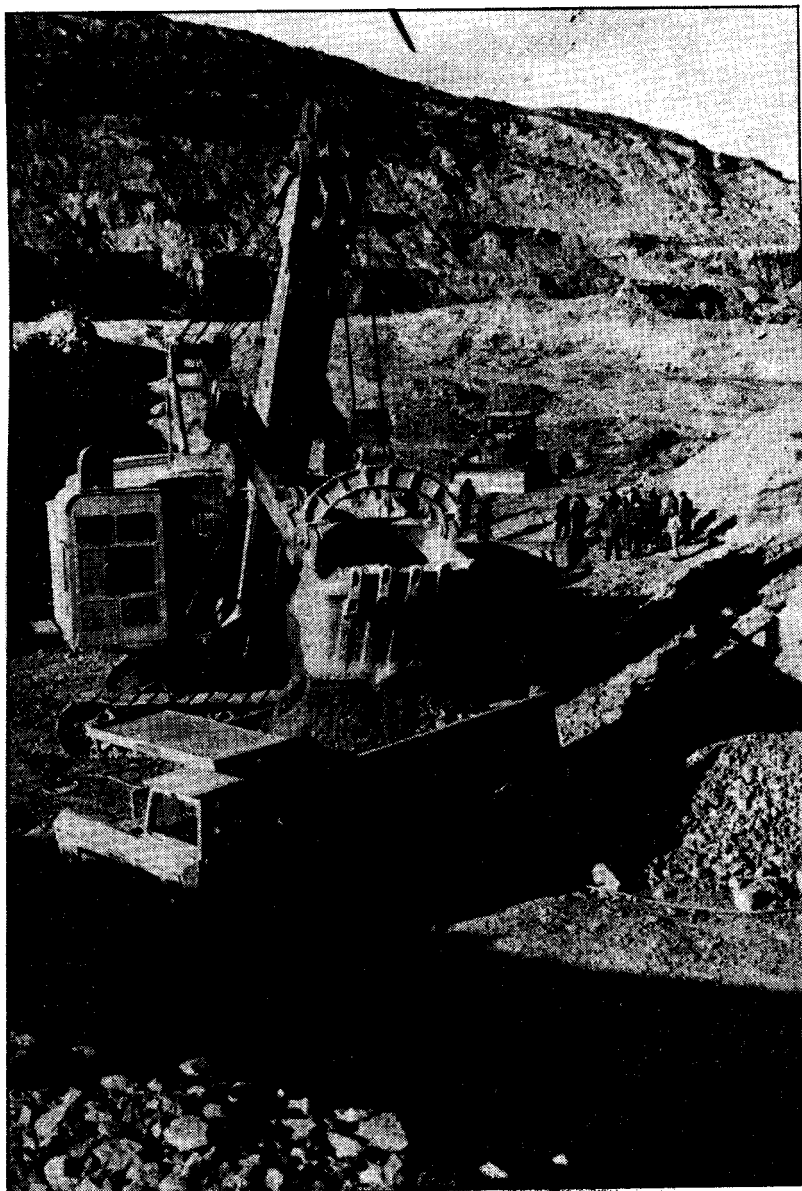
- A body of scientists and technicians engaged in scientific research, design and teaching has been formed. Over the past three decades, these people have carried out research relevant to China's resources and successfully applied their research results in production, particularly alumina production, making it a distinctively Chinese industry.

- A non-ferrous metal import and export company has been established to deal with international trade and co-operation. The company has already established business relations with more than 500 foreign trade companies, banks, factories and a number of international organizations in several dozen countries and regions.

Most of China's bauxite deposits are hard sedimentary bauxite ores with single crystal water. This kind of ore has a high content of alumina, generally 47-50 percent higher than international commodity bauxite ore. While the cost of mining, transport, production and dregs disposal is comparatively low, smelting is more difficult. The traditional Bayer process is unsuitable. So Chinese scientists developed a mixed processing method and successfully applied it in the Zhengzhou Aluminium Plant. They also improved the sintering method and applied it in the Shandong Aluminium Factory. To date, these factories' alumina output and soda consumption are all as good as or better than those that can be achieved by the Bayer method in processing fine-quality ores. China now also leads the world in the comprehensive utilization of

The Xiaoyi Bauxite Mine in Shanxi Province has a designed annual capacity of 500,000 tons.

KONG ZHAOWU



bauxite waste—red mud—and in recouping rare metals.

With a considerable material resource and scientific strength, China's aluminium industry is now able to absorb advanced foreign technology and make the best of foreign investment.

Known before only as a country rich in non-ferrous metal deposits, China is changing its image into a major non-ferrous metal producer. By the turn of the century, China expects to be right in front in terms of output, variety, quality, economic returns and

production techniques of non-ferrous metals.

The coming decade presents the prospects of rapid development in China's non-ferrous metal industry and wider co-operation with foreign industry and finance in this field. ■

REPORT FROM SHANDONG

Old Factory Makes New Contributions

As the Chinese government turns the spotlight on aluminium production, this article examines the very first aluminium works in China — an impressive history of innovation and achievement — boding well for the future.

by Our Correspondent Han Baocheng

The Shandong Aluminium Factory in Zibo City, 100 km east of the provincial capital of Jinan, was established in 1954, and is where New China started its aluminium industry. Over the last three decades, the factory has handed over to the state in profits and taxes more than four times the investment the latter has made in it. The factory started with an annual alumina production capacity of 35,000 tons; today the figure

is 10 times that. In the process the factory has also started multi-purpose utilization of bauxite.

