

A CHINESE WEEKLY OF NEWS AND VIEWS

Beijing Review

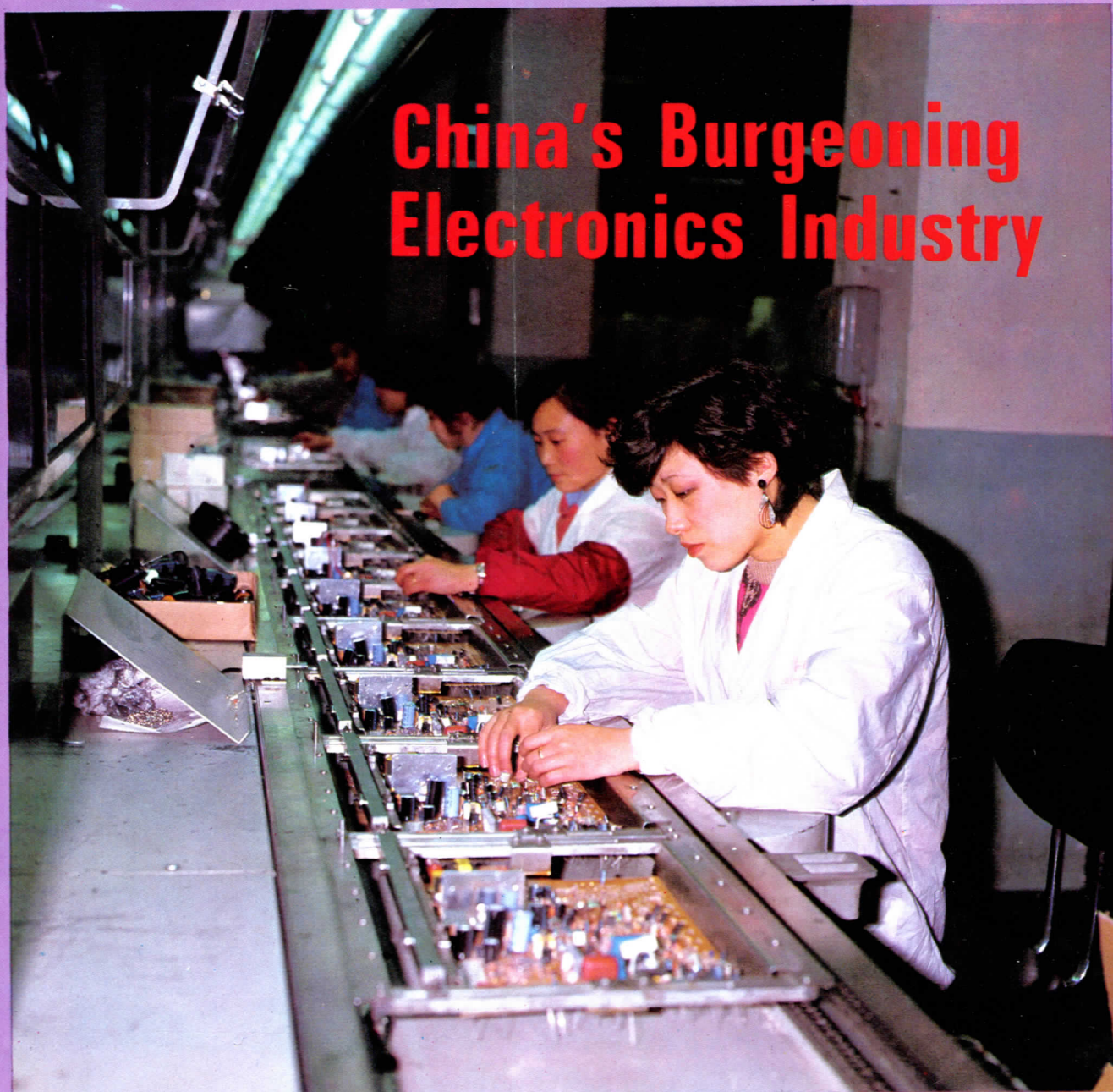
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Zhao on Development of Coastal Areas

