

A CHINESE WEEKLY OF NEWS AND VIEWS

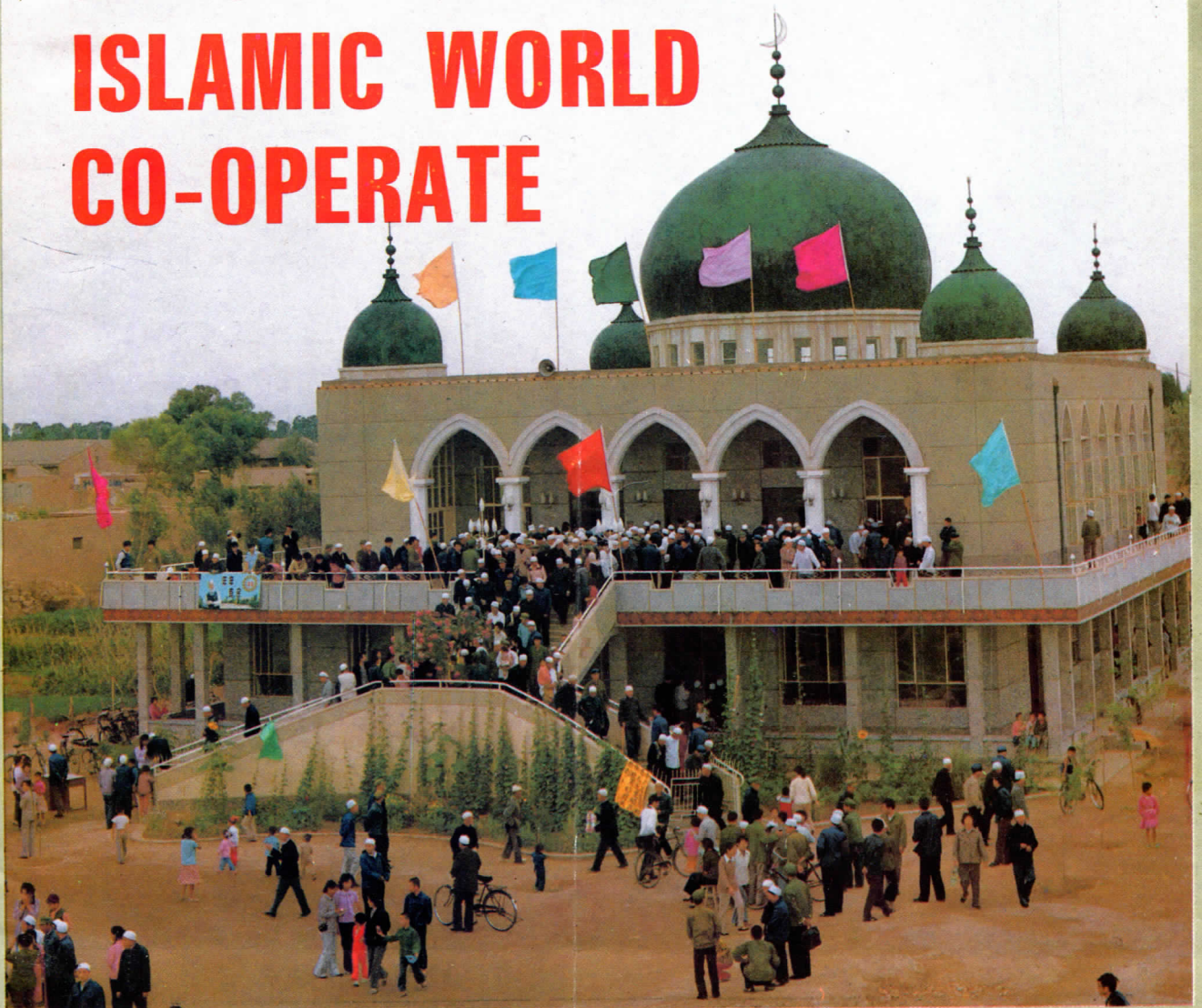
# Beijing Review

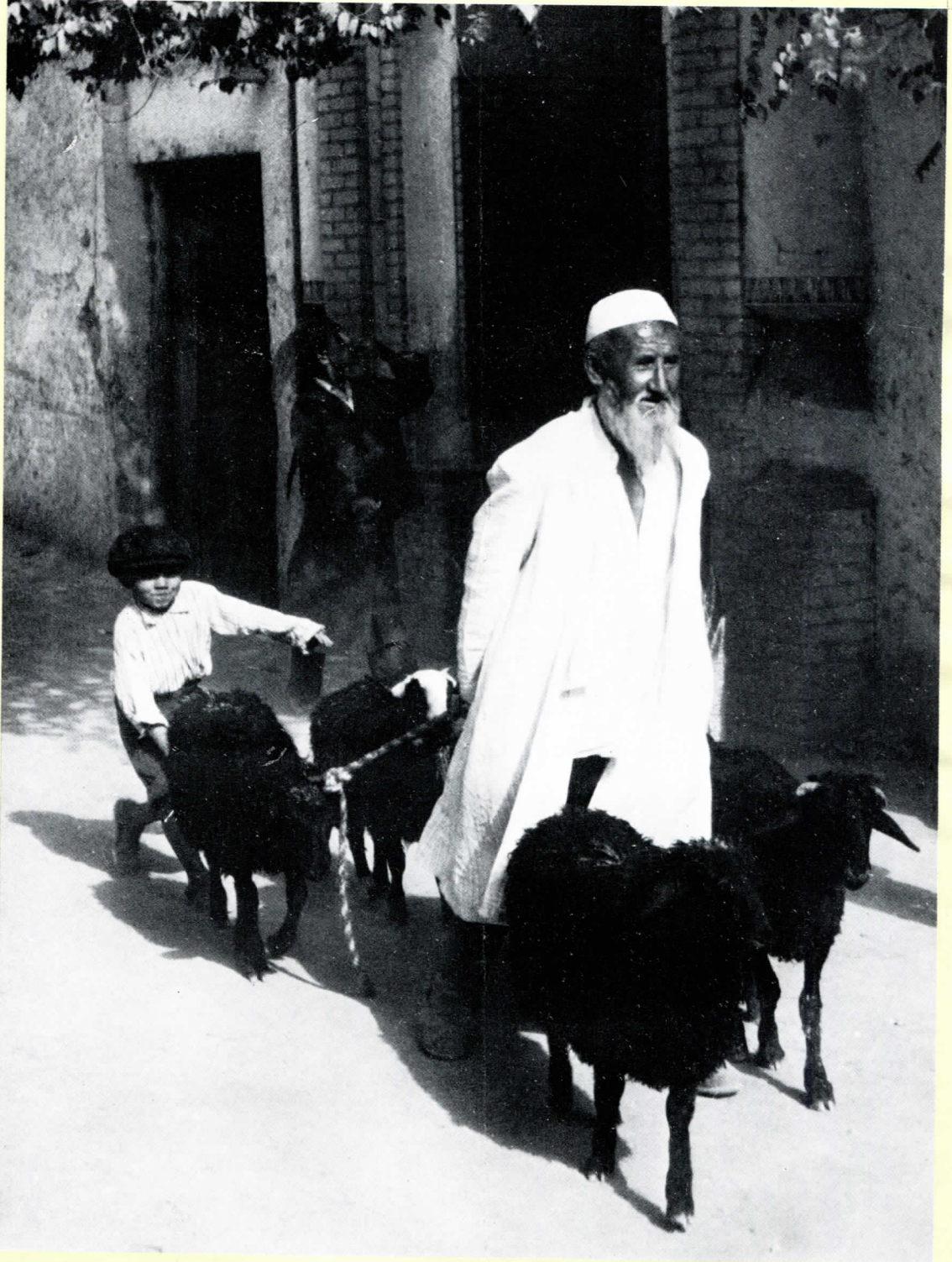
北京周报

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## Balance Achieved in Foreign Trade

### NINGXIA & THE ISLAMIC WORLD CO-OPERATE





To market in Xinjiang

by Shen Chen

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## HIGHLIGHTS OF THE WEEK

### Zhao Outlines Strategy for Coastal Development

■ After an inspection tour, Zhao Ziyang, general secretary of the CPC Central Committee, says it is high time for China's coastal areas to become export-oriented and attract more foreign investment. He stresses the significance of this development strategy (p. 5).

### China Achieves Balance in Foreign Trade

■ China achieved a favourable balance in its 1987 imports and exports, a great improvement on the country's trade deficits of previous years (p. 18).

### Land-Use Rights for Foreigners

■ The accusation that this is akin to the foreign concessions in old China is quite wrong. Buyers of these rights will not own the land, they will be free to use and improve the land only for 20-50 years (p. 4).

### What the Chinese People Value

■ A survey of the residents of 324 cities provides an insight into the opinions of urban dwellers on the nature of the Chinese people, their moral concepts, their attitudes towards raising children and divorce, and their criteria for handling relations involving economic interchanges (p. 24).

### Woman Lessee on Leasing System

■ Guan Guangmei, the famous lessee of eight grocery stores, discusses how she embraced the cause of management under lease, the key to her success, and how she feels about the leasing policies (p. 22).

**COVER:** The Nanguan Mosque in Yinchuan, the capital city of the Ningxia Hui Autonomous Region.

Chen Siyu

## Land-Use Right for Foreigners

by Zhang Zeyu

The government of Haikou, Hainan Island's major city, recently published a set of rules governing the transfer and sale of land-use right. This has made Haikou the third city after the Shenzhen Special Economic Zone and Shanghai to try out the transfer of land-use rights.

The land-use rights transfer implies that the right to use state-owned land is given to foreign individuals or companies, which may in turn transfer the right to others and sell the buildings on the land.

The duration of such rights is usually 20-50 years. Enterprises and other economic organizations as well as citizens of certain countries, i.e. those which have diplomatic relations with China or have business representative offices in China, may apply for such land-use rights.

The transfer signals the end of an era of free use of state-owned land without compensation, because land-use right is now seen as a commodity. This reform in the land system will be conducive to the investment environment, the open policy and the development of the urban economy.

For a long time, the Chinese government has allowed indefinite and free use of its land. In recent years, with the establishment and improvement of a socialist commodity economy and the introduction of market mechanism, the drawbacks of this old system have become more and more apparent. While urban land is often wasted, the state receives no revenues from the land in the

cities. In fact the state must apportion large sums of money for urban development. The more new urban areas are developed, the heavier the financial burden on the state. This vicious circle takes its toll on the circulation of construction funds, thus hindering urban economic development.

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Many places abroad reap great revenues from their publicly owned land resources. For instance, in Hong Kong land-related income accounts for up to 30 percent of the government's revenue. The income is used for development of other areas and for social welfare. China might try doing the same.

The transfer of land-use rights is a complicated matter. The Shanghai municipal government promulgated the Regulations Governing the Transfer of Land-Use Rights last month. This year it will enact another 10 legal documents concerning investment conditions and environment. Only then will it begin to put some land up for

auction. It is reported that at first 2.9 hectares will be offered.

There is a view that the transfer of land-use rights by the Chinese government is no different from allowing foreign invaders to establish concessions in coastal cities in old China. This is a misunderstanding. First, renting out land for a fee is not a concept peculiar to the capitalist world, but one for any society with a commodity economy. Therefore, it can be employed in both capitalist and socialist countries. Second, the transfer of land-use rights means allowing overseas businesses to rent land within restricted areas in the open cities with the expectation that they will construct roads, build water, electricity and gas supply systems, sewers and drains and telecommunications facilities. They can put up residential, commercial or factory buildings on the rented land which they can sell, use or rent out.

What the foreign businesses get is only the right to use the land, while the ownership of the land and the powers to legislate and administer in the rented area remain with the Chinese government. Foreign enterprises and individuals must abide by Chinese law and respect the judicial power of the Chinese courts, unlike the situation in the foreign concessions before liberation. At that time, the concessions were like "states within a state" and foreigners in the concessions enjoyed extraterritoriality, which harmed the country's sovereignty. No such status will be enjoyed by buyers of land-use rights. ■

# Zhao Maps Out Coastal Development

China should miss no opportunity to engage coastal areas in drawing more foreign investment and boosting export-oriented production in a bid to become involved in international exchange and competition, according to Zhao Ziyang, general secretary of the Chinese Communist Party Central Committee.

Zhao has inspected Shanghai and the coastal provinces of Zhejiang, Jiangsu and Fujian since last November and feels it is important to develop low-wage export industries in China.

"We should work towards attracting sizeable foreign investment since our coastal areas boast the advantages of low-paid labourers with high expertise, a good infrastructure, efficient transport facilities, and scientific and technological development capabilities," Zhao said.

He was referring to the Zhujiang (Pearl) River and Changjiang (Yangtze) River deltas, the southern Fujian triangle area, and the Shandong and Liaodong peninsulas.

"This development strategy is of significance both politically and economically," he said.

Coastal areas should give top priority to developing labour intensive industries, and industries processing imported materials. They should also place more emphasis on launching solely foreign owned enterprises, joint ventures and co-operative enterprises using foreign investment, Zhao said.

He said opportunities to develop the areas have been missed in the past and "we must not allow ourselves to miss this chance again. We should have a sense of urgency."

With a population of 100 to 200 million, coastal area enterprises

should edge their way into the world market in a planned, systematic way. By doing this, they can speed up development in their local economy as well as help economic development in other poorer parts of China, Zhao said.

The country's traditional foreign trade management system should be restructured to give local governments and enterprises a greater role in foreign trade, he continued.

Village and township enterprises in the areas should be more competitively aware and more export-oriented to increase their foreign exchange earnings, Zhao said.

To revitalize enterprises in coastal areas, greater efforts should be made to improve

management and to allow foreign entrepreneurs to run joint ventures.

The contract system should be introduced in enterprises, and foreign businessmen should be involved in the direct management of joint ventures.

"Their involvement in enterprise management will help shake off the fetters of the old Chinese system and make enterprises profitable, attract more foreign investors and train more Chinese management personnel and workers," Zhao said.

He emphasized that scientific and technical personnel should be encouraged to give full play to their initiative in coastal economic development. (Please see our next issue for detailed coverage of Zhao's talk — Ed.)

## Seventh NPC Assembly Set for March

The Seventh National People's Congress will hold its first meeting in Beijing on March 25, it was decided on January 21.

The 24th session of the Standing Committee of the Sixth National People's Congress made this decision while adopting a series of resolutions.

The agenda of the new congress includes electing the state president and vice-president and NPC leaders and deciding candidates for premier, vice-premiers, state councillors and ministers.

The congress will listen to the State Council's annual report and examine reports on this year's plan for economic and social development and the state budget.

It will also examine the laws on state-owned industrial enterprises and Sino-foreign co-

operative enterprises, as well as the move to make Hainan Island a province.

During the session, the committee appointed Peng Peiyun, 58, former vice-minister of the State Education Commission, as minister of the State Family Planning Commission. She replaces Wang Wei, 69, who has retired.

The 10-day session of the committee passed a law on water conservancy and two supplementary rules on punishments for smuggling, embezzlement and bribery.