The factory is not its old self any more. A new concrete framework has arisen among the dilapidated factory buildings. The new building will house the factory's sixth furnace. This will be commissioned before the end of October, and will be part of the programme to expand the factory's yearly alumina produc-

tion capacity by 100,000 tons. The other five furnaces were built in 1954 and 1959. Having been renovated several times, these furnaces have each increased their daily output from 2,350 tons in 1959 to today's 4,800 tons.

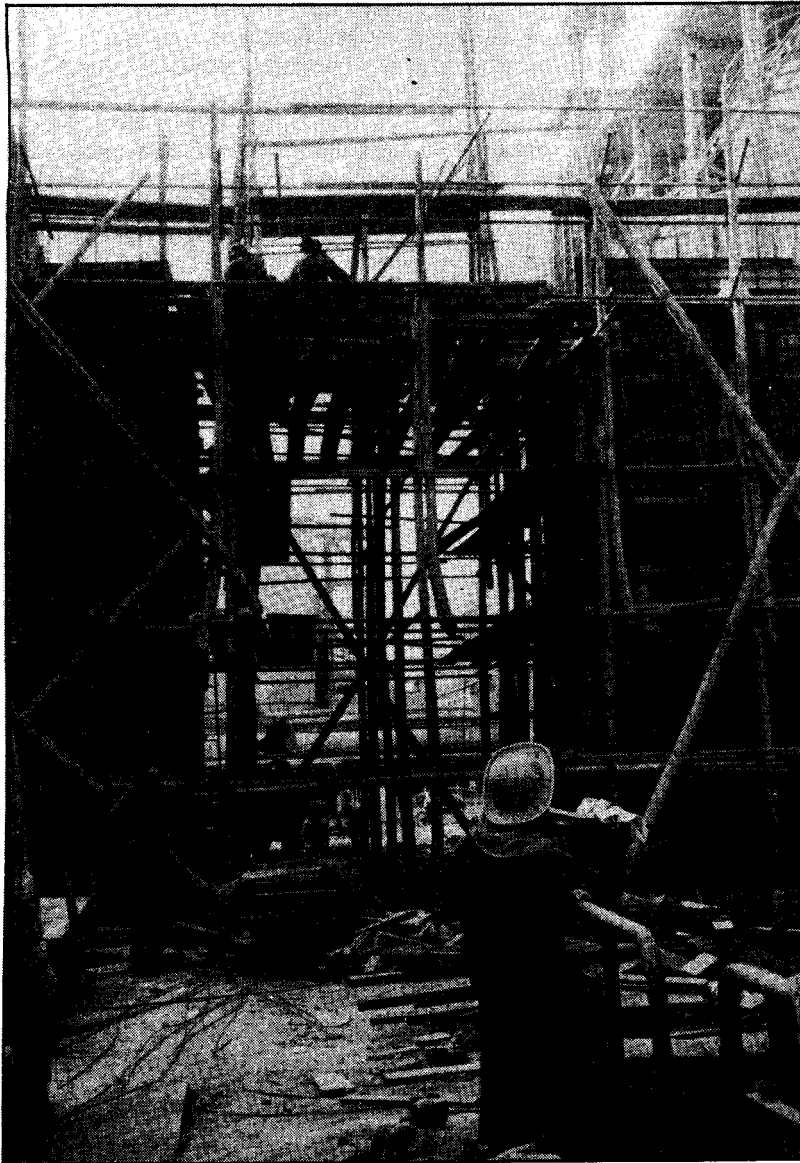
According to the director, the bauxite his factory uses is very different from that found elsewhere, and is considered the hardest to melt. The factory's research institute, by improving traditional sintering methods, developed techniques to obtain up-to-standard alumina while keeping energy and soda consumption at the internationally accepted level.

Thanks to this special technology, which does a thorough purifying job, Shandong alumina is known for its high quality. It is an ideal raw material for electrolyzed aluminium, and can be used as an abrasive, or in the ceramic, electronics, petrochemical, pharmaceutical, paper-making and food packaging industries. Today the factory is producing in small quantities more than 20 kinds of alumina for various purposes. This impressive array of products have attracted the attention of a number of

Zhang Xiqing, director of the Shandong Aluminum Factory.

HAN BAOCHENG





A furnace under construction.

HAN BAOCHENG

Japanese companies, which have sent representatives to negotiate with the factory.

Recycling has been stepped up. The dregs from the alumina production are usually discarded. Great slag heaps of red mud can thus be seen around many aluminium factories abroad. Due to its high soda content, this mud constitutes a pollutant of the earth and of underground water.

In an effort to reduce the effects of such pollution, the Shandong

Aluminium Factory began to study possible uses of this waste in 1958. In 1963 it set up the country's first cement factory using limestone, bauxite and iron ore dregs and coal gangue. This cement is good enough to be extensively used in the construction of airports, harbours, oilfields and bridges. With an annual output of 1.1 million tons, it has become the largest cement factory in eastern China.

This use of the red mud has not

only eliminated a source of pollution, but has greatly augmented the economic returns of the aluminium factory. The soda fluid recovered from filtering the bauxite dregs is used in the alumina production. This alone has cut production costs a great deal.