China's Burgeoning Electronics Industry



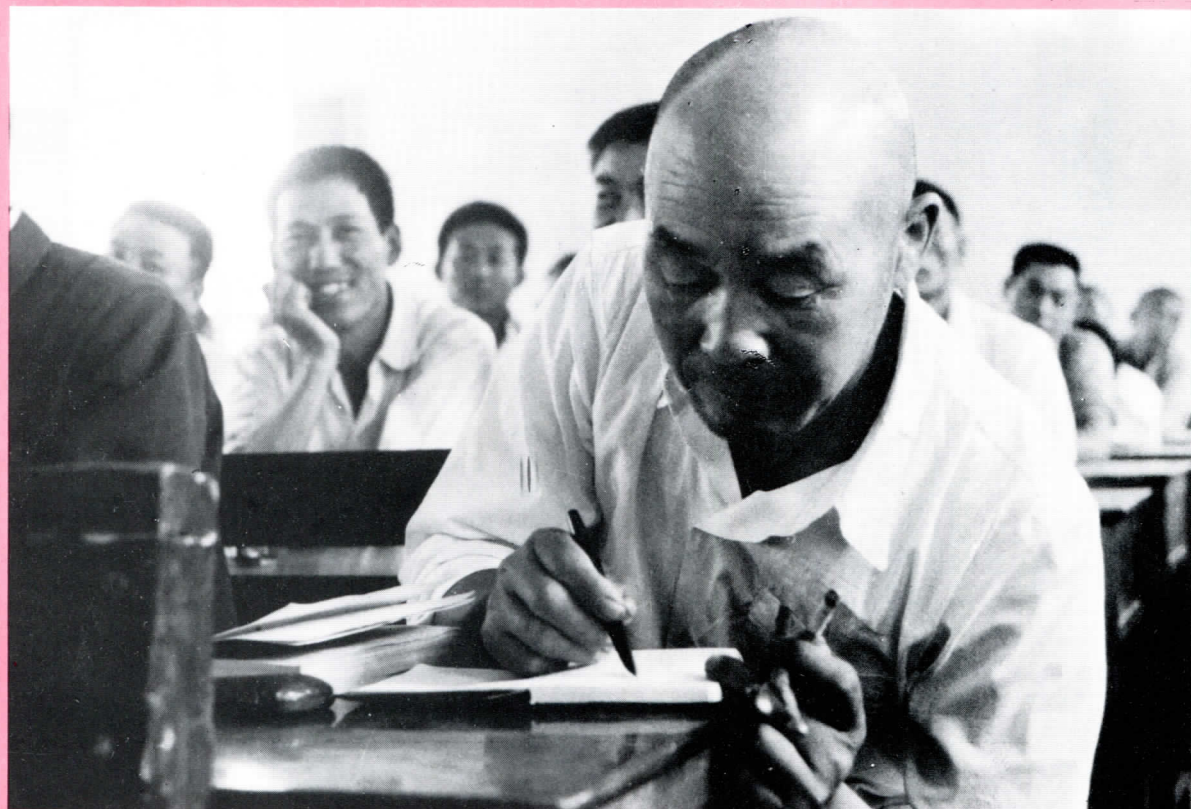


Farmers of Zhangbaling Village, Jiashan County, Anhui Province, studying the control of pests.

by Zhang Yinzeng

Huang Zhaogen, a farmer in Henan Province, at his agriculture technology class.

by Li Jin



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COVER: An assembly line of colour televisions at the Dongfeng Television Factory in Beijing.

Xu Xiangjun

HIGHLIGHTS OF THE WEEK

Zhao on Coastal Areas' Development

■ During his recent inspection tours of southern coastal areas, Party General Secretary Zhao Ziyang outlined the development strategy for these areas: to make the best of their strong points to develop labour-intensive industries and an export-oriented economy, and to expose producers to international competition and accustom them to operating on the international market (p. 14).

China to Wipe Out Monopoly Prices

■ Some enterprises and trade associations have been taking advantage of their new freedoms to raise the prices of their goods. This damages the interests of the state and the consumer, and the State Council has recently issued regulations to curb these activities (p. 20).

Grain Production Under Many Pressures

■ Handicapped by a growing population, shrinking available farmland and reduced investment, China's grain production cannot keep up with the fast growth of consumption. The ultimate solution is to intensify farming and increase per-hectare yield (p. 4).

Party Head Stresses Emancipation of the Mind

■ Hu Qili stressed the importance of emancipating the mind. He criticized abstract argument over what constitutes socialism while the development of productive forces is ignored (p. 5).

China's Burgeoning Electronics Industry

■ The new technological revolution and the mounting domestic demand for electronic products have spurred China's electronics industry into a rapid growth. Successes have been scored in satellite telemetry and telecontrol, computer development and new printing technology (p. 22).

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Grain Production: Today and Tomorrow

by Han Baocheng

China produced just over 400 million tons of grain last year, about 10 million tons more than in 1986, but 7.3 million tons less than the record year of 1984.

Handicapped by a constantly increasing population and shrinking available farmland, China's agriculture has failed for three consecutive years to fulfil its targets, and found difficulties in keeping up with the fast growth of consumption. In 1984, China's per-capita grain output averaged 394kg, but it dropped to 376 kg last year. The problem has been aggravated by a mounting demand for grain-related commodities such as pork, liquor, beer and other alcoholic drinks. Reduced grain output has caused animal feed shortages, price rises and a slump in pig-farming. As a result, pork has been rationed again in the state stores of many cities, Beijing included.

The slump in grain production is due chiefly to the low price of grain in relation to other farm produce. In 1985, the state deregulated the prices of most farm products, leaving them to find their market value. Grain, treated as a special commodity, is an exception, and its price remains controlled by the state. Commodity grain, supplied to the cities, is bought on contract by the state grain management departments from the farmers, and is also bought off contract as surplus grain at higher prices. However, the low price of the contract purchases is a disincentive to farmers.

In addition, reduced investment

in agriculture in recent years has also affected grain production. The state's investment in agriculture's capital construction has dropped from an average 11.9 percent of its total investment in capital construction in the pre-1979 years to about 3.4 percent today. The stagnation of grain production has concerned the whole of China. With this in mind, Party General Secretary, Zhao Ziyang, stressed the importance of grain production at the 13th Party Congress last October, and at the meeting of the NPC Standing Committee just recently.

The problem, however, is not likely to be solved soon, since raising the price of grain, to make it worthwhile for farmers to grow, will cause repercussions right across the price system and have a direct impact on people's living standards. The prices for farm produce can only be raised in line with the state's financial strength and in such a way as not to damage living standards. This year, the state will continue to reduce the amount of grain it purchases under contract and will also slightly raise the prices of some of the contract grains. In addition, strict measures will be taken to guarantee the supply, at state-set prices, of materials such as chemical fertilizers, insecticides, diesel oil and plastic sheeting which are needed for commodity grain production.