The rules specify that individuals who embezzle more than 50,000 yuan will receive sentences ranging from 10 years to life imprisonment. In extremely serious cases the death penalty will be meted out. The property of the

criminals will be confiscated.

Those who embezzle less than 2,000 yuan will receive sentences of less than two years' imprisonment or disciplinary sanctions from their work units.

State employees and workers in collectively owned economic organizations who illegally accept property from others in return for favours are guilty of bribery, according to the rules.

Those who, under any pretext, receive a commission for economic transactions will be charged with bribery.

As well as the individuals involved, state enterprises and institutions accepting bribes will be fined. Their chiefs and others directly responsible will receive sentences of less than five years' imprisonment.

Those who give property to state employees and workers in collectively owned economic organizations in return for favours will be charged with bribery.

Supplementary rules on smuggling specify that smugglers of narcotics, weapons, ammunition or counterfeit money will receive a minimum of seven years' imprisonment in addition to fines or confiscation of property. ■

## New Year Marred By Accidents

The first month of 1988 in China was marred by four traffic accidents which claimed 249 lives and injured 169 people.

At 10:17 pm, January 18, a passenger plane crashed near Chongqing in Southwest China's Sichuan Province, killing all 98 passengers and 10 crew members on board. Four of the victims were foreign passengers, three Japanese and one British. The three Japanese were confirmed as Osamu Tanaka and Masato Haga of the Toshiba Corp. and Sumio Kudo of the Mitsui Trading Corp. The British passenger was a 59-

year-old business manager.

The accident occurred when Southwest China Airline's flight No. 222 from Beijing to Chongqing was approaching Baishiyi Airport in Chongqing. The 4-propeller plane crashed about eight kilometres away from the airport. A work team from the national Civil Aviation Administration of China (CAAC) is investigating the accident.

According to a CAAC official in Beijing, the major cause of the crash was that the No.4 engine of the Soviet-built Ilyushin 18 caught fire, and then the No. 1 engine ran into trouble. The pilot attempted an emergency landing but failed.

Four Ilyushin 18 planes are reportedly in use in the country. Last year was free of accidents and China's civil air passengers numbered 12.8 million.

This crash was one of the worst in China's history. In the only worse accident in recent years, a CAAC Trident crashed on April 26, 1982 near the southwestern city of Guilin, killing 112.

In the early morning of January 24, at least 90 people were killed and another 66 seriously injured in a train accident in Southwest China, according to the Ministry of Railways.

At 1:35 am, the No 80 special

express from Kunming to Shanghai derailed and overturned at a spot between Qiewu and Dengjiacun stations. 346 kilometres from Kunming, the capital of Yunnan Province.

Ding Guangen, minister of Railways, rushed to the scene. Later apologizing for the accident, Ding said it indicated defects in railway work. He pledged to do his best in the rescue work and in handling the aftermath.

Sent by the Acting premier Li Peng, Chen Junsheng, secretary-general of the State Council, arrived at the scene by air at 6:00 pm the same day. He called for an investigation into the cause of the accident and punishment for anyone proved responsible.

On January 17, the day before the air disaster, 17 people died and 73 were injured when a passenger train collided with a freight train in northeastern Heilongjiang Province.

The No. 438 passenger train was on route from Sankeshu near Harbin, capital of Heilongjiang, to Jilin in Jilin Province when the driver saw a red stop light near Beiyinhe Railway Station. However, the brakes failed and the train sped through the station, running into a freight train entering the line from the opposite

Wreckage of the passenger plane which crashed on January 18.

DENG JIUXIANG



direction.

A vice-minister of railways and Heilongjiang provincial officials rushed to the scene and organized rescue efforts. Preliminary investigations indicated sabotage and further investigations into the accident are being conducted.

On January 7, a fire on board a Guangzhou-Xian passenger train killed 34 and injured 30. According to a report from the Guangdong provincial public security department, the fire broke out on train No. 272 at 23:25 while it was stopped at the Matianxu Station in Hunan Province. The blaze took 30 minutes to extinguish, and completely destroyed two cars, causing damages of about 180,000 yuan.

A few days later, a 24-year-old man was arrested in connection with the fire on the train. Guo Zhongqi, once an employee of a railway engineering company, was picked up in Liuyang County, Hunan Province, and is now being held for questioning, according to a Guangdong Railway Bureau official.

Guo was travelling to Liuyang on the No. 272 train to get married. A bucket of highly flammable paint he was carrying spilled as the train passed through Chenzhou Prefecture, and the liquid was ignited when a man nearby started burning some waste paper. Guo escaped through a train window and ran home.

Only 11 of the 34 fatalities have been identified. Six of the 30 injured passengers are now reported out of danger.

On January 22, Li Peng called on all departments concerned to ensure safe transport and guarantee the lives and property of passengers.

He made these remarks at a meeting with delegates attending national conferences on civil aviation, railways and communications in Beijing.

He said that transport departments should strive to improve safety standards for the coming safety Festival holiday period.

Li Peng said that the improvement of traffic facilities should be given top priority on the investment list by central and local governments and be regarded as the major task of transport departments.

Meanwhile the State Council has issued an emergency circular calling for more attention to railway safety, and especially the safety of passengers.

## Sino-Norwegian Ties Strengthened

Sino-Norwegian co-operation has reached a new level in recent years, and still has much

to the development of Sino-Norwegian relations."

Zhao praised Norway for the positive attitude it has adopted in co-operating with China. Norway was among the first Western countries to establish diplomatic relations with New China. For more than three decades, the two countries have achieved a great deal through friendly exchanges in political, economic, scientific, technological and cultural areas. The fruits of this co-operation are evident in the Lubuge Hydro-power Station in Yunnan Province and the Dalian Shipyard in Liaoning Province.

Zhao said that China is most satisfied with the growing development of friendly relations between the two countries, and



LI ZHIYUAN

Chinese Leader Deng Xiaoping meets Norwegian Prime Minister Gro Harlem Brundtland and her husband.

untapped potential, according to Chinese leaders and Norwegian Prime Minister Gro Harlem Brundtland who began a week-long official visit to China on January 18.

Chinese Acting Premier Li Peng, Party General Secretary Zhao Ziyang and Deng Xiaoping held important talks with the Norwegian prime minister.

Li described Brundtland's current visit as "giving fresh impetus

expressed his belief that Sino-Norwegian economic and technological co-operation will increase.

Brundtland expressed Norway's hopes for increased co-operation with China. "We have already conducted successful in-depth studies of some co-operative projects," she said.

The leaders of the two countries exchanged views on many major

international issues. Both Li and Brundtland welcomed the recent US-USSR summit and the intermediate-range nuclear forces agreement. But they also urged continuing efforts to ease international tension.

"We feel that the cessation of the arms race and elimination of regional conflicts are necessary steps to maintain world peace," Li said. He also said that China attaches great importance to its ties with all countries in both Western and Eastern Europe.

Zhao talked with the Norwegian guests about China's domestic situation, saying that efforts will be intensified to try to boost productivity. Touching on China's foreign policy, Zhao said the country's foreign policy focuses on two major goals—maintaining world peace and developing economic and technological ties with all countries. "China and Norway share the same view on this," he said.

During his discussions with Brundtland, Deng Xiaoping said the threat of war still exists but is outweighed by the force of peace.

"It is on the basis of this premise that China has devoted itself wholeheartedly to its modernization drive," Deng replied to Brundtland's question on which domestic and foreign issues most concerned China.

Deng affirmed the reforms underway in China and said the future of China's development depends very much on its own efforts. "But we cannot achieve our aims without the co-operation of the developed nations," he added.

Deng also exchanged views on international issues with his Norwegian guests. He said the days of superpower supremacy and domination were over, but "We must not lower our guard".

"We are developing our country not only to improve our people's lives but also to contribute to world peace. This will also be our contribution to mankind. We wish to continue moving forward in this

direction," Deng said.

A Norwegian commercial delegation which accompanied the Prime minister has investigated business co-operation with its Chinese counterparts and three co-operative contracts have been signed between the two countries.

Under one contract, Norway will provide China with US\$2.445 million to construct a Beijing-based coastal satellite station.

The China National Offshore Oil Corp. and Statoil (the national oil company of Norway) signed a contract to drill a wildcat well in the South China Sea. Located 30 to 50 kilometres southeast of Hainan Island, the area involved covers 3,740 square kilometres and reaches a depth of about 90 metres.

A contract on the design, construction, marketing and management of the Beijing Hua Wei Centre was also signed. Both China and Norway will invest US\$51.9 million in the project which is expected to be completed in September, 1989. ■

## Police Free 59 Held Over Riots in Tibet

**O**n January 21 police released 59 people detained for taking part in two riots last autumn in Lhasa, capital of the Tibet Autonomous Region.

Their release was proposed by the Bainqen Lama, who is on an inspection tour of the region, said Namgyal, a senior Lhasa law official.

The decision was announced at a meeting attended by monks from the Zhebung, Sera and Jokhang monasteries, as well as heads of a neighbourhood committee in Lhasa.

More than 80 people were detained in connection with the September 27 and October 1 riots which police said were led by separatists at the instigation of the Dalai Lama clique.

Police said the rioters, waving "snow lion" flags, a religious symbol, and shouting "Tibet wants independence," smashed police vehicles, attacked policemen and burned down a police station and a neighbourhood committee office in downtown Lhasa.

Thirteen of those detained were released on October 28. Over 10 others now remain in custody.

Namgyal said most detainees have repented their actions, and some have exposed others in the past three months.

Three of the released people, Tjambai Cering, Losang Dagwa and Qamba Danzim, spoke at the meeting.

Qamba Danzim, a lama from the Jokhang Monastery who suffered burns in the October 1 riot, said, "I'd like to express from the bottom of my heart my apologies and remorse to the government and the people." He thanked the government for the medical treatment he had received, and pledged henceforth to abide by the laws.

When receiving monks and nuns in Lhasa on January 20, Bainqen Erdini Qoigy Gyaicain, vice-chairman of the NPC Standing Committee, said, "Buddhist monks and nuns in Tibet should do whatever is good for their country, people and monasteries, and on no account should they do anything to harm them."

"This constitutes a Buddhist rule and embodies the expectations of the Party and people," added the Bainqen Lama.

The disturbances in Lhasa last year raised concern among monks and nuns as to whether this year's Moinlam Qenmo could be held.

Bainqen Lama assured the monks and nuns attending the meeting, "The ceremony will be held on schedule, and it will be even more successful."

The Moinlam Qenmo is Tibet's grandest summons ceremony and religious festival. It is held annually from January 3 to 25. ■



## Tibetan Resolution Blasts Separatists

A resolution adopted by Tibet's legislative body on January 23 calls on the Tibetan people to uphold China's unification, strengthen unity among different nationalities, and oppose any separatist activity.

The resolution, adopted by the sixth session of the Fourth Tibetan Regional People's Congress, denounces the Dalai Lama for his "five-point plan" advocating the independence of Tibet which he unveiled to the US Congress in September last year.

The resolution also denounces a few separatists in Tibet for staging two riots last autumn. The resolution describes the riots as "serious political incidents" meant to split China and sabotage unity among various nationalities. They are criminal acts violating China's Constitution and laws.

The resolution also condemns the US Congress for wantonly interfering in China's internal affairs by repeatedly using the so-called "Tibet question" to damage Sino-US relations.

It reiterates, "Tibet is an inseparable part of China's sacred territory and an autonomous region of the People's Republic of China."

"A few separatists have attempted by relying on anti-China forces in other countries and fomenting riots in Tibet, to split Tibet off from the motherland in order to restore the feudal serf system and plunge the Tibetan people again into the misery of being oppressed, exploited and enslaved," it says. "This will never be allowed by the 2 million Tibetan people and entire Chinese people of all nationalities."

It stresses that any question related to Tibet is purely China's internal affair, in which no country or individual has the right to interfere.

## Weekly Chronicle (January 18-24)

### POLITICAL

January 20

■ Chinese Acting Premier Li Peng tells a meeting attended by leading members of family planning commissions from all parts of the country, "As China is experiencing a child-birth boom, practices such as late marriage, late birth, and 'one couple, one child' should continue to be encouraged."

He says the policy should be carried out only through education and on a voluntary basis rather than through compulsory measures.

January 22

■ State Council spokesman Yuan Mu says that the council has approved in principle the draft provisional regulations on the contract managerial responsibility system in state-owned industrial enterprises and the draft provisional regulations banning irregular financial impositions on enterprises. The two sets of draft regulations will be issued for implementation after further revision.

### CULTURAL

January 20

■ A large photo collection entitled *The Great Life of Soong Ching Ling* has been published by the Peace Publishing House to commemorate Soong's 95th birthday which will fall on January 27. *Renmin Ribao* (People's Daily) reports.

The collection, with an inscription from Deng Xiaoping, honorary chairman of the Soong Ching Ling Foundation, contains 292 photos recording Soong's family background and life-long activities.

### SOCIAL

January 18

■ The Beijing Railway Station makes preparations for providing more services for holiday-makers over the Spring Festival period.

The volume of passengers through the station during late January and early March is expected to amount to 7.08 million, 180,000 more than for the same period last year. Spring Festival, China's most important traditional holiday, will fall on February 17.

### FOREIGN RELATIONS

January 21

■ At the banquet in honour of a visiting Cuban government delegation led by government minister Jose A. Nargnjo, Chinese Foreign Minister Wu Xueqian says that provided China and Cuba continue to look forward, make common efforts and take positive and practical steps, the relations between the two countries will see great improvement.

### ECONOMIC

January 20

■ As a step to deepen the ongoing economic reform, 27 factories on the verge of bankruptcy in Wuhan, Hubei Province, have been recently sold by auction, Xinhua reports.

According to the local industrial and commercial bank, those failing factories now unable to repay their loans should be merged with local profitable enterprises.

January 21

■ The China National Automotive Industries Corp. and the General Motors Corp. (GM) of the United States sign an agreement in Beijing under which GM will sell production lines and related technology for the manufacture of a two-litre GM engine. When put into operation in 1990, the production lines will be able to turn out 150,000 engines a year.

UNITED NATIONS

## Cordovez's Mission on the Afghan Issue

*United Nations mediator Diego Cordovez's recent visit to Islamabad has drawn the attention of the international community, but he has described his mission as "both hopeful and apprehensive."*

**D**uring his recent visit to Islamabad, United Nations mediator Diego Cordovez held consultations with Pakistan foreign office officials and government leaders on the next round of the Geneva talks between Islamabad and Kabul begun in 1982, and briefed them about his talks in Moscow and his meeting in Rome with former Shah of Afghanistan King Zahir last December. His mission has drawn worldwide attention as particularly relevant to the present international situation.

On the eve of Cordovez's mission, the two superpowers for the first time expressed a message of compromise and reconciliation on the Afghan issue, which raised hopes of a speedy solution of the problem.