The factory is now also using red mud for other purposes—for casting iron, as a filler in plastics, and in fertilizer, for instance.

Mercury is often used to recover gallium from bauxite, but this way the recovery rate is fairly low and serious pollution is caused. The Shandong factory started gallium recovery in 1956, and shortly afterwards, succeeded in achieving a recovery rate much higher than elsewhere. As a result, China produced 90 percent of the world's annual gallium output in the late 1950s. The new technology has done away with the use of mercury and causes no pollution at all.

After more than three decades of development, the Shandong Aluminium Factory has grown from a single alumina producer into a comprehensive enterprise capable of mining, smelting, electrolyzing, processing and recycling. Its 16,000 employees produced 305 million yuan worth of output and 106 million yuan in profits last year.

Since the aluminium industry is enjoying increasing government attention, the factory is updating its technology and equipment. In this it is seeking co-operation with foreign countries.

In June 1986, the factory completed a plant which can process 3,000 tons of aluminium annually fitted with equipment imported from Japan, the United States, France and Italy. It has also set up an aluminium door and window frame factory as a joint venture with Hong Kong's Wing Key Co. The aluminium factory is also negotiating with an American company for the establishment of a US\$10 million joint venture to produce high-grade fire-proof materials. ■

Free Markets in China's Cities and Towns

Since 1979, China's free markets have made positive contributions to the comfort of urban people's lives and have stimulated the economy.

Much Money Spent on the Free Market

The development of free markets has changed the food buying patterns of urban residents, and money spent there has been increasing. According to a sample survey of 106 cities and 140 counties, in 1986 the average city dweller's expenditure on food in the free market was 152.3 yuan, an increase of 32.8 yuan, or 29.7 percent in one year.

Table I: Average City Dweller's Food Bought From the Free Market.

	1986 (kg.)	Increase over 1985 (%)
Vegetables	109.1	6.3
Pork	9.6	31.1
Poultry	2.7	15.8
Eggs	4.2	12.9
Fish	4.7	14.7
Fruit	26.3	29.6

According to the survey, the proportion of a city resident's food expenditure in the free market rose from 16.8 percent in 1984 to 33.7 percent in 1985 and to 36.4 percent on average in 1986.

In the big city, the dependence on the free market is less than in the smaller town. In cities with a non-agricultural population of more than 1 million, the proportion of food from the free market was 21.9 percent; in cities with 500,000 to 1 million non-agricultural residents, the proportion was 32.7 percent; in medium-sized cities with 200,000 to 500,000

Table II: Food Bought in Free Market—A Percentage of Total

	Urban Consumption		
	1984	1985	1986
Vegetables	41.7	71.1	73.5
Pork	13.3	43.9	51.6
Mutton & beef	31.0	50.0	52.2
Poultry	55.6	70.4	68.8
Eggs	30.2	54.4	59.3
Fish & Shrimp	35.0	57.6	57.4
Total	16.8	33.7	36.4

urban people, the proportion was 39.3 percent; in the small cities of less than 200,000 people, the proportion was 45.8 percent; in the counties, the proportion was 47 percent. The small urban centres can more easily develop

market's prices have risen in response, becoming one of the important factors in city dwellers' standard of living. In 1986 the free market's prices were 26.9 percent more than in 1984. Over 1984 and 1986 the price of vegetables rose by 32.4 percent, the price of poultry, eggs and meat by 23 percent, aquatic products 36.9 percent and fruit 37.4 percent. These rises meant that in 1986 the average city dweller spent 32.28 yuan more on food than in 1984. On meat, poultry and eggs 11.13 yuan, aquatic products 3.65 yuan, vegetables 8.22 yuan and fruit 3.99 yuan.

In 1986, average per-capita net income of city dwellers was 828 yuan, an increase of 20.9 percent over the previous year. Allowing for inflation, real incomes rose by 13 percent. Urban incomes are expected to rise steadily, but if the free market's prices continue to rise urban living standards will not rise as much.

their free markets which help the exchange of goods between city and countryside. However large cities are further from the countryside, and the residents have learned to rely on the state markets. The state's food distribution system should be strengthened to raise urban living standards.

A Rise in Free Market Prices

In recent years, city dwellers' standards of food variety, quality, and nutrition have risen. The free



Taiwan's Policy of 'Three Nos' Criticized

"ZHONGGUO XINWEN"

(China News)

The policy of "no contact, no negotiation and no compromise" exercised by the Taiwan authorities towards the mainland is one that has no popular support. This was the theme of a signed article published in a recent issue of Taiwan's *Zhongguo Zazhi* (China Magazine). The author asked Taiwan authorities to amend or rescind this policy after taking a public opinion poll. He found the policy of "three nos" to be absolutely unfounded and unpopular.

The author said that not just him, but a majority of overseas Chinese don't understand and support the policy.

The author said the Taiwan authorities declared that people in Taiwan would fall into a trap of united front laid by the Communist Party of China if the authorities allowed them to communicate with their kinsfolk or to visit their relatives on the mainland. According to that kind of reasoning, this is tantamount to admitting their failure in anti-communist education over the past three decades or more.