China plans to produce 410 million tons of grain this year. The Ministry of Agriculture, Animal Husbandry and Fishery, and local agricultural departments have

worked out specific measures, including increasing winter crops in the warm south, and expanding the area of multi-crop cultivation, as part of the plan to expand land given over to grain by over 1.9 million hectares to bring the total to the 1979 level of 110 million hectares. At the same time, the State Council has decided to increase investment by opening up more channels through which to finance agriculture.

To mitigate the effects of a growing population and shrinking farmland, the State Council has decided to organize people to reclaim wasteland under a unified programme, especially in the Three River Plain (the Heilongjiang, Songhua and Wusuli rivers) in northeast China and the valleys of the Huanghe (Yellow), Huaihe and Haihe rivers in north China. It is planned to improve 670,000 hectares and open up another 670,000 hectares of farmland in the northeast, and in the north to improve 13 million hectares of low-yield farmland by 1990. With the completion of these projects, these two areas will be able to supply 50 million tons more commodity grain and many other crops. The State Council has set up a land development fund with the taxes on farmland, which will co-ordinate the land reclamation on a larger scale.

In the long term, China's agriculture will continue to suffer the dual pressure of mounting demand and inadequate resources, and it seems the only way out is intensive farming, increasing per-hectare yield, and determined efforts to maximize grain output. ■

Emancipating the Mind Underlined

On January 25 Communist Party leader Hu Qili stressed the importance of emancipating the mind, saying that the primary ideological task for 1988 should be to achieve a deeper understanding of Party General Secretary Zhao Ziyang's report to the 13th National Congress of the Communist Party of China.

He said that but for the process of intellectual emancipation started in 1978, the Party's current policies could not have been formulated and there would be no ongoing reform.

Therefore, "only by further emancipating of the mind can we fully implement the guide lines of the 13th Party Congress," he said.

Hu Qili, member of the Standing Committee of the CPC Committee and its Secretariat, was speaking to a meeting of Party information chiefs from all parts of the country.

He said emancipating the mind involves the dual process of upholding the four cardinal principles (of adherence to socialism, the Party leadership, the people's democratic dictatorship and to Marxism-Leninism and Mao Zedong Thought) and daring to eradicate dogmatic interpretations or erroneous ideas alleged to be of Marxist.

He also criticized abstract argument over what constitutes socialism while the development of productive forces is being ignored. "Productive forces," he said, "must be recognized as the decisive factor determining social development."

All policies and measures helpful to the promotion of productive forces are necessary under socialism; all factors hampering the development of productive forces run counter to scientific socialism and should not be permitted to continue to exist, he said.

Hu said it is necessary to urge writers and artists to study Marxism so that they may gain a clearer understanding and a better capacity to analyze real life without becoming confused by superficial appearances.

Nevertheless, it is up to the writers themselves to determine what to write and how to do it as they engage in their artistic creation, he said.

As regards academic issues and how to judge artistic creation, there should be an atmosphere of democracy and equality which allows for free debate. ■

Hainan to Feature Market Economy

As Hainan Island moves away from a closed economy it will go one step further than China's four special economic zones in letting the market economy play a dominant role, say Xu Shijie and Liang Xiang, who head a preparatory group setting up the new province.

The new economic system will be unique to the island, they said on January 11. It entails building a market economy that retains the basic elements of socialism and combines what the planners call "effective practices and experience" drawn from other countries. Exports will be emphasized and industry will become the leading sector, according to an initial economic development plan drawn up by the preparatory group and the Chinese Academy of Social Sciences.

Hainan, the country's second-largest island after Taiwan, is now a special administrative district of Guangdong Province. It covers an area of more than 34,000 square kilometres and its population is 6.05 million, about one-sixth of

whom belong to minority nationalities.

The island is rich in natural resources. More than 50 kinds of minerals are found there, and it also boasts tropical crops, marine resources and tourist attractions. However, because of its geographical isolation and some historical factors, Hainan's potential has not been fully realized and it remains an underdeveloped area, lagging far behind China's other coastal regions.

To improve the situation, the 22nd meeting of the Sixth National People's Congress (NPC) Standing Committee, which took place last August 28-September 5, agreed on a proposal by then Premier Zhao Ziyang to make the island a separate province. The proposal will be submitted to the first session of the Seventh NPC.

According to the planners, development will proceed in three stages. The first will take three to five years and aims to outstrip the nation's average economic level and double Hainan's current output. The second will take five to seven years and aims to match developed areas in China and quadruple the island's current output. The third stage will take about 10 years and aims to surpass developed areas.

Since the plans for the island were first announced, a Hainan craze has spread across China's campuses and throughout the country. In the past two months, more than 10,000 people from all corners of the country have visited the island to check out the possibilities. Others have sent written job inquiries and applications to the personnel exchange centre, the preparatory group or other organizations on Hainan.

According to a graduate student studying economic management at the People's University of China in Beijing, who is also a leading member of the student-sponsored Hainan Economy Study Association, more than 80

percent of the 50,000 applicants across the country are graduating college students.

In new China's 39-year history, urban students have never before been so fascinated by this remote island.

"The major reason for the craze is people's confidence, which has been cultivated by the achievements of the current reform and openness," said a doctoral student at Qinghua University in Beijing, who is going to take his family to settle on the island.

Observers say the craze contrasts sharply with the situation several years ago when the Shenzhen Special Economic Zone, China's first experiment in the field of large-scale economic reform, was set up. At that time fewer people understood the potential of the special zone, and most graduates were more interested in working in a major city than in Shenzhen, although some enterprising young people went there. Since then, Shenzhen has prospered, and three other special economic zones have been established. Today people generally believe that the more flexible policies to be implemented on Hainan mean bright prospects for the island and the people who go there.