At the beginning of this year, both US Under-Secretary of State for Political Affairs Michael Armacost and Soviet Foreign Minister Eduard Shevardnadze flew to Islamabad and Kabul to engage in discussions on all aspects of the Afghan issue. Armacost also met with Afghan resistance leaders for the first time in the Pakistan capital, Islamabad. Although both Armacost and Shevardnadze were tight-lipped about the essence of their talks, from what has already been revealed it is evident that the Soviet Union and the United States have agreed in principle to politically solve the eight-year-long Afghan conflict.

Soviet leaders declared their intention to quit Afghanistan this year and have given up their

previous condition to link troop withdrawal with the formation of the future government in Kabul.

The United States has also repeated its promise to stop military aid to Afghan resistance forces if the Soviet Union withdraws its estimated 115,000 troops from Afghanistan. Before leaving Pakistan for home, Armacost quoted US President Ronald Reagan's press conference statement that he hoped to see a solution to the Afghan issue in 1988. On January 7 US Secretary of State George Shultz welcomed the Soviet intention to pull out of Afghanistan by the end of the year but urged that a firm schedule for the withdrawal be made.

Following Shevardnadze's visit to Kabul, Soviet foreign ministry spokesman Yuri Alexeyev said that the key to ending the eight-year Soviet occupation of Afghanistan was the UN sponsored talks between Afghanistan and Pakistan in Geneva. Looking back at official Soviet statements of the past six months, one has noticed that Moscow has shortened the timetable on the withdrawal from four years to one year. Alexeyev claimed that the timetable was still flexible "if progress is made on the reconciliation process inside Afghanistan."

All indications point to a real intention on the part of the Soviets to end the war and the Soviet Union's eight-year occupation of the troubled Moslem country. The protracted war has been very costly for the Soviet Union, taking a toll of more than 30,000 deaths or injuries on Soviet troops, and

damages to 1,000 planes and 2,000 armoured vehicles, estimated cost at over US\$10 billion.

The Soviet invasion of Afghanistan has caused the Soviets a great deal of embarrassment in the international community and presented an obstacle to the implementation of their new diplomatic philosophy. Almost every year since 1980 the UN General Assembly has passed a resolution demanding the withdrawal of foreign troops from Afghanistan. The United States and other Western countries see the issue as a test of the sincerity of the Soviet Union's new diplomacy and goals of disarmament. The Soviet occupation of Afghanistan has damaged both Moscow's efforts to develop relations with other countries as well as its efforts to carry out domestic reform.

Pakistan's foreign policy on Afghanistan is consistent. It supports the Afghan people in their struggle against foreign aggression and demands the Soviet troop withdrawal from Afghanistan, while seeking the earliest possible political solution to the Afghan issue. During the meeting with Cordovez on January 22, Pakistan's President Zia ul-Haq also exchanged views with him on the participation of the Afghans in finding a solution to the problem which will enable Soviet troops to withdraw and the refugees to return, allowing Afghanistan to remain an independent, non-aligned, neutral state. The Afghan resistance forces, however, have so far refused to recognize the Soviet-backed Kabul regime or cooperate with its leader Najibullah. They have even rejected the idea of including elements of the People's Democratic Party—the current ruling party—in Afghan's future transitional government. Therefore, it remains to be seen whether UN mediator Cordovez can come up with a solution to the complicated Afghan issue.

by Chang Qing

## Increasing Role in the Arab World

*Egyptian President Hosni Mubarak visited the six Gulf countries last month. With the resumption of diplomatic relations with 10 Arab states since last November, Egypt has returned to the Arab world and is increasing its role in the region.*

**E**gyptian President Hosni Mubarak made successful visits to Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, Bahrain and Oman from January 9 to 14. The tour, his first to the Gulf Co-operation Council (GCC) states following the extraordinary Arab Summit in Amman last November, came at a time of tense confrontation in the Gulf and an upsurge in the Palestinian struggle against Israel.

According to reports, the aims of Mubarak's tour are to discuss defence strategy with the heads of the six Gulf states and to strengthen further political, economic and military co-operation with the Gulf countries.

The Iran-Iraq war directly threatens neighbouring Arab countries. The aggravated tension last year increased fears in the six Gulf countries and other affected Arab nations. Towards the end of last year, Arab countries held two important conferences to consider countermeasures. In the Amman summit of last November, they unanimously agreed to strengthen their solidarity and after the summit, up to now 10 countries resumed diplomatic relations with Egypt. This conciliation indicated that the importance of Egypt's position in Arab affairs was reaffirmed.

To counter threats from the escalating Iran-Iraq war, the eighth session of the GCC passed a general security strategy which was for a long time the subject of dispute. Egypt was regarded as a force strong enough to effectively

deal with external threat by Gulf countries. Mubarak's Gulf tour was seen not only a step to strengthen solidarity between Arab countries, but also a significant move to put into play Egypt's influence on the Gulf situation.

During his visits, Mubarak repeatedly stated that the Gulf security is linked with Egypt's security and "under no circumstances will Egypt relinquish its obligation to safeguard the security of its sister Arab powers." The Egyptian government appealed for an earlier ceasefire

between Iran and Iraq and the resolution of the conflict through negotiation, and expressed its desire to strengthen military co-operation with the Gulf states. But Egypt is reluctant to send troops to the Gulf. According to reports, the Gulf countries are planning to form an united Arab defence force and Egypt will possibly send military advisers and trainers to them.

President Mubarak also met with US Defence Secretary Frank Carlucci while visiting the Gulf. Carlucci indicated that the United States would not reduce its commitment to the Gulf region, but he also sounded out on reduction in the level of US military presence. This added to the anxiety of the Gulf countries, virtually stressing Egypt's position as an Arab defence force.

It is uncertain whether further fighting between Iran and Iraq can be avoided despite current dialogues between the Gulf countries and Iran and mediation from Syria. So the military co-operation

**President Mubarak (left) was met by King Fahd of Saudi Arabia.**



between Egypt and the Gulf countries must be increasingly close. According to reports, Arab countries have re-established the organization in charge of military industry in Cairo and are investing US\$1 billion in the development of advanced weapons.

While Mubarak was conducting his Gulf tour, a rising tide of Palestinian resistance against Israel hit the West Bank and Gaza Strip. Mubarak, strongly condemning the brutal Israeli oppression of the Palestinian people, accused Israel of violating the Camp David accords. He reiterated that the only way to resolve the problem in the Middle-East is to hold an international conference with the participation of the Palestine Liberation Organization (PLO), and appealed to Jordan and the PLO to

form a joint delegation. It should be seen that, despite differences between Egypt and Arab countries and the PLO on the form and procedure of the proposed international peace conference, their ultimate goals are identical. Egypt's efforts to facilitate the conference will undoubtedly increase the influence of the Arab countries in Middle-East peace negotiations, and help mend internal splits in the Arab world.

Working towards the interests of the Arab nation, Egypt and other Arab countries should seek interdependence. President Mubarak's trip will have a definite impact on the Middle-East situation as Egypt's role in Arab affairs becomes increasingly strengthened.

by Lin Jiaoming

markets reached a high of US\$22 a barrel. This in turn stimulated the production and export of oil. OPEC exceeded its ceiling by 2.4 million barrels a day. Added to this, the Soviet Union, the world's largest oil producer, also increased its oil production by 15 percent over the previous year. Under the circumstances, oil price fell once again. In mid-December spot oil prices once dropped below US\$15 a barrel.

All this indicated that fluctuations in oil prices are a reflection of international political, military and economic factors, as well as the instability of the oil market.

At the meeting of OPEC oil ministers in Vienna last December, 12 of the 13 OPEC members—excluding Iraq—agreed to continue their production quotas of 15.06 million barrels a day through the first half of this year to keep the oil price at US\$18 a barrel. But given the current surplus, it is fairly difficult for OPEC to reach its target.

In the first place, the OPEC's current daily oil production exceeds their set quotas by some 2 million barrels.

Second, some Western oil-consuming countries, taking advantage of the "price war," stored huge. Winter is passing away, which means the demand for oil will dwindle. As Bahman Karbas-sioun, a Vienna-based oil consultant, noted, "Even if there is no (further) cheating, and we add Iraq's production of 2.7 million barrels a day, we have already exceeded the demand for OPEC oil in the first quarter."

But oil prices will not crash, as some people feared. Although non-OPEC oil producers are increasing their production, it will not be expanded significantly as their oil resources are limited and the cost of production is high. Also, while OPEC would potentially increase production, it will be restrained in its own interests. As for Western countries, it is widely held that the Western economy

OPEC

## Facing a Severe Test

*OPEC should strengthen its solidarity and live up to its commitment if it wants to maintain oil prices at US\$18 a barrel.*

Prospects for oil prices are far from bright due to a glut in oil supplies, and the average price will probably fall below US\$18 a barrel, according to some oil experts.

Oil prices on the world market last year were relatively stable. In the first half of the year oil prices fluctuated and tended to rise, while in the second half, prices fell slightly. The average oil price in 1987 was a bit above the US\$18 a barrel level.

Learning the bitter lesson of the "price war" of 1986, in which members of the Organization of Petroleum Exporting Countries (OPEC) competitively increased their oil production and brought the price of oil down sharply to as low as US\$8 a barrel, OPEC

reestablished last year its strategy of matching oil production with the official price of US\$18 a barrel. OPEC imposed its own production ceiling of roughly 15.8 million barrels of oil a day and, with collaboration on production cuts from other non-OPEC oil producers such as Norway, Egypt and China, oil prices were stabilized and tended to rise above the official price.

In July, tensions in the Gulf mounted with US armed escorting of Kuwaiti tankers, bloodshed in Mecca, and large-scale Iranian naval manoeuvres. These events led to growing fear among oil dealers and encouraged a buying frenzy, pushing up oil prices. For a time the price of oil on spot

will continue to expand, though at a slow pace. Low prices benefit Western consumers, but a crash in prices will just as seriously affect Western economies as it will OPEC nations.

Experts predict that crude oil

prices this year will rise and fall somewhere between US\$18. But the possibility of prices falling below US\$18 still exists if OPEC fails to abide by its production quotas.

by Dan Lin

## SOVIET UNION

### New Ideas Embodied in Nordic Visit

*Gorbachev's "new ideas" still have a long way to go to break the ice with Nordic countries.*

**S**oviet Chairman of the Council of Ministers Nikolai Ryzhkov paid a one-week visit to Sweden and Norway from 11 to 16 January as part of Moscow's effort to adjust its global strategy and create a peace zone in the Arctic region. Ryzhkov is the highest-ranking Soviet official to visit Sweden in 15 years and to visit Norway in 17 years.

During his tour he repeatedly said that this Nordic trip aimed primarily to promote proposals made by Soviet leader Mikhail Gorbachev last October both economically and politically. Gorbachev proposed at the northern port city of Murmansk to reduce military activities in the Arctic by both Warsaw Pact and NATO countries and turn the region into a peace zone. He also presented a series of proposals for the co-operative development of natural resources in the region.

For some time the dispute over the demarcation line of continental shelf economic zones has cooled relations between the Soviet Union and the two Arctic countries. Ryzhkov's Nordic trip, following the re-establishment of trade and economic exchanges, set out to remove the main obstacles.

During the visit, Soviet flexibility enabled an agreement in principle to be reached with Sweden on a new Soviet-Swedish demarcation for the Baltic Sea. The agreement stipulates that 75 percent of the disputed waters

belong to Sweden and the other 25 percent to the Soviet Union. The demarcation line will be drawn between the northern and southern points of the 13,500-square-kilometre area, which has been the subject of dispute between the two countries for decades. The Soviet Union is permitted to catch 18,000 tons of fish each year for the next 20 years in waters owned by Sweden, and Sweden is allowed an annual catch of 6,000 tons in the Soviet-owned waters.

Discussions with Norway on the disputed Barents Sea were not so successful. As in the past nine rounds of talks on the Barents issue, Norway still maintains that a demarcation line should be drawn midway between the Soviet and Norwegian coast, while the Soviet Union insists that the 155,000-square-kilometre zone be divided according to a "fan-like zone principle." During the talks Ryzhkov suggested the joint management of natural resources in the zone by the Soviet Union and Norway.

On the issue of security, Ryzhkov invited the Nordic countries to observe Warsaw Pact manoeuvres later this year. He said that the Soviet Union is willing to discuss creating a nuclear-free zone in the Nordic region. The Soviet Union and Sweden also agreed to promptly share important information on nuclear power plant development or radiation leaks.

Ryzhkov criticized the Coordinating Committee for Export Control, saying that Western restrictions on the sale of high technology to Moscow are outdated and should be abandoned.

Although Ryzhkov's efforts to improve relations with the Nordic countries by boosting bilateral trade and economic co-operation were welcomed, his failure to sign an agreement with Norway on the Barents Sea issue was met with displeasure. The area is rich in petroleum and gas reserves and, even more important to Moscow, it is on the direct path for the Soviet Northern Fleet to its nearby military base at Murmansk.

by Gu Yaoming

## CHINA-USSR

### Talks Still Conditional

A Chinese Foreign Ministry spokesman said on January 12 Deng Xiaoping had made quite clear the conditions for a high level meeting between China and the Soviet Union.

The spokesman made these remarks when asked by foreign journalists to comment on a recent interview by the Chinese weekly "Outlook" with Soviet leader Mikhail Gorbachev, during which Gorbachev again mentioned the possibility of a summit.

"At present, it is the strong hope of the international community that Viet Nam will withdraw all its troops from Kampuchea promptly, the spokesman said.

Deng has said all along that there are three preconditions for his meeting Gorbachev. He said he would meet Gorbachev only if the Soviet Union got Viet Nam to withdraw its troops from Kampuchea.

"Without Soviet assistance," Deng said, "Viet Nam could not fight a single day in Kampuchea."

# Ningxia Seeks Co-operation With Islamic World

by Our Correspondent Li Rongxia

The Ningxia Hui Autonomous Region, which is located on the upper reaches of the Huanghe (Yellow) River in northwest China, covers over 66,000 square km and has a population of 4 million. In recent years, this smallest administrative region on the mainland has opened its door and sought ways to co-operate especially with Islamic countries.

## Rich Natural Resources

Irrigated by the Huanghe River, Xingxia's agriculture is fairly well developed. The region is a grain production centre, its per-unit output of rice and wheat comes top in China. Lush with grass and trees, the mountainous area in southern Ningxia has 2.67 million hectares of natural pasture which supports cattle and sheep. The area is also rich in herbal medicines and other native products, including four of the region's five treasures—the Chinese wolfberry, licorice root, inkstone, lamb skin and black moss.

Ningxia's mineral resources include coal, phosphorus, gypsum, barite, quartzite, clay and silica. The region's coal is of high quality and many varieties. It is shallow and easy to excavate. The coal reserves are estimated to be 200 billion tons, and over 20 billion tons have already been verified, the fifth greatest in China. Ningxia's anthracite is now sold in over 10 countries in Europe and Asia. The region's gypsum reserves total 2.36 billion tons, the largest in China.