It is inhuman that the Taiwan authorities do not allow people in Taiwan to contact their relatives on the mainland, the author said. The policy of "three nos" held by Taiwan authorities should only be confined to the relations between the two political entities of the Kuomintang (KMT) and the Communist Party of China (CPC). It should never be interpreted as no contact, no negotiation and no compromise between ordinary people on both sides of the Taiwan Straits.

The author asked why the Taiwan authorities could consider

the China Airlines incident in 1986 as a people-to-people one and solved it on the basis of humanitarianism, but think of similar events in other terms; and why they do not ask the China Airlines and Chinese scholars residing abroad to abide by the "three nos" policy, but force people in Taiwan to do it.

The author pointed out that it is wrong for the Taiwan authorities to regard their 1 billion mainland compatriots as enemies.

The author said almost all

people from the mainland have not communicated with their relatives, visited their home places or paid respects to their dead relatives for about 40 years. This is a strange affair in Chinese history. Although there have been many opposing regimes within China over its long history, no other regime prohibited people from communicating, visiting or sweeping relatives' graves.

In any case, the author said, the policy of "three nos" is an example of scathing hypocrisy on the part of KMT authorities who frequently declare a policy of benevolence.

(April 11, 1987)

Statistical Data Open for Public Use

"RENMIN RIBAO"

(People's Daily, Overseas Edition)

More and more statistical data have been extricated from the strongboxes of the statistical departments at all levels to become a property commonly shared by all sectors of society in recent years. The motive force behind this are the reforms in every field and the policy of opening to the outside world.

Over the past 30-odd years, Chinese statistical departments at all levels generally cut themselves off from the society and only a few persons and departments had access to statistical data. In 1984 the State Statistics Bureau stated in clear terms that statistical calculations must be gradually opened to the public, serving both policy-making bodies at all levels and the society as a whole. From then on, the doors to statistical data, which were closed for a long time, began to open to the public and statistical circles in China began to embark on the road towards socialization of statistical information.

While strictly guarding state and individual secrets, Chinese

statistical departments at all levels have expanded their services from state and Party leading bodies to mass organizations, teaching and research institutions, industrial and commercial enterprises and the population in general. They can provide statistical figures, tables, analytical reports, books, treatises on economic affairs, market investigations, etc. Now, more than 90 percent of the information controlled by the statistical departments at all levels can be released.

In order to make things convenient for people, the statistical information released has taken various forms. For instance, many important information has been collected and published in book form.

If some research institutions and enterprises need some special statistical data in their research work and management, they can entrust the sample-survey teams or information and consultancy organs under the state or local statistics bureaux to make special investigations.

Foreign countries are another client of China's new statistical services. China's State Statistics Bureau has established relations

of technological co-operation and information exchanges with governmental statistics departments in more than 30 countries and regions, including the United States, the Soviet Union, Japan, Thailand and Hong Kong. As a result, overseas statistical information has been immediately transmitted to China, and at same time, the statistical information about Chinese economic construction and social development has

become available in all parts of the world. For example, in 1986 the China Statistical Information and Consultancy Service Centre and such local agencies in more than 10 provinces and cities, including Guangdong and Shanghai, provided about 200 pieces of statistical information for foreign businessmen and established relations with commercial organizations in more than 20 countries.

(March 12, 1987)

yield. Owing to the poor fertility of soil, the per-unit area yield in China now is only about 175 kilogrammes. Therefore, to increase the investment in land is an important measure to raise the per-unit area yield. If the improvement of soil fertility can increase the per-unit area yield to 235 kilogrammes by 2000, it would mean an additional 125 million tons of grain for China. This should be made an important measure to increase grain production.

Finally, we must raise land productivity and raise the area for multiple cropping. Intercropping and multiple cropping are a characteristic of China's agricultural production because their economic efficiency is much better than opening up wasteland. Generally speaking, such arable land is of good quality, has easy access to transport, and its per-unit area yield can be twice as much as that of newly opened land. Therefore, to increase its output presents a solution to the problem of grain deficiency in nearby regions.

(March 19, 1987)

Protect Cultivated Land, No Delay

"GUANGMING RIBAO"

(Guangming Daily)

It is a well-known fact that there is a shortage of cultivated land in China. According to a 1985 survey, the per-capita arable land in the country was only 1.4 *mu* (one *mu* equals one-fifteenth hectare.—Ed.) Since the founding of the People's Republic in 1949, the area of cultivated land throughout the country has been greatly diminished at an annual average rate of about 470,000 hectares.

The state has formulated a series of policies to prevent the reduction in arable land in recent years. Even so, the area under cultivation from 1983 to 1985 dropped at an annual average of about 756,000 hectares. If this situation continues, by the end of this century, the area of arable land in China would diminish by 10 million hectares, while population will have increased by 100 million, resulting in a per-capita cultivated land area of only one *mu*. After 150 years China will have no arable land for cultivation. This is a very serious problem. So, the protection of arable land is an important task which brooks no delay.

As the reduction of arable land cannot be remedied by reclaiming wasteland or reducing the land

area for other agricultural purposes, departments concerned must pay great attention to the protection of arable land. If the figures of annual reduction of arable land were limited to within 230,000 hectares, instead of 470,000 to 670,000 hectares, the total grain output would be increased by 15 million tons, six times as much as the total output of 1.7 million hectares of newly reclaimed land.