Young people see an opportunity to devote themselves to the island's development and at the same time achieve self-fulfilment. They think they will have fewer opportunities for success if they choose to stay in big cities, which are full of talented people. A recent survey showed that 80 percent of college graduates want creative jobs, which are thought to be easily found in some remote, frontier areas.

But some people are too romantic about the tropical island, or are thinking about the high pay they are likely to get rather than their potential contribution to the region. An official of the preparatory group said the local authorities welcome talented

young people but that all applicants should be mentally prepared for arduous work. "Don't rely on a moment's enthusiasm," the official said.

An elderly teacher who recently travelled to Hainan said the island is extremely beautiful with its tropical scenery. "But so far it remains basically an uncultivated virgin land." There are almost no rail lines and the energy and communications infrastructure pose big problems, she said.

"What bothered me most was lack of power. In a hospital attached to where I stayed, there was no power in the daytime. In the evening, we were supplied with electricity for only one hour. After 7 pm, the hospital generated electricity by itself. After 11 pm, there was no power at all. And I'm told that almost every shop works the same way. It's very inconvenient. And the price of candles keeps rising. In addition, the supply of running water is intermittent."

The teacher said fulfilling the ambitious development plan will be tremendously hard work. "From the papers, we all know that Hainan will be a very special zone—a future free port—and the young people are looking forward to it. But of those who come here, I doubt that all of them will stay long," she said. ■

China's Agricultural Policies Challenged

China is facing a shortage of key agricultural and animal products, particularly pork, He Kang, minister of Agriculture, Animal Husbandry and Fishery, said in his report to the 24th meeting of the NPC Standing Committee on January 16.

For the past three years, grain production has stagnated and failed to meet the state plans. In 1984, China's grain output hit the all-time high of 407.3 million tons.

But in the following three years, it was 379.1 million, 391.5 million and 400 million tons respectively. "China's agricultural output since 1985 can be characterized by one year of dramatic decreases followed by two years of slow growth," He said.

The minister blamed the country's slow agricultural growth and increased consumption demands as the main reasons behind the rationing of pork, eggs and sugar supplies in China's major cities. "One reason for farmers' lack of enthusiasm for raising grain, pigs, cotton and sugar-canes is that the state pays such low prices for these commodities," he said. "Low sale prices based on low purchase prices and high state subsidies encourage increased consumption."

Between 1979 and 1986, meat output increased at an annual rate of 12 percent, but pork production dropped by 360,000 tons in 1987. Increased meat output was offset by increased pork consumption. In the first half of 1987, state purchases of live pigs dropped by 5 percent, while pork sales increased 12 percent. Between January and August, pork sales in major cities jumped 15.7 percent, with even higher figures registered in Beijing, Tianjin and Shanghai.

He said the current sluggish grain production is partly the result of shrinking farmland in recent years. The loss of cultivated land to construction or other non-agricultural purposes has not been effectively controlled.

During the period of the Sixth Five-Year Plan (1981-85), available arable land shrunk by an average of about 470,000 hectares a year. In the past two years, it dropped further by a total 670,000 hectares. Thus it has been difficult to increase the sown acreages of both grain and cash crops like cotton, sugar-canes and oil-bearing crops to ensure steady output increases in all of them.

Meanwhile, state investment in the agricultural infrastructure has

dropped to 3.4 percent of the country's total capital construction investment in recent years, compared with an average of 11.9 percent during the 29 years from 1950 to 1979. As a result, water conservancy facilities remained in disrepair and the country's total irrigated farmland shrunk by 660,000 hectares between 1980 and 1986.

Discussing He Kang's report, members of the NPC Standing Committee said there are still very serious problems in agricultural production which will become a major obstacle to the country's current drive for socialist modernization. Governments at various levels in China should attach more importance to the country's agricultural production, they said.

China saw an encouraging development in agriculture in the period immediately after the implementation of the household contract responsibility system, according to Zhaxi Wangqun, a Tibetan member of the NPC Standing Committee, but the following policy of readjustment of grain prices and reduction of state investment in agriculture proved less successful.

The work of basic organizations in rural areas has been at a standstill over the past few years. Zhang Chengxian commented. This has hindered capital construction for agriculture. "Developing animal husbandry without consideration to the pace of agricultural and forestry development has resulted in damage to arable land," Lin Yishan said.

Some members suggested that farmers' enthusiasm should be fully mobilized through increases in incomes and the relaxation of controls on the price of farm and sideline products.

Wang Pu recommended that agricultural legislation be improved and laws concerning grain production and investment in agriculture be passed as soon as possible. "Since many farmland

water conservancy facilities are in bad repair," Wang Yongxing said, "the government should take measures to encourage water conservancy projects." Wang also suggested a law be drawn up concerning the protection of water and electric power resources. ■

Regulations to Keep Out AIDS

China's first administrative regulations designed to prevent AIDS from entering or spreading in the country went into effect on January 14.

The regulations were jointly issued by the Ministry of Health, the Ministry of Foreign Affairs, the Ministry of Public Security, the State Education Commission, the National Tourism Administration and the Civil Aviation Administration of China. They stipulate that all people entering China must fill in a health form, and foreigners intending to stay in China longer than one year must provide a health certificate which includes verification of an AIDS test from a hospital.

According to the regulations, the importation into China of blood, blood products, organisms and animals possibly contaminated with the AIDS virus is prohibited.