With a fairly complete industrial foundation, Ningxia now boasts over 1,000 industrial enterprises which are involved in coal mining, electric power generating, metallurgy, oil pro-

duction, machine building, the chemical industry, building materials making, textiles and ceramics, sugar refining and in the electronics, meters and instruments, leather, paper-making, cigarette and foodstuffs industries. Some of them are national key enterprises. The region's industrial output value amounted to 2.74 billion yuan last year.

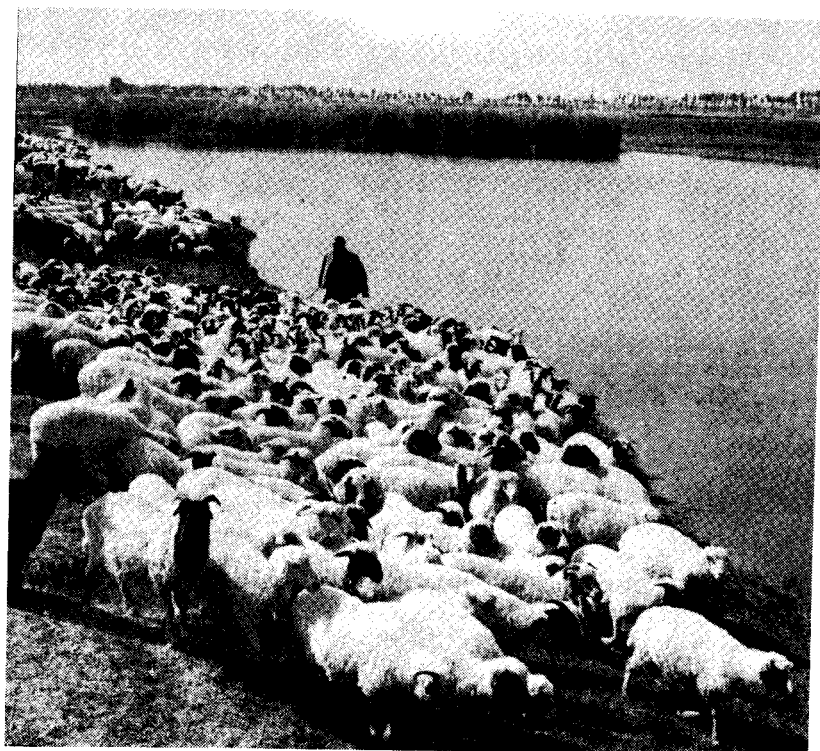
Ningxia has plenty of electricity generating potential. It now has two thermal power plants and a hydro-electric power station with a combined installed capacity of 508,000 kw and an annual generating capacity of 2.2 billion kwh. Currently two other thermal power plants with a total installed capacity of 1.6 million kw are under construction.

## Opening Up

Given its low level of production and technology and its limited funds, the region has, since it opened its door, sought to attract foreign funds with its rich resources, and to develop economic co-operation with other countries, particularly Islamic countries. With one-third of its 4 million people being Muslims, the region is called "China's Muslim province."

In April 1985, a Muslim friendship delegation led by He Boli, then chairman of the autonomous region, visited six Muslim countries to encourage co-operation with them. During the tour, the delegation was received by Hosni Mubarak,

Flocks of sheep in Ningxia.



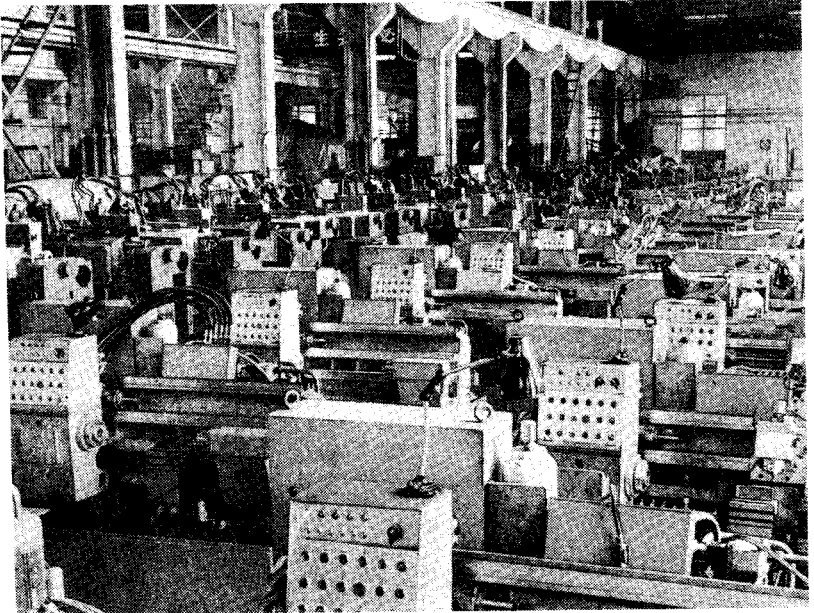
president of Egypt, and Zia ul-Haq, president of Pakistan. The delegation also explored the Arab market and made contact with business circles there. Since then Ningxia has exchanged more visits with these countries.

In September 1985, Yinchuan, capital of the autonomous region, hosted an Islamic international economic and technological co-operation negotiations meeting. Specialists and business people from Islamic countries studied the region's investment environment and possible projects. Following this, the Ningxia Islamic Economic and Technological Co-operation Co. (NIETC) and the Ningxia Islamic Trust and Investment Co. (NITIC) were founded.

NIETC's business scope includes contracting engineering projects and providing labour service abroad, setting up joint ventures, handling co-operative production and compensatory trade, importing technology and dealing with export and leasing businesses.

The company now has six offices abroad—three in Egypt and one each in Thailand, Hong Kong and Kuwait. Zhao Xianjun, the company's deputy general manager, says since January 1986, the company has contracted five projects in Egypt, Thailand and Kuwait, and established two joint ventures in Egypt. One of these joint ventures is a heat-reflecting glass factory with an annual capacity of 300,000 square metres of glass. The project involves an investment of US\$400,000, of which the Saad Group of Egypt contributed 75 percent and the Chinese side, the rest. The Chinese side also provides technology and management skills.

The other project is a clothing factory also funded jointly with the Saad Group. The venture, with an annual capacity of 1 million clothes, involves a total investment of 1.5 million Egyptian pounds and is expected to go into production this year. In addition, NIETC has signed a contract with Egypt on sending motor mech-



A workshop at the Great Wall Machine Tool Factory in Ningxia.

anics to Egypt. Recently the company also sent people to explore project possibilities in the United Arab Emirates and North Yemen and reached initial agreement on a number of projects.

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***With one-third of its 4 million people being Muslims, the Ningxia Hui Autonomous Region is called "China's Muslim province." In recent years, the region has sought to attract foreign funds with its rich resources, and to develop economic co-operation with other countries, particularly Islamic countries.***

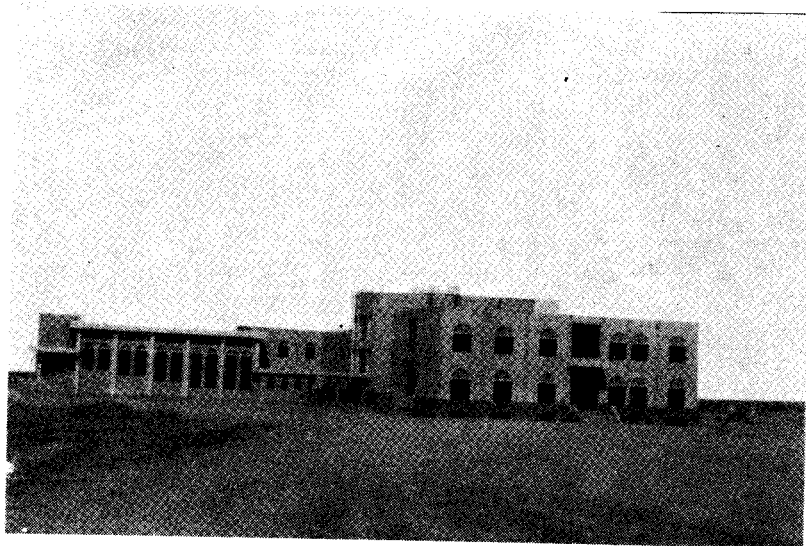
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NITIC aims to develop economic co-operation with countries all over the world, particularly governments, banks, consortia

and industrial, commercial and trade businesses in Islamic countries. It also seeks and deals with foreign funds. It handles trust and investments, sets up joint ventures and exclusively foreign-funded businesses, issues loans, organizes co-operative production, technology transfers and leasing, and serves as a guarantor in the service of foreign and domestic clients.

Liu Zhengmo, deputy general manager of the company, says that after the company was established it first contacted the Faisal Islamic Bank of Egypt and concluded with it an initial agreement on jointly establishing the Ningxia Faisal Islamic International Financial Investment Co. in Ningxia. This will be the first Sino-foreign trust and investment joint venture in inland China and will be founded with the special permission of the Chinese government. The company will have distinctive Islamic features in that it will not pay interest on deposits, investors divide profits in proportion to their shares and bear risks jointly. Negotiations on the project are still proceeding.

In addition, the company has



The government Building of Marib Province, North Yemen, built by Ningxia workers.

Germany, Belgium, the United States, Australia, Singapore and Hong Kong.

### Services Abroad Acclaimed

Contracting projects and providing labour services abroad constitute a major part of Ningxia's co-operation with Islamic countries. The region began to send builders on contract projects to North Yemen in 1980. In 1984, Ningxia builders arrived in Egypt. Since then, the region has sent over 3,000 people abroad for the construction of 250,000 square metres of factory and hotel buildings and 7,000 apartments (totalling 5,000,000 square metres) in Egypt.

The Ningxia workers have been praised abroad for their hard and good work. In 1984 they contracted the building of the October 6 City in Egypt. The low

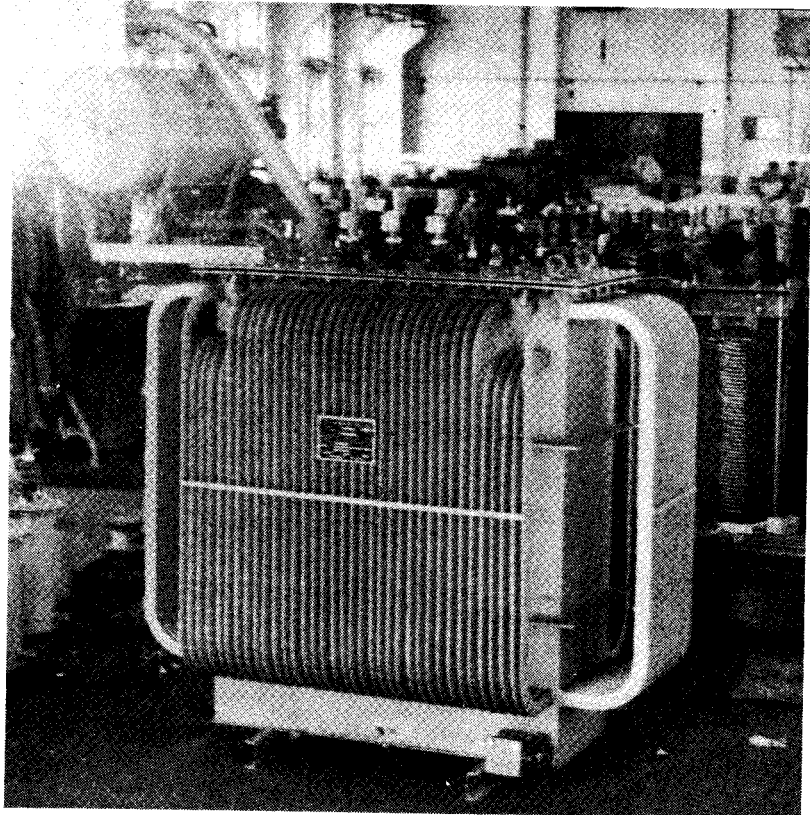
signed a loan agreement with the Australian National Bank for US\$10 million. Half of the loan will go to the Ningxia Non-Ferrous Smelter to import American technology and equipment for the production of tantalum condensers. The company has also signed a contract with a Hong Kong business for jointly establishing a video-tape factory in Shenzhen. The factory is expected to begin production in the near future.

Zhang Jishun, NITIC's chief engineer, says NITIC is China's only trust and investment business seeking to deal fraternally with Muslim businesses. It has attracted the attention of financial, trade and industrial circles both at home and abroad and has gained prestige. The Harbin Linen Mill which needed a loan for reconstruction after an explosion applied for one from Australia. The Australian side asked the Chinese side to provide a guarantee and accepted NITIC's guarantee. So far the company has provided guarantees for over 10 hotels and enterprises for loans coming from Hong Kong, Singapore, Japan and the United States.

NITIC has also established business relations with over 50

financial, trade and industrial businesses in 19 countries and regions, including Islamic countries in the Middle East, Indonesia, Japan, Spain, Federal

Transformers produced by Yinchuan.





pay offered by the Egyptian side and the difficult working conditions turned many other contractors off before NIETC contracted the project. The project was later completed well, quickly and at low cost. In October 1985 Egypt's President Mubarak inspected the worksite and said the quality of the work being done by the Chinese company was the best of the projects he had inspected that day.

### Multilateral Co-operation

To help the development of its economy, Ningxia has also been seeking co-operation with countries in other parts of the world.

In September 1984 and 1985 the region hosted two international economic and technological co-operation negotiation meetings which attracted over 250 business representatives from 30 countries and regions. A total of 47 contracts involving foreign funds and the import of technology were signed, and agreements for the establishment of three Sino-foreign joint ventures were reached.

The Yinchuan Transformer Plant is the only transformer producer in the autonomous region. In September 1984, The plant reached agreement with the Georg Co. of Federal Germany to import two production lines. Installation of the first production line was completed in September 1986 and it began production in November that year. The second production line started up in September 1987.

Hong Xingyuan, deputy director of the plant, says the two production lines have helped raise the factory's productivity considerably. In the first year of the first line's working, the factory's output rose five fold, output value, four fold, and profits, 6.67 fold. Today, the plant is the largest transformer producer in north-west China.

Since 1983, Ningxia has signed 43 contracts valued at US\$34 million for the import of advanced technology. It has also expanded its absorption of foreign funds and loans. Since 1983, the region has used US\$35.66 million in foreign funds, including US\$29.2 million in preferential loans offered by international monetary organizations and foreign governments, and US\$6.46 million of direct foreign investment. Another US\$15.66 million in foreign investment and US\$35.76 million in grant aid are being disposed of.

Although the autonomous region has made many efforts to strengthen its ties with Islamic countries, little by way of substantial co-operation in China has been achieved. Ma Yingliang, deputy chairman of the autonomous region, attributes this to the region's poor investment environment. The region now has just one airport only for small aeroplanes, and it takes 26 hours to get to Yinchuan from Beijing by train, which puts off many foreign business people.