Secondly, the investment in arable land should increase in order to raise the per-unit area

The plague of locusts—Diners on public funds.

Cartoon by FANG CHENG



China's Exports More Cars Abroad

Gone for ever are the days when China could only import automobiles. Exports of the China Automobile Import and Export Co. shot up in the first quarter of this year. By late April the company had sold 1,486 automobiles and some spare parts worth US\$12.38 million, four times as much as in the same period last year.

According to a spokesman of the company's export department China's automobiles went mainly to developing Asian and African countries, including the Philippines, Pakistan, Sri Lanka, the Sudan and Gabon, while its automobile spare parts were exported to Japan, the United States and West European countries.

The spokesman also said that the progress made by the company in its exports was due to the special terms offered by China to encourage automobile exports. These include reduced taxes and allowing relevant enterprises to retain part of their foreign exchange incomes. In addition the company has worked on making its products more marketable and expanded its export channels.

The company has signed new export contracts with countries in Southeast Asia, the Middle East, West Africa and South America.

The company has already established ties with more than 30 countries and regions since its founding in 1983. It has also signed contracts on importing technology and equipment, — for example, for making Isuzu engines and Daihatsu mini-cars from Japan, and to export Chinese automobiles, motor bikes and spare parts to 31 countries and regions.

In 1986, the company's total trade value reached US\$500 million. Up to now it has opened branches in Beijing, Shanghai,

Tianjin, Nanjing, Shenyang and Shenzhen. It has established the Huashengchang Auto Co. Ltd. in Hong Kong and set up a representative office in Detroit, the United States, and agencies in Thailand and Pakistan. ■

Joy and China To Co-operate

The Joy Manufacturing Co. of the United States will soon sign a contract with China on transferring its technology for producing continuous mining machines, said Michael Graham, Joy's international sales manager, in early May.

Mr. Graham said that coal is one of the important energy resources in China and that since China leads the world in both coal production and deposits, China is one of the most important coal mining machinery markets in the world. Joy is willing to join this market and help China increase its mechanized coal mining, said Mr. Graham.

As early as 1978 Joy started its co-operation with China and exported to the Datong, Makou and Jiangjiawan coal mines 36 continuous mining machines, two longwall shearer units, six loaders and three roof bolters. Just one longwall shearer unit helped score two production records and produces 290,000 tons of coal a month.

Mr. Graham also said he believes China is reluctant to import foreign equipment for any key industry continuously but is looking to develop by its own efforts. So his company is looking for possibilities of co-operation with China in running joint ventures and co-operative enterprises in addition to selling its products to China.

To expand its business in China,

the company has recently merged with Ecolaire Inc., a US machinery manufacturer with its Asian headquarters in Beijing. The company also participated in China's Second International Coal Technology and Equipment Exhibition held on May 7-12 in Beijing.

by Yao Jianguo

Foreign Funds for Shanghai Subway

Preliminary work for the construction of the No. 1 underground railway line in Shanghai proper was completed on May, 15. The city has already received bids from businesses in Britain, France, Japan, Holland, the United States, the Federal Republic of Germany and Hong Kong to build the line.

The survey studied the earth and stone work, labour needed, machines, rolling stock, rails, terms of loans, technological transfers and Sino-foreign co-operation.

The line, which will be 14.41 kilometres long and have 13 stations, is expected to be completed in 1993. It is one of the city's five key foreign-funded projects for the Seventh Five-Year Plan period (1986-90). The others are a bridge over the Huangpu River and a tunnel under it; the clear up project of the Suzhou River; the Hongqiao Airport expansion project — expanding the terminal building from the present 20,000 square metres to 50,000 square metres and the construction of a control tower and a runway; and the installation of 200,000-channel computer controlled telephone lines. ■

Nanjing Exports Fan-Production Line

China has begun exporting electric fan production lines.

The Yangtze Machinery Factory in Nanjing recently exported such a line to Pakistan. It has a designed annual capacity of 300,000 electric fans. The line which will be installed as a Sino-Pakistan joint venture involves US\$600,000 in investment, the Chinese side contributing US\$294,000.

The Yangtze factory has also signed contracts with businesses in Nepal and elsewhere on exporting electric fan parts, assembly lines, and equipment. A national gold medal winner, MAJRO brand electric fan made by the factory also recently won a gold medal at an international fair in Bulgaria. ■

Xinkaihe Ginseng Selling Widely

Xinkaihe ginseng and related products made in Jian County in Jilin Province are increasingly in demand abroad.

This ginseng is of distinctively high quality. It contains more ginseng glucoside and other effective ingredients than many other ginseng, such as Korean ginseng, for relieving fatigue, preventing oxygen deficiency and raising tolerance to cold.

Jian County has a 1,600-year history of cultivating ginseng. In the last few years the State Science and Technology Commission and the Jian County Ginseng and Pilose Antler Company have joined forces to improve their cultivation and processing methods for Xinkaihe ginseng.

Xinkaihe ginseng now leads in the domestic ginseng market and is exported to Southeast Asia and Hong Kong and Macao. The tonic Ginseng Cola made of the Xinkaihe ginseng by the Jian County company is available both at home and abroad.

At the same time, Wanshuolin, a medicine made with the ginseng for slowing down the aging process, was awarded a first-class scientific and technological research achievement prize by the

Ministry of Public Health and the provincial new product prize. Pharmacological tests and clinical applications prove that it is effective against senility, coronary heart disease, functional impotence and bed-wetting and has no side effects.