The regulations state that it is a person's duty, when under investigation, to provide information to health officials or departments. But to protect AIDS patients and virus carriers, the regulations state that their names and addresses can not be made public by any unit or individual.

"More than 72,000 AIDS victims have, so far, been identified in 128 countries, and the World Health Organization estimates that there will be 50 to 100 million carriers of the AIDS virus by 1991," said He Jiesheng, vice-minister of Health.

The vice-minister said the three AIDS cases found in China were all foreign tourists or overseas Chinese. Two of them have died and the third has been deported. Meanwhile, four Chinese in Zhejiang Province were found to have contracted the virus through imported contaminated blood products. Three of them were children and one has since died.

To prevent the spread of the killer disease from abroad, she said, China has since 1984 conducted AIDS tests on some people coming from abroad. Other steps towards education, quarantine, scientific research, and training for workers dealing with AIDS have also been taken.

The vice-minister commented that the regulations "will not only function to control AIDS in China, but will have great significance to the development of preventive medicine in the country." ■

Enterprises Likely to Bankrupt Merged

The merger of enterprises is a recently introduced practice in some Chinese cities. So far, 27 factories on the verge of bankruptcy in Wuhan have been merged with local profitable enterprises. The practice was described by the government of Hubei's capital as an effective way to deepen enterprise reform in the city.

Wuhan is one of the 16 pilot cities in China to attempt structural reforms to the urban economy. In March 1986, the Wuhan Radio Fittings Factory bought out the Jiangnan Lock Plant of Wuhan, drawing much concern. The practice then continued in the city, encouraged by the Wuhan municipal government.

"Some enterprises, which have been or are going bankrupt, may see better financial results after

joining with competitive companies," said Zhao Baojiang, mayor of the city.

The director of the Wuhan Towel Plant said the plant has expanded its production and lowered costs since it bought out the Third Towel Plant of Wuhan. After only one month, the plant set aside 3.5 million yuan for production expansions and increased profits by 400,000 yuan. "The auction of failing enterprises will speed up capital turnover and benefit intensive management," said the director.

According to an official of the local industrial and commercial bank, as much as 10 billion yuan has been extended in loans over the past few years to some unprofitable plants which, as a

result of poor management, are unable to repay the loans. The bank has now recovered more than 10 million yuan through the auction of the 27 failing enterprises.

In the city of Baoding, Hebei Province, competition has brought about various changes in the relations between enterprises. The practice of merging poorly-performing enterprises with successful ones is considered one of the main changes.

Mergers between enterprises successfully transformed failing enterprises and brought them increased economic results.

In the process of realizing mergers between enterprises, some departments concerned in Baoding saw administrative measures as necessary at times. Manage-

ment personnel in some failing enterprises adopted a passive attitude to mergers, fearing that they would lose their positions after their enterprises were merged. In this situation, the responsible departments would have to facilitate a coercive merger.

In the past, thousands of workers in unprofitable enterprises were ideologically confused by stagnant production and slack management. Many of them felt the prospects for their companies were gloomy. After the mergers, these workers were assigned new jobs and guaranteed wages and bonuses. Some enterprises also provided training for all employees. All these changes quickly set their minds at rest.

China's 10 Best Athletes in 1987

Top row, from left: He Zhuoqiang (weightlifting), Lou Yun (gymnastics), Huang Xiaomin (swimming), Nie Weiping (go), Yang Yang (badminton)

Bottom row, from left: Gao Fenglian (judo), Jiang Jialiang (table tennis), Li Lingwei (badminton), He Yingqiang (weightlifting), Liu Haiguang (soccer)



More Losing Firms Going Bankrupt

Poor management has led to bankruptcy for 1 million rural enterprises in China since the beginning of 1986. The number represents about 7 percent of the rural ventures that have sprung up in the past nine years.

China has more than 15 million rural enterprises, which draw about one-fifth of the total rural labour force. The ventures account for about half of the state's rural output value.

Although the bankruptcy of 1 million rural enterprises sounds drastic, the emergence of fresh competition has revitalized the economy. A recent article in *Economic Daily* commented, "It should be regarded as a breakthrough."

Most of the failed enterprises were collectively owned, and operated without state funds. State-run enterprises, however, have seldom gone bankrupt since they receive state assistance through tax exemptions and subsidies when they are in the red.

The article proposed that state protection for losing enterprises should be removed, allowing for their possible closure.

According to the paper the deficits of the losing enterprises in urban areas have also increased sharply in recent years—by 16.2 percent in 1985, 65 percent in 1986 and 14 percent last year. In the first half of last year, more than 7,000 enterprises were running at a loss, with a total deficit of 2.56 billion yuan (about US\$690 million).

Since an experimental system allowing for bankruptcy was introduced in 28 state-owned enterprises in six cities in August 1986, two of them have been declared bankrupt, four are still on a danger list, while the rest have managed to improve their performance. ■

Weekly Chronicle (January 25-31)

POLITICAL

January 25

■ In a congratulatory telegramme on the occasion of Romanian President Nicolae Ceausescu's 70th birthday, Chinese Party General Secretary Zhao Ziyang and President Li Xiannian acknowledge Ceausescu's outstanding contributions to the friendship between the parties and peoples of the two countries, saying, "We will make efforts to develop co-operative ties between our two parties and peoples."