Currently, there are three joint ventures in the region and they are not faring well. One has suspended its contract; one is on the brink of disintegration; and the other is not doing too well. Although the foreign parties involved are partially responsible for the problem, poor transport facilities and inefficiency are the acknowledged problems with the Chinese

side. Chinese directors lack experience in managing joint ventures, the contracts have many loopholes, and for the moment it seems there is no way of keeping up the balance of the ventures' foreign exchange account.

Ma says opening up will continue to be important for the autonomous region. The region will, on the one hand, open its door to China's coastal cities and inland areas and gradually catch up with the rest of the country through region-to-region economic associations. Last October, the region held its first domestic co-operation and trade negotiations. Over 1,000 Chinese factory representatives attended the meeting and signed 275 contracts with local businesses. At the same time, the region will continue to open its door to foreign countries and especially to the Arab countries.

The World Bank has agreed to provide the region with a soft loan of US\$40 million to help build an irrigation canal which will water 50,000 hectares of farmland to the south of Yinchuan. Currently this project is being evaluated. The Hessen State University of Federal Germany plans to develop livestock breeding in co-operation with Ningxia, and negotiations are now underway.

Ma says the region will further improve its investment environment by improving its international communications and other services. ■

### Just Off the Press

**The 13th Party Congress and China's Reforms** seeks to help readers understand the recent congress, the decisions it made and the current status of China's reforms. Written in question-and-answer format, the authoritative booklet deals with theoretical issues as well as practical questions about the political and economic reforms, and strategies for economic development and Party building. Included in the appendix are short biographies of the top leaders of the Communist Party of China. Also included are 24 pages of photos.

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(GUOJI SHUDIAN)

# 1987: Basic Balance in Foreign Trade

by Wang Pingqiang, vice-minister of Foreign Economic Relations and Trade

According to initial statistics, last year China's foreign trade was worth US\$67.338 billion, US\$7.241 billion more than the 1986 figure, and a 130 percent increase over 1979 when the country first introduced the open policy. Exports equalled US\$34.603 billion, 28.1 percent more than in 1986; while imports were worth US\$32.735 billion, a slight decrease from 1986.

## Major Characteristics

China's foreign trade last year had four distinct characteristics:

— A basic balance was achieved between imports and exports—representing a great improvement over the horrendous trade deficits of previous years (see table)—which increased the state's foreign exchange reserves.

Of all finished products exported, textiles, silk and clothing headed the list, with a value of US\$8.1 billion, about 25 percent of the country's total exports. The expansion in textile exports is an important part of the growth of finished products exports. For instance, at the Guangzhou Autumn Export Commodities Fair last year, the business volume in semi-finished yarn fell by 50 percent from the 1986 figure, and the volume of grey cloth and other primary products sold also came down, while that of printed and dyed cloth as well as woollen textiles increased 50 percent. In addition, clothing and knitwear also showed a marked increase at the fair. At present, ready-made clothes account for 40 percent of China's total textile exports.

Exports of machinery and electronics products increased

equipment vital to the development of industrial and agricultural production increased further, while imports of motor vehicles, household electric appliances and other high-grade consumer goods were still being restricted.

— Efforts were made to penetrate the international market. Compared with 1986, exports to Japan increased last year, while imports came down, resulting in a sharp reduction in the deficit China has with Japan. Trade with the United States grew, exports more than imports, resulting in a reduction also in the deficit with the United States. Trade with Hong Kong and Macao has also increased, exports being worth US\$10.13 billion, breaking the US\$10 billion ceiling for the first time. Exports to the EC expanded. China's trade with the developing countries as well as the Soviet Union and other East European countries steadily increased.

— Last year's expansion of exports was unprecedented. This expansion and the marked improvement in China's balance of international payment can be attributed to the following factors:

(1) Policies and measures have been adopted to encourage exports.

(2) Reforms have been conducted in foreign trade to delegate managerial powers to the trade companies and producing enterprises, introduce more export opportunities and methods, and extend the contract responsibility system to exports.

(3) Efforts have been made to establish networks for export production. So far, networks for producing machinery, electronics, agricultural and sideline products and light and textile goods for export have taken shape. This has ensured a plentiful supply of these popular commodities. Rural en-

Unit: billion US dollars

Year	Volume of Export	Volume of Import	Balance
1984	24.416	25.356	-0.94
1985	25.915	34.331	-8.416
1986	27.014	33.083	-6.069
1987	34.603	32.735	+1.868

— The mix of commodities was better.

In exports, the proportion of finished products kept increasing. In 1987, the export value of light, textile, machinery and electronics products increased 33.5 percent over 1986. Their proportion in the total volume of exports increased from 39 percent in 1986 to 40.6 percent in 1987, while the proportion of primary products came down.

greatly, as did quality consumer goods. The export of technology made a good start, and primary products have been gradually replaced by processed products in the export of agricultural and sideline goods, with a slight decrease in the exports of grains, edible oil and pork. Coal exports grew considerably, and oil exports came down somewhat.

In imports, the proportion of raw materials, technology and key

terprises in coastal areas have become an indispensable force in China's expanding exports. Their exports account for over 16 percent of the nation's total.

(4) Taking advantage of the favourable international situation to open up more export channels. World economic development slowed down somewhat last year, but demand remained fairly high. The devaluation of the US dollar and the revaluation of the Japanese yen and other currencies helped strengthen the competitiveness of Chinese goods. In addition, the prices of most finished products went up due to a rise in the price of oil and other primary products.

(5) Strengthening control over foreign trade. In early 1987, the Ministry of Foreign Economic Relations and Trade readjusted the limits of the control of export licences. Apart from commodities which have a vital bearing on the national economy and the livelihood of the people and can only be exported with licences, the export of other commodities can be conducted freely. At the same time, the state adopted measures to strengthen co-ordination between the customs houses, banks and foreign exchange control departments. All these measures are sure to provide a fillip to the healthy development of exports.

However, some problems still remain and they include panic buying of goods for export at higher prices and dumping of goods at reduced prices and unsatisfactory economic returns.

## Prospects

This year economic growth in the West is expected to slow down further; the world money markets look set to remain in confusion; and the slump in the stock exchanges is bound to produce some negative impact. Even with these unstable factors on the international commodity markets, the devaluation of the US dollar will be good for commodities that

are priced in US dollars. This will be conducive to China's exports.

With the development of China's commodity economy and the readjustment of the industrial setup, the mix of commodities exported will be further improved, with the proportion of finished products further increased, and that of primary products (including oil) decreased. Obviously, the efforts to bring about the commercialization and modernization of China's industrial production are paying off.

Exports of grain, vegetable oil and meat in 1988 cannot be expected to increase because of shortages in domestic supplies. But, there will be room for growth in the exports of other agricultural products and processed food.

This year will be a year for major progress in the reform of China's foreign trade structure. The various provinces, autonom-

ous regions, municipalities and cities, which have been allowed to draw up their own economic development plans, as well as national foreign trade companies and foreign trade companies under the various ministries and commissions, will introduce a responsibility system. They will undertake to hand over to the state a basic amount of foreign exchange earned from exports and be allowed to retain a proportion of any extra earnings. These measures will certainly promote the development of China's trade with other countries and enable overseas agents to expand their business scope with Chinese foreign trade companies.

It is expected that 1988 will see further increases in China's exports. Imports will also expand appropriately in line with the needs of the country's economic construction. ■

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## ANNOUNCEMENT

*Beijing Review* will hold celebrations on March 4 this year to mark the 30th anniversary of its founding.

During these 30 years, *Beijing Review* has aimed at promoting understanding and friendship between the people of the world. It provides information on China's political, economic and cultural developments, the domestic and external policies of the Chinese Communist Party and government and their perspectives or important world events.

We will continue in future to make every effort to strengthen friendship and co-operation between the Chinese and the people of the world.

To commemorate our 30th anniversary we are planning to publish special articles in *Beijing Review* in March. We welcome your letters and contributions.

Editorial Dept.  
*Beijing Review*

# China Opens Securities Market

by Our Correspondent Yue Haitao

Establishing a market where individuals and enterprises can buy bonds and other securities is one way of raising capital for economic construction. The process began with the introduction of financial reforms in 1981 and it looks promising.

On the one hand, the introduction of the production responsibility system has increased the income of enterprises and individuals, creating a marked growth in idle money on the economy. On the other hand, there is a persistent shortage of funds for investment which cannot be remedied simply by borrowing from the banks. So long-term financial markets have opened up.

The proposition was put forward by a group of young economists at a national meeting of the China Financial Association in May 1984 and it aroused widespread interest. In the following two years, bonds and other securities were issued in China's 12 provinces and municipalities. In the latter half of 1986, securities markets opened in Shenyang and Shanghai.

From the beginning, this reform has been under state guidance and control to ensure that the positive purpose of creating investment is served without becoming a hotbed for speculation out of which a "profiteering" class could arise.

The government stipulated that indirect financing (bank loans) must predominate and direct financing should only be auxiliary. First to come were short-term money markets for borrowing and bill discounting services between banks, and foreign exchange lending between enterprises, and only later were long-term secur-

ities markets to be set up.

The People's Bank of China, China's central bank, recently declared that in the next five years it would authorize various specialized state banks to issue 10 billion yuan in capital construction securities for key enterprises.

## Issues and Exchange

The trial reform began in the more developed cities. On August 5, 1985 China's first stock market came into being in Shenyang, an important industrial centre in northeast China. Following that, similar markets opened in Shanghai, Wuhan, Guangzhou and Chongqing.

All these markets are operated by state banks. The securities issued are usually in two forms — financial bonds and enterprise debentures. The financial bonds

are more often than not issued publicly and regularly. Their annual interest rate is 9-10 percent, higher than that for both one-year savings deposits (7.2 percent) and state treasury bonds (8 percent for individuals and 4 percent for corporate holders). The enterprise debentures come in more diverse forms. Their interest rates are lower than those of bank savings deposits, but the holders are usually accorded priority in obtaining goods which are in short supply on the market.

Most enterprises issue debentures to their staff and corporate investors. Only a small number may be put on the market, attracting buyers with colour TV sets and famous-brand bicycles, or offering them with priority in obtaining housing and cooking gas. This exerts a considerable pull on prospective buyers.

The debentures have different

The Shanghai Stock Market.

YUE HAITAO



face values and their terms range from one year to eight years. Unregistered and carrying no compensation when lost, they can be freely transferred.

In Shenyang, six companies issued ten kinds of debentures, bearing interest 20 percent higher than bank deposits. Of this extra amount about one-tenth was distributed as payments to the holders and the rest used to buy the prizes. According to Luo Zhenghong, deputy general manager of the Shenyang Trust and Investment Corporation, which is the sole agency in charge of issuing bonds and securities, most people buy debentures in the hope of winning the prizes. In general, about 26 out of 100 holders will win a prize, the first prize can be as high as 8,000 yuan (about US\$2,150).

The ceremony to pick the prize winners is usually held several weeks after the bonds are issued. In Wuhan, 23-year-old Qiu Chengfan bought four 100-yuan bonds, one of which had a winning number. She won a certificate allowing her to buy state-priced liquefied cooking gas. She said this had greatly improved her standing with her fiancé as well as her future parents-in-law. "I intend to buy a few more. They may help me get a new flat, who can tell," she said.

To stop speculation, the price at which securities change hands is usually lower than the initial purchasing price. For instance, the Shenyang Real Estate Company issued two-year debentures in 1985. With a face value of 50 yuan each, their purchasing price was 45 yuan and selling price, 46 yuan.

The Shenyang Stock Market has been busy. Since its establishment, total transactions at the market exceeded 18 million yuan, accounting for 4.55 percent of the 400 million yuan worth of securities issued in the city.

The Chinese government stipulated that the state treasury bonds could not be bought and sold. But in Wuhan they have been put on

the market. In the opinion of Qian Kuangshi, a responsible member of the Wuhan Financial Market, permitting transactions in treasury bonds would vitalize the long-term finance market.

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***E*stablishing a market where individuals and enterprises can buy bonds and other securities is one of the ways to raise capital for economic construction. The process began with the introduction of financial reforms in 1981 and it looks promising.**

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In fact, street pedlars in Wuhan and other cities speculated in the exchange of plastic goods and chinaware for treasury bonds to their own advantage. As a result, the treasury bonds suffered a fall in value ranging from 25 to 50 percent. Now, the government has been in principle agreed to lift the ban on market circulation of state treasury bond, as a result of appeals from departments in charge of securities market in Shenyang, Wuhan, Shanghai and elsewhere.

### **No Boom in Sight**

Even the most optimistic are cautious of predicting a boom in the securities market.

Liu Hongru, vice-president of the People's Bank of China, says China lacks a well-developed credit system and actually practises the mandatory policy of cutting down investment in fixed assets. The public is not accustomed to buying and selling securities; and the government needs time to study a series of

important questions concerning issues and transfers of bonds and debentures.

Masanori Ito, former deputy general manager of Japan's Nomura Securities Co. and now economic advisor to the Chinese government, says inefficient book-keeping and an inadequate legal system, insufficient specialized organizations, a serious shortage of trained personnel and the lack of enterprise autonomy all are obstacles in the way of China expanding its direct financing.

Shi Lei and Ao Huicheng, two experts at the Planning Department of the People's Bank of China, believe there is not enough idle money in society to fuel an expansion of the long-term financial markets. According to statistics they collected, bank deposits total 400 billion yuan. This breaks down into the following: Enterprise deposits, 160 billion yuan; treasury deposits by governments at various levels, 520 million yuan; deposits made by Party and state departments, people's organizations, army units and rural credit co-operatives, 100 billion yuan; and personal deposits, 100 billion yuan. The first three categories are needed working funds and cannot be put into circulation in the financial markets. As for personal savings, most of them will be spent on consumption and only one-third can possibly be used to buy securities.

Apart from these deposits, there is an estimated total of 140 billion yuan of extra-budget funds, the profits retained by enterprises since the introduction of flexible economic policies. Most of these, however, will be used by the enterprises to cover costs for updating their equipment, welfare, bonuses, etc. Not much would be left for the financial market.

Therefore, the two experts conclude, a major development in China's securities market is out of the question in the next few years. ■

# Famous Lessee on Leasing System

*Guan Guangmei won national fame as a private lessee. For her accomplishments and contribution to society, she was elected a deputy to the 13th National Party Congress, held last October, and there too she made her mark.*

*How did Guan embark on the course of management under lease? What is the key to her success? And how does she feel about the leasing policies? "Outlook Weekly" examined these questions in an article we reproduce here in translation.*

by Wang Yongfu

**G**uan Guangmei is a neatly dressed woman showing the first signs of middle-aged spread. Her name became a household word first in Benxi City, Liaoning Province, and then throughout the country for her bold management of eight grocery shops under lease. Now, the "Guan Guangmei model" has become a synonym of management under lease, a controversial issue in China.

many administrative personnel, holding each other back. Some people have the power but take no responsibility for the actual performance of an enterprise. All these produce absurd situations where individuals eat from the "big pot" of the enterprise while the enterprise eats from the "big pot" of the state.