The ginseng liquid, a medicine for external application to help the growth of hair, is a good domestic product. It invigorates the circulation of blood and promotes the growth of hair. Clinical use on 300 patients in four hospitals in Shanghai and Changchun shows it has an 80 percent success rate.

These two medicines are in batch production and available at home and in Southeast Asia, Europe and America. ■

Insurance Growing in China

Foreign companies paid \$75.47 million in premiums to the People's Insurance Company of China (PICC) during the first quarter of this year, an increase of 11.46 percent over the same period in 1986.

"Foreign trade enterprises, Sino-foreign joint ventures and ocean-going vessels were compensated \$12.74 million against claims during the same period," Li Qiang, deputy general manager of the foreign insurance department of the PICC reported, "and these figures represent a 100 percent increase over the same period last year."

"More insurance policies involving foreign currency were taken out during this period," Li told Xinhua in an interview, adding that premiums from cargo transportation insurance on China's imports and exports totalled \$44.19 million, a 29.17 percent increase over the same period last year, while \$6.26 million, a 50 percent increase, was paid out in claims.

Premiums paid by Sino-foreign joint ventures and Chinese firms working under contract or providing labour service abroad

totalled \$14.86 million, 16.7 percent more than last year, while compensation against claims was \$2.58 million, a 56.27 percent increase.

Ocean-going vessels paid \$12.22 million in premiums, 29 percent less than in 1986 because of lower insured values and lower premium rates, while the money paid out in claims was \$3.59 million, an increase of 630 percent. ■

Hainan Speeds 15 Key Projects

Hainan Island in South China's Guangdong Province has accelerated the construction of 15 key projects which are expected to bring about a marked improvement in the investment environment.

Local authorities reported that they have cut investments in non-productive projects to ensure the smooth progress of key ones.

These projects, most of which were started last year, include upgrading a main highway linking the eastern and western parts of the island, building an airport and a power plant at Haikou, a harbour at Qinglan, microwave telecommunications systems, radio and television service and Hainan University.

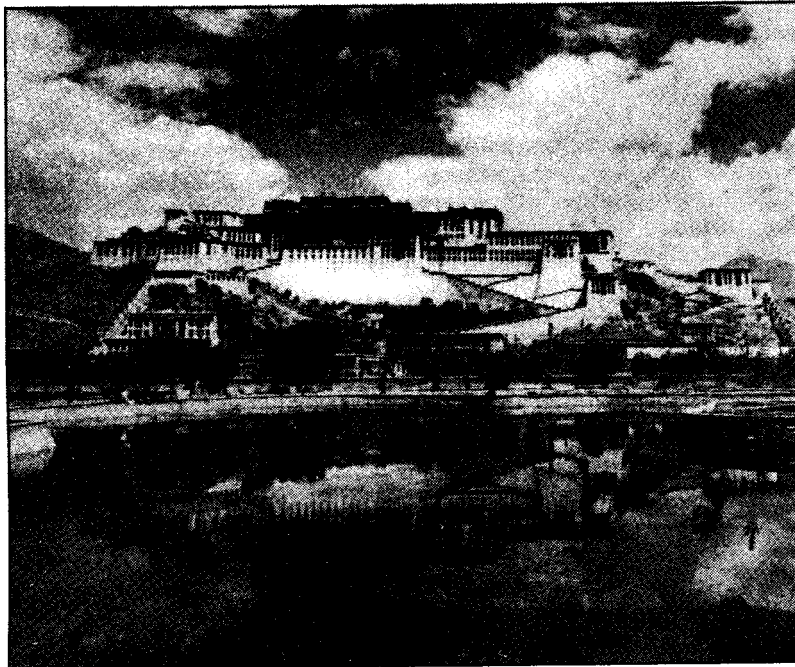
It said that the two microwave systems will be operational by tomorrow.

Other projects to be completed also include the Haikou Textile Printing and Dyeing Factory, the Hainan Polyester Filament Factory, the Chunjiang Sugar Refinery, water-conservation works and highways.

Among the 22 construction projects started in 1986, 10 were put into operation the same year.

By the end of last year, the island had approved the establishment of more than 270 joint-venture, co-managed, exclusive-foreign-capital and compensation-trade projects, involving an agreed investment of \$388.72 million. ■

An Ancient Road to Tibet



The Potala Palace: end of the ancient Tangbo road.

CHEN ZONGLIE

In the year 639, out of the City of Changan (present-day Xian), capital of the Tang Dynasty (618-907), several thousands of people walked towards the west. Spectators could tell from the numerous streamers and the fully-armed guards that this was no ordinary procession. It was, in fact, a royal one. Inside the magnificently-decorated sedan chair, sat Tang's Princess Wen Cheng. She was on her way to Tibet to marry the Tibetan king Songtsan Gambo. However, the wedding did not take place until two years later in 641—it had taken the procession a full two years to make the 3,000-kilometre journey from Changan to Lhasa. It was a tough journey along a road that had never been travelled, a road that was dominated by rugged mountains, treacherous marshes and, of course, the unpredictable weather on the Qinghai-Tibet Plateau.