January 27

■ A Chinese Foreign Ministry spokesman discloses at a weekly news briefing in Beijing that in a recent letter replying to leader of the Palestine Liberation Organization, Yasser Arafat, Zhao Ziyang praised the Palestinian people for waging a heroic struggle against brute force to safeguard their right to existence. He expressed the resolute support of the Chinese Communist Party, the Chinese government and people for the struggle of the Palestinian people, strongly condemned the Israeli authorities for using violence and demanded that they immediately stop their persecution and expulsion of Palestinian residents.

ECONOMIC

January 26

■ Speaking at the close session of the national agriculture work conference today, Acting Premier Li Peng urges government departments to make a concerted effort to ensure the stable development of China's agricultural production.

He says that hard work is needed to ensure agricultural development.

January 28

■ The China National Offshore Oil Corp. announces that 1987 was a successful year for offshore oil exploration. China pumped out 5.2 million barrels of offshore oil, of which 3.83 million barrels were for export.

To date, seven offshore sites are under development, and feasibility studies are under way on another four projects.

CULTURAL

January 25

■ Zhao Shengcai, director of the Shanxi Provincial People's Hospital in Taiyuan City, has developed a new male contraceptive technique after a decade of research, Xinhua reports.

The new method involves the injection into the spermatic duct of a liquid which can solidify and block the passage of sperm. The operation takes less than five minutes and costs less than 10 yuan.

January 28

■ A biographical album on Chinese senior leader Deng Xiaoping is to come off the press in late February this year, *Renmin Ribao* (People's Daily) reports.

It contains more than 500 pictures, half of which have never been published before, and a 16,000-character biography. The Amalfi Ltd. is to issue the Chinese and English editions for sale overseas.

SOCIAL

January 28

■ Tian Quiqin, a 24-year-old worker at the Cangzhou No.1 Knitting Mill in Hebei Province, who lost consciousness on January 2, 1987 due to carbon monoxide poisoning and lived for a year on intravenous feeding, recently recovered consciousness, *Health News* reports.

The paper says she is eating normally now and her body weight has increased.

MIDDLE EAST

Efforts to Resolve the Palestinian Problem

The Palestinian struggle attracts international attention and calls for a just solution to the problem.

The upsurge in the Palestinian struggle against Israeli occupation of Arab land, which began last December, is still continuing. Mass protests and demonstrations broke out almost daily during the past weeks. The situation has once again brought focus to the Palestinian problem and international calls for its resolution have been raised from all quarters.

The current struggle of the Palestinian people is characterized by their clear and common aims to oppose Israeli occupation, obtain freedom and establish their own country. A new generation of Palestinians with the indomitable Palestinian will are rising at the forefront of the struggle, injecting new vigour into the cause.

Last year, Israeli Premier Yitzhak Shamir refused time and again to hold an international conference on the Middle East situation under UN auspices, and tried to force Arab frontline countries to make a separate peace with it based on the acceptance of Israel's accomplished invasion and occupation of Arab territories in an attempt to blot out the Palestinian problem. Meanwhile the Gulf tension distracted international attention from the Arab-Israeli conflict and the Palestinian problem at its core, and diverted the energies of Arab countries from resistance to Israeli invasion and expansion. The West Bank and Gaza Strip became "forgotten corners."

However, last year's massive Palestinian demonstrations shattered Shamir's plans. Since the beginning of the upsurge, the Palestine Liberation Organization (PLO) has appealed for international support for the Palestinian people and an international

conference to resolve the Palestinian problem.

With its return to the Arab world, Egypt is increasing its role in Arab affairs. President Hosni Mubarak, before visiting Western European countries and the United States, called for a six-month halt to violence between the Palestinians and Israelis to pave the way for peace in the Middle East. He also set four goals to be met in the six-month period: a halt to all Israeli settlement operations, respect for the freedom and political rights of the Palestinian people, the ensured safety of the Palestinian people through international guarantees, and an international peace conference on the Middle East. He stressed discussions on the new peace proposal and sought support for it in the course of his visits to Federal Germany, Britain, France and Italy and the United States.

The four Western European countries, maintaining their close political and economic relations with Egypt, support the international peace conference proposal and share common stands with the Arab countries on the settlement of the Arab-Israeli conflict and the Gulf war. Mubarak requested that the four countries put political and economic pressure on Israel to ease its position. He also hoped that they would use their positions as allies of the United States to influence Washington.

Federal German Chancellor Helmut Kohl told Mubarak the conference issue will be put on the agenda of an extraordinary European Community summit scheduled to be held in Brussels this month.

The United States was the key consideration in Mubarak's tour. After conducting successful visits to eight West Asian countries not long before, Mubarak not only represented Egypt but also the Arab countries in his request that the United States take the responsibility for holding an international conference and seeking a resolution to the Palestinian problem.

The US position indicated recently by a White House

On January 23, more than 50,000 Israelis in Tel Aviv protested against the oppression of Palestinians by authorities.



spokesman is that direct negotiation is necessary between Israel and its neighbours, and that an international peace conference could be a helpful vehicle to achieve this. The Reagan administration declined to clarify its position on PLO participation in the conference.

Mubarak publicly stated that he did not expect the immediate acceptance of his proposal by all parties. He recognized the difficulties involved in changing the US position on the PLO and Palestinian rights to self-determination. Moreover, this year is one of general election for the United States, so exactly how much can be achieved by the Reagan administration goes without saying. It will by no means be easy for Mubarak to make any real breakthroughs towards changing the traditional pro-Israel US Middle East policy. However, Egypt's efforts will strengthen the position of the Arab countries and promote moves for peace in the Middle East.

Soviet leader Mikhail Gorbachev recently stressed the need for a speedy solution to the Arab-Israeli conflict and for a Middle East peace conference attended by the PLO, the five permanent members of the UN Security Council and other concerned parties.