Guan first tried contract

management. "It has its advantages," she says, "but contract management can only bring limited decision-making power to the manager, and leaves some problems that cannot be solved. Although management under lease presents more risks than contract management, it also gives more power in decision making and enables one to make more

## 'Guan Guangmei Model'

"Management under lease did not start with me," says Guan. "But the fact people are now debating over the 'Guan Guangmei model' shows that I am bolder than others." Straightforward talk from a daring reformer.

Guan was born a farmer's daughter and became a sales clerk in 1971 when she was 20. Her work won her promotion to deputy manager of a grocery store. But Guan was not satisfied with the "iron rice bowl," and she took the lead in calling for contract management and management under lease to improve the shop's performance.

Guan says, "I had done all the jobs in the grocery and was aware of all the drawbacks of the old system." In her opinion, the most serious drawback was the way managers shoulder heavy responsibility, but are given little room to manage. Within an enterprise, there are usually too

Guan Guangmei (right) checking vegetable quality and price at one of her groceries.

XIAO YE



drastic changes. That is why I chose it."

Indeed, the path Guan has taken is one beset with difficulties, but she is determined to show the way of overcoming them. From April 1985 to January 1987, she won four bids which resulted in her taking over eight groceries. Later she organized them into the Dongming Commercial Group with over 1,000 employees.

### Key to Success

Guan Guangmei has accomplished much. For instance, the lease agreement she signed for the first grocery set the shop's annual profits at 200,000 yuan; it in fact made 250,000 yuan in profits. The second shop she took over had been in the red for a number of years, but began turning a profit in eight months under Guan. The third made 360,000 yuan profits within five months; more than its previous annual figure. The other five shops she took over are small, and produced a total profit of 140,000 yuan in the first half of 1987. At present, the business turnover of Guan's eight groceries accounts for one-third of the total business volume of Benxi's 36 grocery stores, and the profits account for 50 percent. The economic returns of the leased shops have more than quadrupled since their leasing.

Guan says the way it works is by forcing the most competent managers to emerge through competition. Leasing not only produces the pressure but also provides the opportunities and conditions for changes within enterprises. In her opinion, the economic returns of an enterprise and the success of its management depend on its internal reforms.

When Guan takes over a shop, she institutes reforms in the management, accounting and distribution. For workers, the principles of "more work, more pay; and no work, no pay" is implemented. For cadres, compet-



CUI BAOLIN

Guan Guangmei at the 13th National Congress of the Chinese Communist Party.

ent ones remain and the useless are removed. She also introduces strict rules of reward and punishment.

Guan says, "The national debate over the 'Guan Guangmei model' focuses on one thing — the method of distribution. Some people criticized me for exploiting other people's labour and extorting unearned income. One former shop leader even said, 'We have worked hard all our lives but not earned as much as the lessee.' I cannot agree with these views. Leasing aims only at solving the problem of separating ownership from management and makes no change in the nature of ownership. The eight shops I have taken over still remain socialist in nature. What I get through leasing is only the power of management, through which the individual's interests are linked to the gains and losses of the enterprise. The rules of the shops were drafted by me and the workers. Before them, every one, including me, are equal. As the manager I have to take the lead in observing them.

"The big profits come from

improved service, increased business and better equipment. The customers like to buy things in our shops because they are convenient. The employees get rewarded for their hard work, and they receive special benefits on their birthdays, for late marriage, childbirth and hospitalization apart from wages and bonuses. We have built a reading room, a recreation centre and a nursery. A bathroom is under construction. All these are 'material benefits brought about by leased management. Whether there is exploitation or not should be judged by the employees—the so-called 'exploited,' yet the workers say, 'We will follow Guan Guangmei no matter how many years she runs the shops under lease.' It is obvious that they have not felt exploited."

When asked about her income, Guan says, "I should have got over 40,000 yuan in the last two years. Of this sum, I returned 16,000 yuan for mortgage against management risks and gave out over 20,000 yuan as bonuses for outstanding workers and for my

guarantors. This left me with only some 7,000 yuan, which was 2.5 times of the workers' average income. For me, this is enough. If I want to make money for myself, one shop will do. By taking over several shops, my intention is to show society that leased management can make business boom, gives the workers more income and increases state revenues."

**No Stop to Reform**

Guan Guangmei is ambitious for future reform. Although the leasing system has been widely

introduced in the country's small enterprises, some problems remain. "I now find I devote 30 percent of my energy to the management of these shops and the rest is spent on combating rumours," she says. "I welcome public debate and criticism but do not care for baseless rumours. Fines have frequently been imposed on my shops. Some of the fines are justifiable. Others are not because the responsibility is clearly not with us. In the first half of 1987 alone, my shops were fined more than 30,000 yuan. The attitude seems to be 'Guan

Guangmei has more than enough money, who not fine her?'"

Guan stresses that reform must be pursued, to stop half way would ruin what has already been achieved. In her opinion, reform should not stop at the enterprises but should be carried into the departments which are in charge or which serve the enterprises. When the external environment is improved, managers of enterprises will be able to devote all their energy to improving the enterprises' performances.

*(Outlook Weekly, No. 46, 1987)*

# Attitude Survey of City Dwellers

*On September 6 and 16, 1987, "Zhongguo Wenhua Bao" (China's Cultural Newspaper) gave a full page coverage to a series of reports from a survey of attitudes and opinions of residents in 324 cities in China. The survey was sponsored by the Research Centre for the Promotion and Development of China's Science and Technology and the Institute for Investigations into Chinese Society. Following are slightly abridged translations of five articles selected from the newspaper.*

## Nature of the Chinese People

For one hundred years, the nature of the Chinese people has been a subject of much discussion by scholars, and many views have sprung up from the debate. Recently surveyed city residents were asked to select (from a list of ten) three words which they felt best described the nature of the Chinese people. The ten words provided fall into three categories. The first contains words, such as "conservative," "obedient," "self-conscious," traits considered inappropriate to the modernization drive in China; the second includes the characteristics of "diligence," "thrift," "practicality," "humaneness" and "tolerance," which do not conflict

with but are conducive to the modernization; and the third category includes "efficient" and "adventurous," which fall in line with the demands of a modern society.

**Results**

**Question: Which words do you think most fully describe the nature of the Chinese people?** Please choose three words from the words provided. (The results are shown in the table. The figures represent the percentage of respondents to select each term. The same applies for subsequent tables.)

	Percentage
Diligent	55.6
Thrifty	48.5
Practical	39.6
Conservative	36.5
Obedient	34.5
Humane	28.4
Self-conscious	28
Efficient	18.6
Tolerant	6.5
Adventurous	2.7

High percentages were registered for the first five words, indicating that city dwellers see these characteristics as typical of Chinese people.

A considerable number of respondents (28 percent) selected the words "humane" and "self-conscious". However, a much smaller number chose "efficient."



The lowest rating (2.7 percent) was for "adventurous."

of the modernization drive will play a major role in the development of a new national character.

## Sense of Criticism

Characteristics such as conservatism, obedience, and self-consciousness, which are chosen here to indicate some aspects of the traditional nature of the Chinese, have something of a sense of criticism in contemporary China. The 28 to 37 percent of respondents selecting these traits may therefore be seen as possessing a critical self-awareness.

Compared to people in other professions, more teachers, people with technical training, and students select the word "conservative" to describe the Chinese personality. Teachers and the technically trained favoured the term "obedient," but students chose "self-conscious." Age seemed to be a factor here as a high percentage of young respondents selected these terms.

The results appear to indicate that young people, students, teachers, and the technically trained have a critical view of the Chinese personality.

## Conclusion

Some observations may be made from the survey results. The Chinese people are still for the most part passive, self-deprecating and unassertive—that is traditional. However, some traditional Chinese character traits could have an influence in the changing face of China. Diligence, thrift, and practicality, for instance, could be well directed for achieving the capital accumulation in the early stages of industrialization. They should be maintained and developed.

There seems to be a critical attitude amongst certain groups towards the national character. These groups represent the forces of change. The level and quality of ongoing reform and the progress

## Moral Concepts of Urban Residents

The section of the survey on attitudes to moral concepts listed eight moral concepts from which subjects could choose and also provided one open entry. Some of the concepts listed, such as "respecting parents," "honesty," "modesty," "returning favours" are highly traditional. Some such as "keeping promises" and "integrity" fall into the category of modern moral concepts. "Politeness" could be considered common to both traditional and modern society.

Moral concepts are a reflection of society. At present, China's economy and social life are undergoing a process of modernization. Generally speaking, ideological change often lags behind changes in economic conditions. Moral concepts stressed by the Chinese people are therefore traditional in nature or in a transitional phase between traditional and modern.

**Question: In your opinion, what are the most important fundamental moral concepts?**

Following are the results of the survey:

Moral Concepts	Percentage
Honesty	56.1
Respecting parents	34.4
Modesty	5.7
Patriotism	35.4
Integrity	28
Returning favours	2.5
Keeping promises	18.32
Politeness	14.2
Others	0.6

From the table, we can see that the most favoured concepts are "honesty," "respecting parents," "patriotism" and "integrity." Despite the ten years of turbulence during the "cultural revolution," and the recent influence of foreign culture, a common set of values still exists.

The underdeveloped economic setting required only a limited level of social contact within the boundaries of the family and neighbourhood. Trust and honesty were therefore highly valued moral concepts. However, in a commodity economy, the range of social contacts is greatly expanded, and an emphasis is placed on contract relationships. In this situation keeping promises is seen as an important character trait, but the percentage of respondents selecting reliability was low. It seems that Chinese city dwellers are still unfamiliar with this moral concept. Concepts appropriate to a socialist commodity economy thus need to be established and developed.

## Attitudes Towards Raising Children

According to a Chinese maxim "there are three manifestations of disrespect for one's parents; the worst is not having children." Traditional Chinese life places a great deal of importance on raising children and this is still the care in China today.

**Question 1: Which statement about raising children most closely matches your ideas:**

The results are shown below:

Possible View	Percentage
1. One should have children	86.5
2. It isn't important to have children	11.5
3. It's better not to have children	1.9

The results seem to indicate that the majority of respondents see raising children as important and necessary. Only 11.5 percent did not see it as important and 1.9 percent were definitely against having children.

**Differences.** Although most respondents were positively in favour of raising children, there were some notable differences of opinion among different sex and age groups and in various cultural levels and professions.

More men selected the statement "one should have children," whereas more women opted for the second or third responses. The difference seems to be related to women's rising economic and social status, and to a basic need to achieve success in their careers and retain their individuality.

There is also marked divergence of opinion among different age groups. Of the respondents to select the statement "one should have children," the percentage aged less than 30 is much lower than for other age groups. Respondents aged less than 30 tended to select the second and third responses, indicating a changing attitude to child raising among the younger generation.

Respondents with a higher level of education were also less likely to select the first response. This may indicate that intellectuals with a relatively higher level of ambition regard success in their career as the most important consideration.

A higher percentage of individual labourers and retired people chose the first response, but more students selected the other two options. This may be related to the

fact that individual labourers do not enjoy the benefits of a social insurance system.

To sum up, the Chinese generally tend to hold with the traditional view of the importance of raising children, but more and more young people and intellectuals are turning away from this viewpoint.

**Question II: What do you consider is the correct motivation for raising children?**

Different people have different reasons for raising children and these reasons often reflect their outlook and attitude to life. The survey asked subjects to choose from five possible reasons.

Possible Views	Percentage
1. Children continue the family line.	4.7
2. Children are a support for their parents in later life.	7.0
3. Other people have children, I should too.	3.6
4. It is one's duty to bring up children	47.6
5. Without children, one's life is not satisfying.	32.8
6. Others	4.3

The first motivation for having children stems from the pat-

riarchal clan system in which children are seen as the link to continuing the family bloodline. The second response could be put down to a social situation which provides no social security and so children are seen as an investment in manpower. This reflects an extremely materialistic and pragmatic view of life.

The first four responses in the table see people merely as tools for the realization of familial, economic and social functions. Only the fifth view that "without children, one's life is not satisfying," embodies a modern view of raising children to bring happiness to one's life.

The table shows that 11.7 percent of the people surveyed chose the first two responses. This corresponds greatly with improved social conditions. Living conditions in modern cities differ markedly from the traditional rural situation; in cities, large patriarchal families are hard to find and most city dwellers have a secure, comfortable lifestyle. The conditions which perpetuated the first two views no longer exist. Most respondents chose the fourth or fifth viewpoints: 47.6 percent saw raising children as their duty and 32.8 percent chose the fifth response. The views of Chinese people thus seem to be changed, although the modern standpoint on the issue of raising children does not seem to have the strength of the traditional view.

**Attitudes Towards Divorce**

**P**eople's views on divorce can mirror their thoughts on marriage. One question in the survey presented different attitudes to divorce from which subjects were asked to select the one which most fit in with their viewpoint.

**Question: Here are some views on divorce. Which do you agree with?**

The survey results indicate that most people are not totally opposed to divorce; 44.8 percent of respondents chose item three and 52.5 percent items three and four. Modern attitudes to divorce are slowly gaining the upper hand. However, a high percentage of people still chose item one. About 42.6 percent of the respondents selected either item one or two.

Possible views	Percentage
1. No matter what the circumstances, divorce is a bad thing.	31.2
2. Whether or not the couple have children should be considered.	11.4
3. If both sides agree to apply for divorce, it is acceptable.	44.8
4. It is acceptable if one party agrees.	7.7
5. Others	4.9

Although not significant, the figure still represents a sizable proportion of the surveyed subjects, indicating that many people are opposed to divorce.

Differences in attitude were noted between various social groups. A slightly higher percentage of women chose items one and two and slightly more men chose items three and four. The difference was remarkably small. The traditional division of labour placed women in a position of dependence on their families, but today women living in China's cities have full employment and participate in social activities. Recent research reports on divorce cases point out that one of the salient features is that more women are applying for divorces. The results of this survey seem to support this finding.

Considering different age groups, the survey results showed that more young people selected items three and four over item one. The table shows that 45.9 percent of respondents aged above 60 chose item one and only 27.6 percent of respondents aged under 30 chose item one, an 18.3 percent difference. On the other hand, only 1.8 percent of subjects in the older age group chose item four, compared to 9.6 percent in the younger age group. This may indicate that young people's views on divorce strongly incline

towards a modern viewpoint which considers the independence of the person concerned. A point worth noting is that people in their 30s and early 40s seemed to pay more attention to the impact of divorce on children. Of the respondents selecting item two, the highest percentage falls in the age group between 31 and 45, and the percentages aged between 18 and 30 and between 46 and 60 are more or less the same. The lowest percentage corresponds to the older age group.

Educational level also seems to influence attitudes to divorce. Respondents with a low level of education tend to select the first response. The figures indicate a 31.6 percent difference between this group and respondents with a college education. The highest percentage of respondents select-

ing item two falls into the low-education level group. Items three and four were more likely to be selected by subjects with a tertiary level of education which seems to indicate that people with a fairly high educational level stress independence and tend towards a modern attitude to divorce. However this attitude does not seem to affect their concern and love for their children.