The marriage was a goodwill gesture from the Tibetan king to the Tang emperor in order to

establish friendly ties between the two neighbours. Princess Wen Cheng brought Buddhist sutras, philosophical classics by Confucius, silk and other skills along with her. But more important, the princess and her procession carved out a road that would serve as the main gateway into Tibet for the hundreds of years to come, as well as a channel of understanding between the people of the two ethnic groups.

In order to trace its history, a crew of 10 members from China Central Television (CCTV) set out in May 1984 along the same road. But they covered much more than 3,000 kilometres. With detours here and there, the crew members travelled a total distance of 100,000 kilometres, about two-thirds of which were on horseback, since a considerable part of this ancient road was unsuitable for modern transportation vehicles. The purpose of the expedition was not only to shoot a TV documentary, *A Journey Along the Tangbo (Changan to Tibet) Ancient Road*, about the scenic surroundings of the road, but to introduce TV viewers to the history, the culture and the life of people related to the road. "We

King Songtsan Gambo and Princess Wen Cheng.

Courtesy of DONG YUGUO



aim to tell people elsewhere in the country something about the 'mysterious' Qinghai-Tibet Plateau and its people, so as to promote mutual understanding and eventually to consolidate the unity between various ethnic groups of the area," says Wang Huaixin, a senior producer of the documentary.

The crew went through the same difficulties as the first travellers did 1,300 years ago. They saw the most beautiful landscape on the plateau, yet they also experienced the worst hardship there. Listening to their stories, one somehow gets the feeling that they had gone through an edenic wonderland, as well as a Virgilian underworld, and, to quote one of the crew members, "have died several times."

Passing to the west of Zhaling Lake, they encountered the home island of many white-lipped deer, which have been given special protection by the government as one of China's rarest animals. But here they met their biggest challenge, as four crew members set out in a raft to the island for some close-up pictures. By the time they got to the island, nearly an hour later, a terrible storm suddenly came up and the temperature dropped sharply. For fear of freezing to death, they had to paddle back. But that was easier said than done. Up and down the mountains of waves and braving strong winds, it was a matter of life or death for them. The raft could have easily flipped over in the big waves and they might have drowned. They were completely at the mercy of mother nature. When this Cranian 'Open Boat' finally made it safely to shore, after four and a half hours, the crew members looked back at the waves wondering how they were still alive.

"That was hardship, no doubt about it," says Wang Xian, another producer. "But it was a pleasure to introduce this ancient road to our viewers, a road that

has witnessed the official start and the development of the traditional friendship between Tibet and the rest of the country. If you think of it, we not only travelled the whole length of it, but what we did really has a great significance. As

Princess Wen Chang of the Tang Dynasty started a new chapter in history, so did we. Our work has promoted the friendship the road has intended to be."

by Dong Yuguo

Satellites' View of China

Chinese scientists have obtained large quantities of information on Chinese territorial resources through satellite remote-sensing technology. They said that the remotely sensed pictures from China's satellites are very clear, with a high rate of resolution.

Overall, China's remote-sensing satellite technology has been used for general geological, topographic, oceanic, and coastline surveys; mineral deposit detection; agricultural and industrial planning; monitoring trends in environmental protection and traffic planning.

Up to now, China has launched 19 satellites, with the result that its remote-sensing technology has developed quickly. From the photos sent back from satellites, scientists can easily distinguish such features as ripples on the Bohai Sea, the density of Tanggu salt pans and different rocks among the Yanshan Mountain.

The photos also can provide information about natural movements and changes on the earth's surface. For example, from the pictures scientists can distinguish two streams of whirlpools and waves moving in opposite directions, caused by the group of isles off the coastal city of Lianyungang in east China.

They also can clearly see the formation of the Luanhe River delta at different stages; the northern section of the Grand Canal taking a shortcut, and the dykes built along the Huanghe (Yellow) River. In addition,

remotely sensed photos can help scientists to judge the advantages and disadvantages of ancient water conservation projects.

These remotely sensed photos have become ever important in helping develop the national economy. By examining the photos, geologists have found coal deposits, located ideal sites for some large-scale enterprises that avoid fault zones, and chosen the best plans for building railways.

Satellite photos also play a role in conducting general surveys of China's seashore. After analysing pictures of Bohai Bay, scientists found that the beach around the mouth of the Huanghe where the river empties into the sea has extended 20 kilometres as a result of years of silt build-up. In the past, surveying seashore pollution required a great deal of manpower and materials. Now, however, scientists can simply analyse satellite photos to determine a variety of phenomena. For example, the photos enable scientists to detect types, origins, and extents of oceanic pollution in short time.

For archaeological survey purposes, the satellite photos can distinguish the locations of ruins that are not always discernable from ground-level, such as Beijing's ancient city walls, the old site of the Yuanminyuan palace, and an ancient city in Inner Mongolia built during the time of Genghis Khan.

The pictures taken from China's satellites also help to explain key

hydrological features. Pictures of Duolunnuor Lake clearly reflect the fact that the lake from west to east is frozen, partly iced and completely iced, due to the influence of spring water in the west side of the lake. An enlarged satellite photo covering the Yikeyalu portion of the Qaidam Basin, Qinghai Province, confirms

the geological structures in the area that were mapped by 26 cartographers in 1956.