UN Secretary-General Javier Perez de Cuellar on January 22 called on the Security Council to initiate an urgent international effort to solve the Palestinian problem through a UN-sponsored international conference.

Chinese Communist Party leader Zhao Ziyang in a recent letter to Chairman Yasser Arafat of the PLO reiterated China's support of the Palestinian people and for the convocation of an international conference on the Middle East question under the auspices of the UN.

Israeli Premier Shamir rejected both Mubarak's proposal and de Cuellar's call. But Israeli author-

ities are also facing internal pressure. Israeli Foreign Minister Shimon Peres, leader of the Liberal Labour Party, praised Mubarak's peace initiative. On January 23, 50,000 Israelis in Tel Aviv held demonstrations opposing their government's policy on the West Bank and Gaza Strip. Some demanded that the Shamir regime end its occupation of Arab territories and hold peace negotiations with concerned Arab parties.

The international community now requires urgent efforts for the just settlement of the Palestinian problem. With the heightening of the Palestinian struggle, strengthened solidarity in the Arab world and the development of international forces demanding a resolution to the Middle East problem, Israel, in its repeated attempts to forcibly occupy Arab territories, can only become more isolated than ever.

by Zhao Xin

FRG-CZECHOSLOVAKIA

A New Starting Point in Relations

Federal German Chancellor Helmut Kohl's visit to Czechoslovakia is a sign of improved relations between the two countries and between the East and West. It is also seen as a vital move on the part of Federal Germany towards promoting relations with East European countries.

During his two-day (January 26-27) stay in Prague, Federal German Chancellor Helmut Kohl held talks with Czechoslovak leaders on political, economic and human rights issues. Czechoslovak leader Milos Jakes told Kohl he has high regard for the development of relations achieved by the two countries in recent years. He briefed Kohl on the principal goals of economic reform in Czechoslovakia and said they open up new possibilities for further co-operation between the two countries in economics, science and technology.

This was Kohl's first visit to the East European nation, but the second one by a Federal German chancellor since the two countries established diplomatic relations in 1973. At that time former Chancellor Willy Brandt also paid a visit to Prague.

The visit, which took place at a time when East-West relations were showing signs of relaxation, offered a welcome opportunity for the two neighbouring countries to

promote understanding and co-operation.

Relations between the two countries have been cool due to both historical and existing factors. Except for an encounter between Chancellor Kohl and President Husak at the Moscow funeral of late Soviet leader Konstantin Chernenko in 1985, the heads of these governments have not met in the past 15 years.

Historically, the Munich agreement signed just 50 years ago by Neville Chamberlain of Britain, Edouard Daladier of France and Adolf Hitler of fascist Germany amounted to a sell-out of Czechoslovakia. This was followed by fascist occupation of the East European country the following year. This painful period of history left an indelible mark on the minds of the Czechoslovak people, and has stood in the way of steady development of bilateral relations.

During the post-war period, the two countries, as major members

of two opposing military blocs, NATO and the Warsaw Pact, were poised on the frontline of East-West rivalry with a massive concentration of troops and rockets. Progress in bilateral relations was out of the question then.

Although relations between the two countries did not reach a complete standstill in the past 15 years, substantial progress was not made until the detente in East-West relations in recent years. The foreign ministers of both countries exchanged visits in 1984; then there was the funeral encounter between Kohl and Husak in Moscow the next year, and another exchange of visits by foreign ministers in 1986.

Besides, Federal Germany is Czechoslovakia's largest trade partner in the West. Exports to Czechoslovakia showed a marked increase in 1987, while trade with other East European nations generally declined. Trade between the two countries totalled 2 billion marks (US\$1.24 billion) in the first half of 1987, with Federal German exports up 11 percent to one billion marks (US\$620 million).

Kohl's choice of Czechoslovakia for his first overseas visit this year is a further proof of improvement in bilateral relations. This warming-up in their relations is the result not only of improvements in East-West relations, but also the down-to-earth and patient approach of both countries. In the words of Federal German Foreign Minister Hans Dietrich Genscher, "positive elements in the bilateral relations have outweighed existing problems."

Kohl's recent visit represents a new starting point and has instilled fresh dynamics to bilateral relations in the political, economic and cultural spheres. In a broad sense, the visit has significance to Europe's security and stability, to the disarmament process and to future East and West European relations.

To increase the role of Federal Germany and Western Europe in East-West relations, Bonn has since 1983 increased contacts with East European countries. Last year alone, it played host to heads of state or government from Bulgaria, Yugoslavia, the German Democratic Republic and Hungary. At the same time, Federal German Foreign Minister Genscher visited Bulgaria, Czechoslovakia and Romania and just returned from a trip to Poland. It is believed that talks between Kohl and Czechoslovak leaders will exert a positive influence on the continued relaxation of East and West European relations.

Rapprochement between Federal Germany and Czechoslovakia, as well as within Europe as a whole is largely subject to the development of East-West relations and restricted in particular by US-

Soviet relations. Therefore, there is a long way to go before Bonn and Prague, East and West Europeans, can achieve a real closeness.

However, the general trend of increasing European co-operation through contacts and dialogue will not be reversed. Recent developments have proved to Europeans that it is not in their interests to attach East and West European relations entirely with relations between the United States and the Soviet Union. More and more Europeans have come to realize that they should take matters of regional security and peace into their own hands. Only in this way, can peace and security in Europe be safeguarded. Kohl's trip to Prague is an obvious reflection of this.

by Dai Lubin

NICARAGUA-US

Peace Efforts Encounter Interference

Nicaragua took definite, significant steps towards peace both during and since the January 15-16 summit meeting of the five Central American presidents held in Costa Rica. US President Ronald Reagan's insistence on contra-aid has met strong resistance at home.