Cadres, teachers, technicians and students tended towards a modern view and individual labourers, retired people and those in commercial and service trades were more inclined to hold a traditional viewpoint.

**Conclusion.** The survey results seem to indicate that only a minority of Chinese are totally opposed to divorce and most people have an open, modern attitude to divorce.

## 'Gift-Giving Tendency' Today

**A**n obvious way of assessing the level of modernity relates to the way people handle economic and financial situations. Traditional economic interaction relied on a strong "gift-giving tendency," whereas the modern approach is more business like.

Traditionally, Chinese were not preoccupied with personal gains and losses, but were very concerned about leaving others with a good impression. They were more likely to sacrifice material interests in favour of a good reputation. Relations between people regulated economic activities which would be approached in a roundabout manner.

A survey on how the Chinese approach financial matters was conducted recently. The results indicate that the Chinese have a marked "gift-giving tendency" which was evident in all the age groups surveyed.

**Question 1: One of your neighbours asks to borrow ten**

**yuan and promises to return it to you the following day, but he later forgets. What will you do?**

Possible Responses	Percentage
1. Not ask for the money	23.9
2. Mention it to him in a delicate way	60.2
3. Directly ask him to return the money	6.4
4. Others	9.5

According to the survey, subjects choosing responses one and two display a "gift-sending tendency" to varying degrees, and those selecting item three have more of a "business like approach." The results show that over 80 percent of respondents selected items one and two. Item one was chosen by 23.9 percent of

respondents, and item three by 6.4 percent.

**Question 2: There is a chance for promotion in a certain unit. Both Xiao Zhang and his good friend Xiao Wang meet the position's requirements, but only one of them can be promoted. If you were one of them, what would you do?**

Item one indicates a business like approach and items two and three the "gift-giving tendency." About 70 percent of respondents chose the second and third items compared to a small percentage opting for the first response. This seems to indicate a marked "gift-sending tendency" in the Chinese.

Possible Responses	Percentage
1. I would hope to be promoted	21.6
2. Although I would hope to be promoted, I would not express my wish.	42.4
3. I would allow my friend to take the promotion	27.1

The "gift-sending tendency" finds expression in other aspects of social behaviour such as "valuing justice above material gain" and

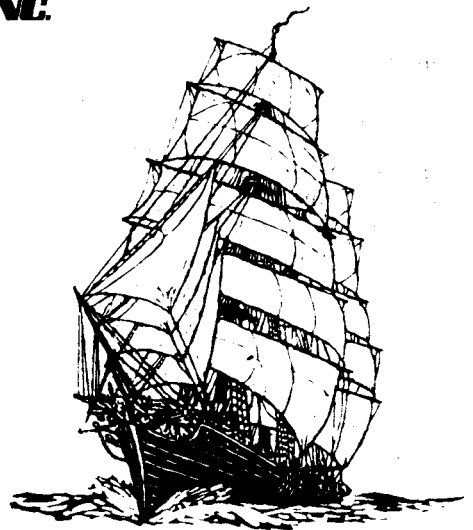
"declining to talk about material gains." Friends are unwilling to openly discuss economic issues and behave at all times in a polite and courteous manner. If they dine out, they will vie with each other for the bill or for buying tickets on the bus, even to the point of becoming ostentatious and extravagant. This form of behaviour helps maintain social stability and reduce conflicts in social exchanges. However, if extended to the economic and political settings, these principles would be detrimental to the growth of the commodity economy and the construction of democracy and legal systems. ■



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## Democratic Election System Discussed

"LILUN XINXI BAO"

(Theoretical Information)

The Research Department of the Standing Committee of the National People's Congress, the Standing Committee of the Shandong Provincial People's Congress and the Shandong Academy of Social Sciences jointly sponsored a theoretical symposium not long ago in the provincial capital Jinan on the construction of the people's congress system. Discussions focussed on such questions as ballots comprising a larger number of candidates than the deputies elected, nomination and introduction of candidates, prerequisites for candidacy and the growing trend towards democratic election.

**Nomination of Candidates.** In view of the large numbers of candidates for deputy to the people's congress nominated by political parties and other organizations, participants at the symposium generally agreed that the nominations by each party or organization should be limited. At the same time, voters should be encouraged to nominate candidates. These steps would be conducive to a better understanding of the will of the people and would help bring into play the initiative of the masses for democratic election. Some people suggested that candidates should be chosen according to trade and profession, as well as their constituencies.

**Recommending Candidates.** Participants at the symposium recommended that nominators make objective, comprehensive and realistic introductions of their candidates. Before the election, candidates should also introduce themselves and outline their intentions in order to give voters a sound basis on which to make their selection.

Most voters in China's many electoral districts have never seen their candidates for deputies to the people's congress because the interchange between candidates and voters has not been systematically developed. This situation should be changed, the participants said.

Most participants did not see the campaigning of candidates conducted in capitalist countries as a peculiarly capitalistic feature. On the contrary, they felt it deserves recommendation in socialist countries, because it helps people select their own representatives and enhance their democratic consciousness.

**Direct Election.** China's current electoral system basically comprises two elements. One is direct election at county and township levels, and the other is indirect election at the provincial level and above. Every three years the people exercise their say in the state through the direct election of deputies to the people's congress at county and township levels. Participants said direct election should be seen as a chance for the wide majority of people to participate in and discuss government and political affairs, and efforts should be made to mobilize and guide the people to this end, as this could promote open regional politics and democratization.

**Activities of Deputies to the People's Congress.** In the organization of the people's congress at all levels, women, the young and intellectuals occupy only a small proportion of the deputies. Party members, government officials and model workers, however, form an overwhelming majority. The participants said this present situation limits the capacity of the people's congress to timely obtain real indications of views and demands from every area in a comprehensive way. Therefore, it is very important to

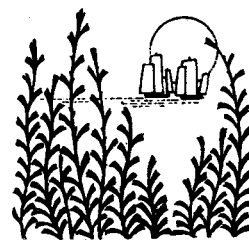
improve the quality of deputies, expand their right to participate in government and political affairs and increase their ability to discuss political issues. Moreover, deputies to the people's congress should not only sympathetically serve the people, but they should also have some political experience, professional knowledge, a developed cultural background and good health. With these qualifications they will be able to keep in contact with voters, understand their needs and promptly report their demands.

Some participants suggested that deputies to the people's congress should be social activists in their electoral district or trade. They should be allowed release from their regular work to engage in political activities, for, in a sense, the participation of deputies in government and political affairs is a direct representation of the working people's dominion over the country and mirrors socialist democracy.

**Growing Trend Towards Election.** Participants at the symposium see China as gradually perfecting a democratic system of election. The people's right to vote is broadening; the number of links in the election chain are progressively being reduced; electoral procedure is becoming more simplified, efficient and realistic.

In order to guarantee that deputies to the people's congress at all levels are responsible to the people at all times, some participants suggested that voters should not only have the right to vote, but should also have the real power to supervise and recall deputies.

(December 7, 1987)



## China to Readjust Car Imports

China is readjusting its policy for the development of its automobile industry—from primarily importing parts to importing technology, according to Chen Zutao, chairman of the board of the Chinese Federation of Automobile Industry.

Over the last few years, China has established several joint ventures in the car industry with firms from the United States, Federal Germany and France and produced tens of thousands of coaches and jeeps. Owing to the slow development of spare parts production, China has had to import many spare parts at great cost in foreign exchange. The agreement with General Motors is for co-operation in the production of component parts which GM then buys back, thus helping balance the joint venture's foreign exchange. This is a new way to solve the problem. China acknowledges the advice of General Motors in deciding on the reshaping of its auto industrial policy.

The US corporation signed a contract with the Chinese Federation of Automobile Industry on January 21 for selling equipment to produce 2-litre engines and for transferring technology.

The equipment is to be installed in the Beijing General Internal Combustion Engine Factory. It will go into operation in the second half of 1990. It is to have an annual production capacity of 150,000-300,000 engines.

This equipment which costs a total of US\$20 million is a huge slice of business for the US company and also represents a substantial involvement for it in China's auto industry.

According to Barton Brown, president of the Overseas Branch of General Motors, the co-operation with China is the first step his corporation has taken in helping China modernize its car

industry. The corporation intends also to invest in a casting factory, in production of starter motors and alternators and later in building a large repair factory.

Mr. Brown said that when all these projects are off the ground, his will be the biggest foreign corporation involved in the Chinese automobile industry.

Chinese state leaders speak highly of the co-operation China has received from the US corporation and see it as setting a good example for other foreign automobile businesses.

by Yao Jianguo

## Foreign Currency Market to Open

China will lift controls on the use of foreign exchange and will open a foreign currency market this year, according to the People's Bank of China. A national foreign exchange dealing centre is to be set up in Beijing and similar ones will be opened elsewhere in China to improve the regulation of foreign exchange.

The currency prices can be floated and a ceiling price fixed if necessary.

This decision will further the open policy and help co-ordinate the reform of the foreign trade structure which will start soon. In 1987 China's foreign exchange accounts were good, with export earnings increasing and import costs decreasing. Last year the various localities adopted flexible measures to improve foreign exchange transactions, ensure the supply of foreign currency for imports, control repeated imports and guide enterprises to put more foreign exchange into developing export-oriented and productive projects.

To strengthen the management

of foreign exchange and foreign loans, the State Administration for Foreign Exchange Control will join the banks and customs houses in instituting new rules on the examination of export foreign exchange earnings, perfecting foreign exchange accounting and improving the collection of foreign loan statistics.

## Mainland-Taiwan Trade Increased

Although the Taiwan authorities have persisted in opposing trade with the mainland, the trade between the mainland and Taiwan via Hong Kong has been increasing steadily. Incomplete statistics show that the trade volume in 1986 amounted to US\$959 million, 12.4 times the 1979 figure. In 1987 the figure is estimated to be US\$1.5 billion.

In 1979 the trade was small in extent and variety. Since then both sides have enjoyed economic development and the trade has grown. Now 10,000 varieties of goods are involved. The main commodities the mainland imports from Taiwan include raw materials for chemical fibre, synthetic fabrics, building materials, light industrial products, machinery and electronic goods. Into Taiwan go mainland medicinal herbs, grain, edible oils, aquatic products, native produce and animal by-products, minerals, textiles and chemical raw materials.

Economic and technological co-operation between the mainland and Taiwan has also expanded in the last few years. Fujian Province has introduced fine animal and plant breeds, as well as technology for eel and shrimp breeding from Taiwan. Some factories in coastal provinces have imported technology and equipment from Taiwan to upgrade some of their enterprises. More and more Taiwan businesses have invested

in new factories on the mainland through third parties. Some have even invested directly.

Last October the Taiwan authorities lifted the ban on visits to relatives on the mainland, and later relaxed restriction on entrepot trade with the mainland. All this will help improve the economic and trade relations between the mainland and the island.

## Beijing's Outskirts Seek Investment

The Beijing government recently held a news conference on encouraging foreign investment in Beijing's rural counties.

At the conference, the municipal government offered 146 projects for foreign investment, 90 percent of them productive. The majority involve technological updating of existing enterprises, and imports of advanced flora and fauna resources development technology and equipment.

Foreign-funded enterprises in crop cultivation and animal, poultry and fish breeding, which yield low profits, can have their land-use fees reduced or waived. For foreign-funded enterprises with an investment of US\$1 million, the local government will simplify the approval procedures. The power to approve enterprises with an investment less than US\$1 million will be delegated to the district or county governments.

There are eight counties and six districts on Beijing's outskirts, with an agricultural population of 3.84 million. These counties and districts cover a total area of 16,300 square kilometres. They have many advantages in developing international economic co-operation. They are blessed with a good climate for certain crops and trees and are rich in mineral resources.

At present these counties and districts contain over 450 export-oriented enterprises, 70 of which can make US\$1 million-worth of goods annually each. Some 80 enterprises have signed contracts involving foreign investment valued at US\$830 million. Of these, 29 are productive, eight are service enterprises and the rest are hotels. Thirty-three have gone into operation and most of them have achieved a favourable balance in their foreign exchange accounts.

by Zhang Zeyu

## More Cereals and Oils Exported

The China National Cereals, Oils and Foodstuffs Import and Export Corp. (CNCOFIEC) estimates that China exported US\$4 billion worth of cereals, oils and foodstuffs last year, a 5.2 percent increase over 1986.

Cereals, oils and foodstuffs are traditional Chinese exports, and all, bar cereals, increased last year. The exports of fats and oils, aquatic products, factory processed food, fruit and vegetables rose by wide margins. Exports to Japan, the United States, the EC, the Soviet Union and other East European countries as well as Hong Kong and Macao all went up.

Established in 1952 the CNCOFIEC had handled US\$87 billion worth of goods by the end of 1987, or 15 percent of the nation's total international trade in that time. Of the total, exports (totalling 2,200 varieties) amounted to US\$51 billion, and imports to US\$36 billion.

The corporation has established trade relations with over 3,000 customers from 130 countries and regions and opened branches and offices in Japan, France, Britain, the United States, Federal Germany, the United Arab Emirates and Hong Kong.

by Liu Ziqiang

## News in Brief

■ The China International Trust and Investment Corp. (CITIC) signed an agreement in London on January 12 with 18 international banks on issuing 15 billion Japanese yen bonds (worth about US\$107 million) in Europe for the first time. The bonds are for five years with an annual interest rate of 5.625-percent, and will be issued on the Luxemburg stock exchange.

Since 1982 CITIC has conducted 11 issues of bonds and raised US\$1.39 billion for construction.

■ Last year China National Textiles Import and Export Corp. exported US\$7.77 billion worth of textiles, a 26.53 percent increase over 1986. The exports of cotton and linen cloth, nylon and cotton knitwear, and raw cotton rose by over 40 percent; finished garments, wool fabrics and cotton yarn rose by over 20 percent. Exports of woollen blankets and staple rayon yarn dropped.

■ Last year, China signed 1,231 contracts for building projects and providing labour services abroad (valued at US\$1.743 billion), and completed work worth US\$1.105 billion, an increase of 28.5 percent and 13.53 percent over 1986 respectively. At the end of last year, there were 60,400 workers working abroad.

■ A Sino-foreign videotape joint venture went into operation in Zhoukou city, Henan Province, at the end of last year. The Yusheng Video Tape Co. was jointly established by a firm from Hong Kong, the Zhoukou Radio Factory and the North China Electronics Co. of the Ministry of Electronics Industry. The joint venture has a total investment of more than US\$3 million, 45.45 percent from the Hong Kong firm.

The joint venture started the 15-year contract with the operation of a production line of tape base. The line's annual production capacity is 2.2 billion feet. This year the venture is expected to produce 300,000 video tapes besides the base.

# Sports in China: 1987

In 1987, China's athletes won 69 world championships and two women's teams won first places in weight lifting and judo events. In addition, they broke 44 world records in 23 events. The number of Chinese world champions and record breakers in 1987 reached its highest in the history of sports in China.

## Olympic Games Events

Last year, China made breakthroughs in some Olympic Games events.