For seismographic use, satellites have sent back photos of the Beijing area, providing scientists with more information about geological fault lines than can be gleaned from aerial photography. ■

Master Hands for Aches and Pains

Strained muscles, sprains, and neck, back, shoulder, leg and joint pains are common but often frustrating. Wang Shimin, 28, a master in manipulating and kneading the body, seems to have magic hands with these afflictions.

One day, a 65-year-old lady came to Wang. She had been feeling pains in her neck, dizziness, and nausea since she awoke that morning. She could neither move her head, nor speak loudly. She felt so unwell that she only made a gesture to show where she was in pain. Wang helped her sit down and carefully probed and tapped the painful spot with his fingers. He asked the patient to draw a deep breath, then stroked at the pain point with his right palm. "It's all right now," he said. The patient immediately felt much better. It took just three minutes.

One of Wang's cases involved Fu Xiangsheng, 60, confined to bed for three years with lumbar trouble, his spine had become curved and one leg longer than the other. He could only walk with crutches. He had been treated in several big hospitals, even hospitalized for five months, given traction, massage, and Chinese and Western medicine, but with little result. The muscles of his left leg had begun to wither. Then he came to Wang Shimin. Ten courses restored proper function in his back and limbs. To prove it, the man does *taijiquan* (shadow boxing) before other patients. He said, "Dr. Wang doesn't write

prescriptions, he uses his magic hands."

In an interview, Wang described his treatment as different from massage and *qigong* (a kind of deep-breath exercise). First, it varies with each patient's condition. The displaced body parts are restored to their normal position by kneading with the hands, rather than using medicine to restore their functions. Second, manipulation is simple but effective, and no traction or suspension is needed. Third, treatment is short and most patients feel no pain.

Wang explains the effectiveness of his methods this way: "The human body is an organic whole. Malfunction of any part inevitably affects other organs. For instance, if something is wrong with a cervical vertebra, it can cause the fingers to be numb and stiff. To cure the finger problem the cervical vertebra should be treated first. The method of kneading bones and muscles aims at balancing the conditions of the organs, co-ordinating their sensitivity, and making use of physiological actions, movement angles, dynamic role and other things. Treatment and effect differ with the nature of the trouble, how long the patient has had it, and the function of the organ.

"This method of treatment also succeeds with cases such as rheumatic arthritis and some effects of hypertension. One of my patients, aged 57, had arthritis.

Her wrist joints became swollen, elbow movement was limited, fingers could not hold fast, and her knees would not bend. As her condition became worse, she developed fainting spells. She depended on medicine to ease pain. I treated her eight times and she recovered. She not only works normally but has gone back to her hobby of mountain climbing."

Wang was born in Yuxian County in Henan Province. Three generations of his family have been in this work. His grandfather was famous for rejoining broken bones. Wang Shimin began learning from him when he was 12, gradually mastering the method handed down in the family. Later he went to a school for medical training. Wang now works at the No. 301 Hospital of the Chinese People's Liberation Army in Beijing. He has constantly improved his methods.

"People often feel my treatment is mysterious," he says. "But there's no secret. Its fundamentals conform to modern medicine and anatomical physiology. I plan to co-operate with medical research departments to explore the principles of my method."

by Liu Tiaoqing

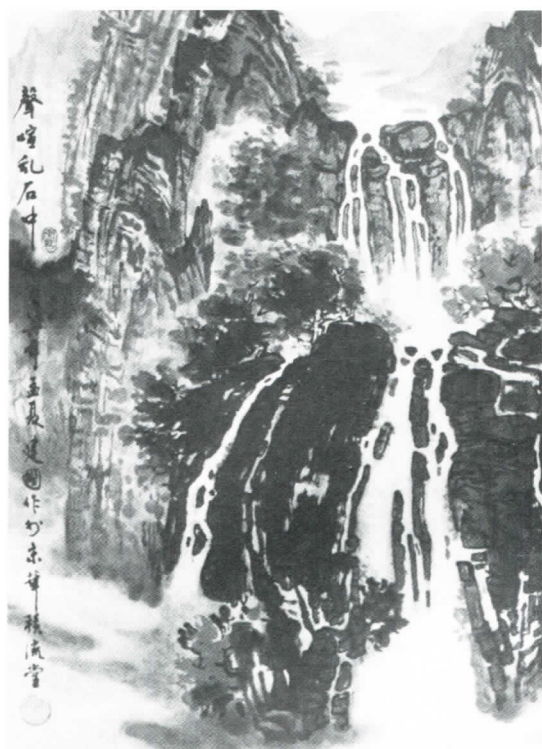
News in Brief

■ A new academic journal, *American Studies*, will offer Chinese scholars new resources for the study of American issues, values, and experiences.

The quarterly will carry articles about politics, economics, military and foreign affairs, science, technology, and culture. The first issue includes a review of US foreign policy during the 1940s, a study of civil rights leader Martin Luther King, and a tribute to writer and literary critic Edmund Wilson. The lead article is "American Studies in China," a comprehensive survey of Chinese views of the US over the past 100 years, with special emphasis on the present.

Traditional Chinese Paintings by He Jianguo

He Jianguo, born in 1931 in Shaoyang, Hunan Province, is an artist with the Central Newsreels and Documentary Film Studio. Here are some of his landscape paintings.



ART PAGE



FOOD AND DRINK IN CHINA

If you are interested in Chinese cookery and the eating habits of the Chinese people, these books are for you.

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