**Swimming.** According to data issued by the International Swimming Federation, 13 Chinese athletes were listed among the world's top 25 in their 13 events. Five of them were ranked in the world's top 10.

**Weight Lifting.** Weight lifters broke six world records in four men's events in two weight categories. Another two took the world championships in their two events. Ten lifters broke 26 Asian records in 14 events in seven categories. Lifter He Zhuoqiang from Guangdong Province broke the world record in the 52 kg snatch and jerk five times in only seven months.

**Archery.** Ma Xiangjun became women's champion in the all-round event at the 34th World Archery Championships.

**Boat Race.** The women's rowing four without coxswain won the bronze medal in the 14th World Championships, marking the first medal for Asians in the competition.

**Track-and-Field.** Chinese track-and-field athletes ranked high in five events in the Second World Championships.

**Football.** China's football team

defeated the Japanese team in October last year and qualified for the Olympic Games.

In table tennis, diving, gymnastics and shooting events, Chinese athletes continue to hold world records.

## Other Events

China has also achieved good results in other events.

**Badminton.** At the Fifth World Badminton Championships, the Chinese team won gold medals in all five events and also took two silver and four bronze medals. China had four champions at the Seventh World Cup Badminton Championships. The head of the International Badminton Federation described China as "worthy of the title of a badminton kingdom."

**Model Airplanes.** Last year China won the world championships in seven events. The 17 world records broken in these championships accounted for 38.6 percent of all world records broken during the year.

**Speed Skating.** Li Jinyan broke the world record in two women's skating events.

**Artistic Gymnastics.** Though only new to the sport, the Chinese team won a silver medal and two bronze medals in group callisthenics at the 13th World Championships.

**Motorboat Racing.** China took second place in the OA level in the World Championships.

**Wushu (Marshal Arts).** China had 13 champions in the 16 events at the First Asian Championships held in Japan.

**Softball.** The Chinese women's team won the first title in the Asian

Championships and came runner-up at the World Youth Championships.

**Weiql (Go).** In the Second Sino-Japanese Competition, China defeated Japan, nine to eight.

## Women Players

## Outstanding

Women accounted for 61 percent of China's world championship-winners last year, and one-third of China's world record breakers. They also made advance in swimming, breaking the Asian record. In 16 women's events, the top 10 world athletes last year were all Chinese. The 17-year-old swimmer Huang Xiaomin broke the Asian record in the 200-metre butterfly stroke, only 0.38 seconds behind the world record.

Before early December last year, seven athletes in women's track-and-field events were listed in the top 20. At the Sixth National Games, Liu Huajin broke the Asian record in the 100-metre women's hurdles, which had been held by Taiwan athlete Ji Zheng for 17 years. Athletes in women's judo events won three gold medals at the Fifth World Championships, taking first place in the team event. Gao Fenglian alone won the two gold medals in two categories. China's women weight lifters won 22 gold medals at the First World Weight Lifting Championships.

One official from the State Physical Culture and Sports Commission commented that China still lacks world-class athletes in most Olympic Games events. There is a shortage of young talent in many events. Generally speaking, China is far from advanced world levels in swimming and track-and-field, which are the most highly regarded sports events. These shortcomings should be overcome to a certain degree in 1988. ■



## National Minority Singing Contest

**D**eji Cibai, a 22-year-old Tibetan girl in a bright Tibetan costume, sings *Lakeside Love Song* in a clear and moving voice while dancing. The strong national flavour of the piece and her skilful presentation won her a gold medal at the Second National Minority Singing Contest.

The other six gold medal winners hailed from Kazakh, Mongolian, Manchu, Zhuang, Yi and Yao nationalities. Nine singers won silver medals and 18 others won awards for excellence



**Gold medalist Tang Peizhu of the Zhuang nationality.**

**Song Zuying of the Miao nationality in Hunan Province was awarded a gold medal.**



**Gold medalist Dalle Lihan of the Kazakh nationality in Xinjiang.**

Taking part in the contest were 81 singers from 28 ethnic groups. The youngest was only 21 years old and the oldest 35. All singers brought into full play their artistic talents.

Tang Peizhu of the Zhuang nationality combined national style with Western singing method in an energetic song full of emotion and power.

Two Korean contestants chose the same song *Birds Beat Rings*, a Korean folk song, but used different styles of presentation. Jin Yingshu from Heilongjiang Province imitates the chirping of birds and Zhao Yuheng evokes an image of birds through her more personalized performance.

Adjudicator Sailimai Anni from the Ningxia Song and Dance Ensemble commented, "This contest showed the latest achievements made towards combining national style with artistry."

Chairman of the adjudicators' committee Shi Lemeng believed the standard reached in this contest was much higher than in the first one held in 1985. Most folk songs were treated in a more artistic and skilful manner.

The adjudicators were well-known ethnic folk singers and experts of national and minority folk vocal music.

**by Hong Lanxing**



Photos by XU XIANGJUN

**Yang Xuejin, a Yi singer from the Shanghai Conservatory of Music, won a gold medal for her performance.**

## News in Brief

The China National Educational Book Import & Export Corporation was set up recently in an effort to serve the educational needs of our country and to develop international exchanges in the areas of education, science and culture.

Publishing houses dealing mainly in textbooks and academic works are now operating in 81 of China's universities. The company is expected to deal with the high quality productions offered by these enterprises, as well as noteworthy texts from some textbook presses. The corporation's businesses also include audiovisual material, microfilms and samples.

The corporation's Vice-President Ma Wenzhong explained the aims of the company: "We will do our best to offer overseas readers an insight into our nation's culture and its scientific achievements. Meanwhile we intend to import advanced materials on technological and scientific developments to forward our own services and to promote international exchanges and co-operation in the field of education." ■

# The Way Forward for Macao

by Wang Hai\*

In accordance with the Joint Declaration of the Government of the People's Republic of China and the Government of the Republic of Portugal on the Question of Macao, the Chinese government will resume the exercise of sovereignty over Macao effective from December 20, 1999. In line with the principle of "one country, two systems" and the provisions of Article 31 of the Constitution, the Macao Special Administrative Region will be established; the current system there will not change and will be maintained for 50 years.

The future of Macao is undoubtedly bright. However, there are still outstanding questions in the field of economic and social development. The first problem is the lack of a motivating force for economic development and the second is how to appropriately settle the question of Portuguese descendants. The best way to resolve these two difficult problems is to use the Portuguese language and Macao's traditional economic ties as a bridge for exchanges between China and Brazil and other Latin countries.

Macao has an area of about 17 square kilometres and a population of more than 400,000. Its economic foundation is very weak. Since the 1970s, Macao's economy has developed rapidly. The economic structure has changed greatly and has diversified to include manufacturing, import-and-export trade, tourism, construction, financial companies and service trades. In the past 10 years Macao has experienced a high rate of growth.

There are several factors

\*The author is a researcher of the Economic Research Centre, Nanjing Municipal Government.

favouring economic development. Macao has a certain foundation and experience in industry and tourism. China and Hong Kong have given it substantial support, providing various essential commodities, raw materials for industry, funds, equipment, technology and information. Macao is a free port and most goods are imported tax-free. The general tax rate on taxable goods is low and the political situation is stable. The prices of land and houses are low, as are wages. All these factors are conducive to attracting foreign investment. Sharing a common language with Brazil and traditional economic ties with the country may particularly help to strengthen the force of Macao's development, and promote prosperity and stability in Macao as well as China's four modernizations and opening up to the outside world.

The Chinese government has maintained a consistent attitude towards Macao in the hope that its social development and stability will continue both during the transitional period before China regains sovereignty over Macao and afterwards. This also conforms to the desires of Macao compatriots.

The Chinese government is pursuing the policy of opening up to the outside world, hoping that Macao, like Hong Kong, will become a window and a bridge for exchanges with foreign countries. If Macao is able to make use of its advantages and develop its ties with Brazil and other countries, it will become a link between China and Brazil.

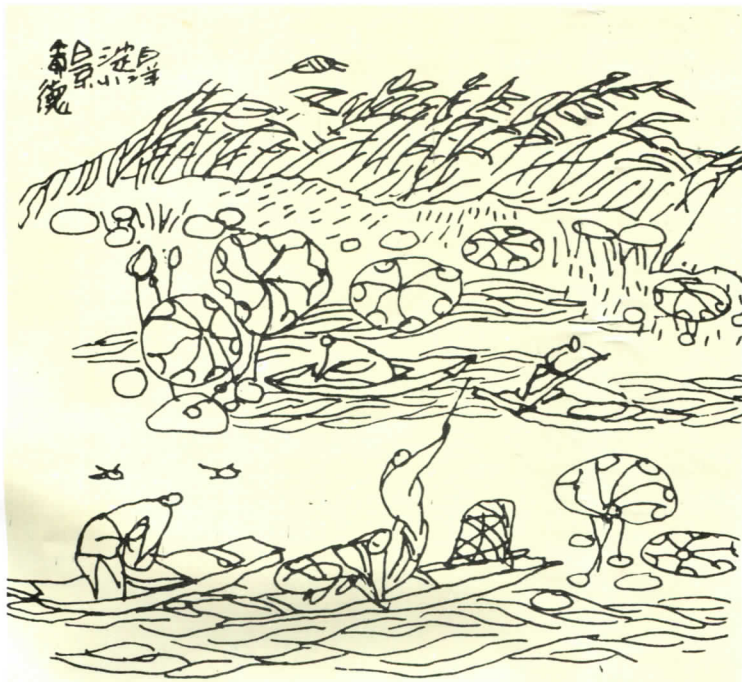
Macao has unique advantages in this regard. Brazil has already set up a bank in Macao and, with the development of Sino-Brazilian exchanges, there will be more Brazilian banks, companies, de-

partment stores, restaurants, factories and travel services. Macao can also co-operate with Brazil to establish trading companies, shipping companies, a high-technology research centre, a crop planting centre, a labour services export organization and other ventures in Macao and Brazil. Schools in Macao may be opened to train various people who have a good command of the Portuguese language and knowledge of Brazil. Thus having Macao as a bridge will promote exchanges between China and Brazil in many fields.

When I speak of ties with Latin countries, I do not refer only to the Latin American ones, such as Brazil, Argentina and Mexico, but also France, Italy, Spain, Portugal and the rest of the more than 30 nations which belong to the Latin family. The French, Italian, Spanish and Portuguese languages are all derived from Latin. Furthermore, Latin countries have many points in common in their history, culture, habits and religion.

Because of Macao's language, it can become a bridge to connect China with the Latin countries. For example, France has opened two banks and a financial corporation in Macao. It has taken part in the construction of an electric power station and conducted a feasibility study for a deep-water port. And it has participated in exploiting the oil field in the South China Sea, as well as other economic activities. Macao will play an important role in promoting exchanges between China and Latin countries.

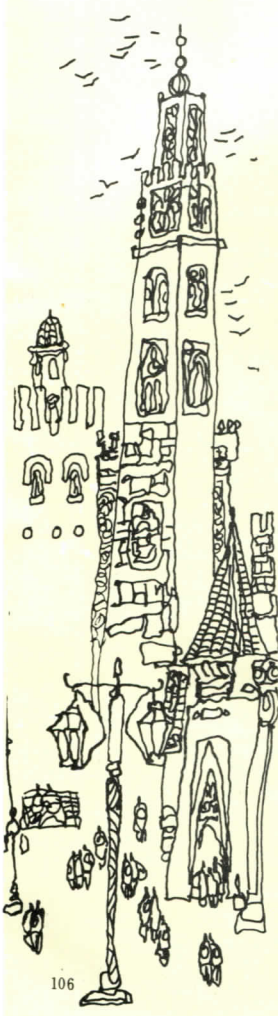
Macao will also be a bridge between Brazil and other Latin countries and the countries of East Asia. The East Asian region has a rapidly developing economy and great potential, and thus merits the attention of Brazil and other Latin countries. Because Macao has close traditional ties with East Asia and Latin countries, and is a free port, it is in a unique position to act as a link between Latin countries and East Asia. ■



Baiyangdian, Hebei Province.



Old man.



A city.

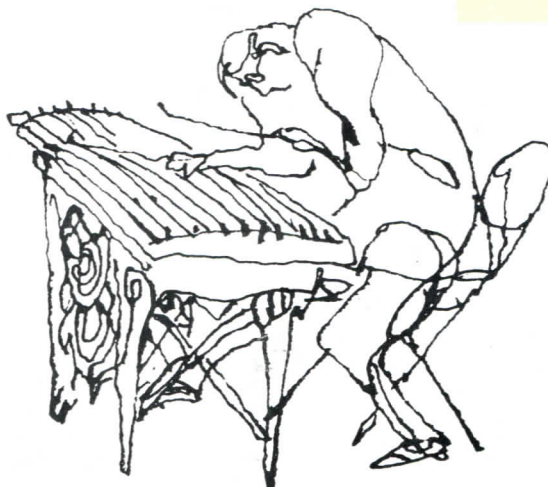
## Sketches by Zhao Guide

Zhao Guide, born in Beijing in 1939, now works at the Hebei Fine Arts Publishing House.

Zhao, who has taught himself since childhood, specializes in caricatures, New Year pictures, cartoon stories and traditional Chinese paintings. These are his sketches from life.



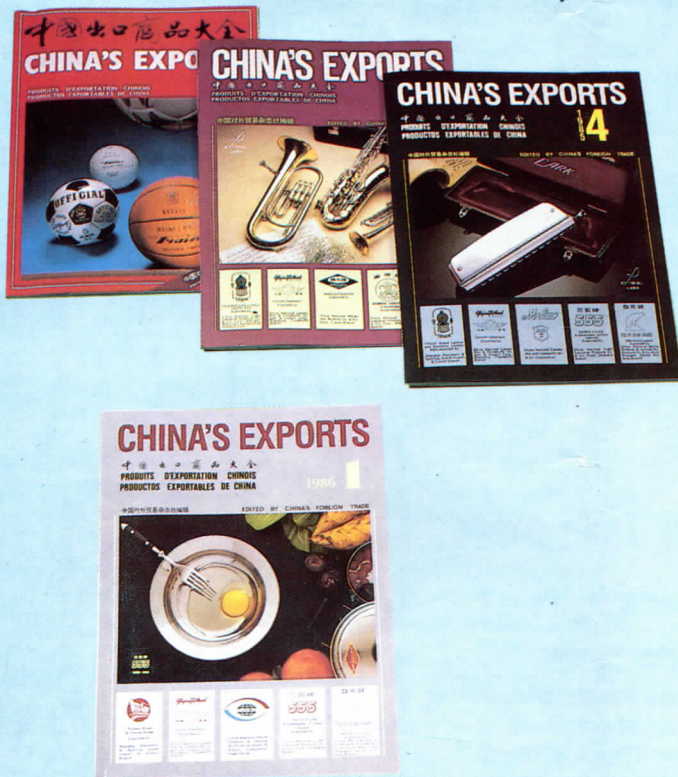
Ancient warriors.



Playing.

**ART PAGE**

# CHINA'S EXPORTS



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