The two-day Central American summit in the capital of Costa Rica, San Jose, the first since the signing of the August 7 peace accord, was crowned with success. In the early stages of the summit the condemnation by Honduras and El Salvador of Nicaragua's failure to implement the Central American peace agreement and the dispute between the five presidents over whether to defer the implementation of the peace pact caused an impasse. However, the timely 4-point statement by Nicaraguan President Daniel Ortega restored the situation so that agreements could be reached, and a joint statement was later

issued, demanding the immediate implementation of those clauses in the peace pact concerning ceasefire, amnesty, democratization, including freedom of the press and political pluralism, and an end to aid to irregular forces.

Ortega's statement was mainly to the effect that the Nicaraguan government would end its state of emergency, hold immediate direct ceasefire talks with the contra forces, issue an amnesty decree as soon as a ceasefire was achieved and the contra rebels returned to normal life as citizens, and conduct elections according to schedule.

The statement indicated concessions on some significant issues by the Nicaraguan government, and it is these concessions that saved the summit from failure. The 4-point statement was also welcomed by Nicaragua's opposition parties who regarded it as a major contribution to national reconciliation. Nicaragua is the focus of conflict in Central America and some observers maintain that the Nicaraguan government's move will undoubtedly facilitate the progress towards peace in Central American.

Immediately after the summit ended, the Nicaraguan government held its first direct talks with one of the anti-government organizations. On January 19, a presidential decree announced the lifting of the state of emergency and an end to the anti-Somoza tribunals. On January 24, the Nicaraguan government held ceasefire talks with a contra force minorities organization. On January 28, the Sandinista government held direct ceasefire talks with contra rebels.

However, the peace efforts of the Nicaraguan government are coming up against attempts by the United States to prevent any real progress. The day after the San Jose summit ended, President Reagan, reluctant to give up US military intervention in Central America, asked Congress for more aid to the Nicaraguan anti-government rebels. On January 19, the Reagan administration decided to resume US military aid to the contra forces.

But the demands of the Central American nations and people for peace, the prompt settlement of the region's conflicts and non-intervention by the superpowers are gaining strength. And Reagan's tough Central American policy is receiving more and more criticism and opposition at home. On January 19, a US news daily carried an article saying the Central American peace process is

based on the common efforts of the countries of the region to avoid war; the US government should respect the process, limit its involvement, and support rather than hinder the intentions to achieve peace. An even more pointed attack was made on

January 21 when the mayors of 40 US cities issued a joint statement, opposing the federal government's reduction of funds to domestic cities while it continued sending huge sums of money in aid to the Nicaraguan contra rebels.

by Chen Xiao

USA

Reagan — Before the Curtain Falls

As well as some thorny domestic problems, Reagan will have to face the challenges presented by a new round of arms talks and aid to Nicaraguan contras in his last year in office.

United States President Ronald Reagan delivered his State of the Union address on January 25, laying out the agenda for his last year in office and trumpeting a resurgence of political and economic freedom, the twin goals of his conservative revolution. Reagan gave his address as Congress opened for the 1988 session. The Democratic-controlled Congress is likely to back Reagan on some of the questions on arms control but oppose him on further aid to Nicaraguan contra rebels.

Summing up his record over the last year using the words strength, prosperity, peace and freedom, Reagan's speech concentrated heavily on the effervescent US economy. He said that one of his basic objectives in the year ahead is to maintain US economic growth, low inflation and full employment, the success of which relies on the control and eventual elimination of federal deficits. He once again requested the right to veto individual appropriation bills and the passing of a constitutional amendment on budget balancing.

Turning to trade problems, Reagan emphasized the danger posed by trade protectionism to the global economy, pointing out that a strong economy, full employment and even the future of the United States hinge on free, open and fair international trade.

Resuming aid to the Nicaraguan contra rebels topped the agenda of Reagan's foreign policy. Reagan said that he would formally submit to Congress a request for additional aid to the contras and urged the law-makers to approve the request. But according to some analysts, there will be fierce manoeuvring in the legislative body and the White House. Opponents to the president's initiative said that new US aid would torpedo the regional peace plan signed in August by the leaders of the five Central American countries.

The treaty on eliminating intermediate-range nuclear forces (INF), signed last year by Reagan and Soviet leader Mikhail Gorbachev, is now on its way to the Senate. Reagan pressed the Senators to approve it so that he will be able to leave for Moscow to attempt to reach another accord on halving long-range offensive nuclear weapons arsenals.

Apart from opposition from some conservative elements in Congress, expected fierce bargaining over category, verification and other technical questions concerning strategic weapons reduction will make it difficult, if not impossible, for Reagan to gain another triumph in his last year in the White House.

by Xin Di

Zhao on Coastal Areas' Development Strategy

Since last November, Zhao Ziyang, general secretary of the Chinese Communist Party Central Committee, has conducted two inspection tours of coastal Zhejiang, Jiangsu and Fujian provinces and the Shanghai Municipality. The following are his remarks on the economic development for these coastal areas which he delivered during the tours.

The state of the reform, opening up and economic construction in the coastal areas is excellent. Importing foreign investment and expanding exports to earn more foreign exchange are both good trends. Facts would indicate the level of economic development in the coastal areas will rise considerably so long as we adopt a correct development strategy.

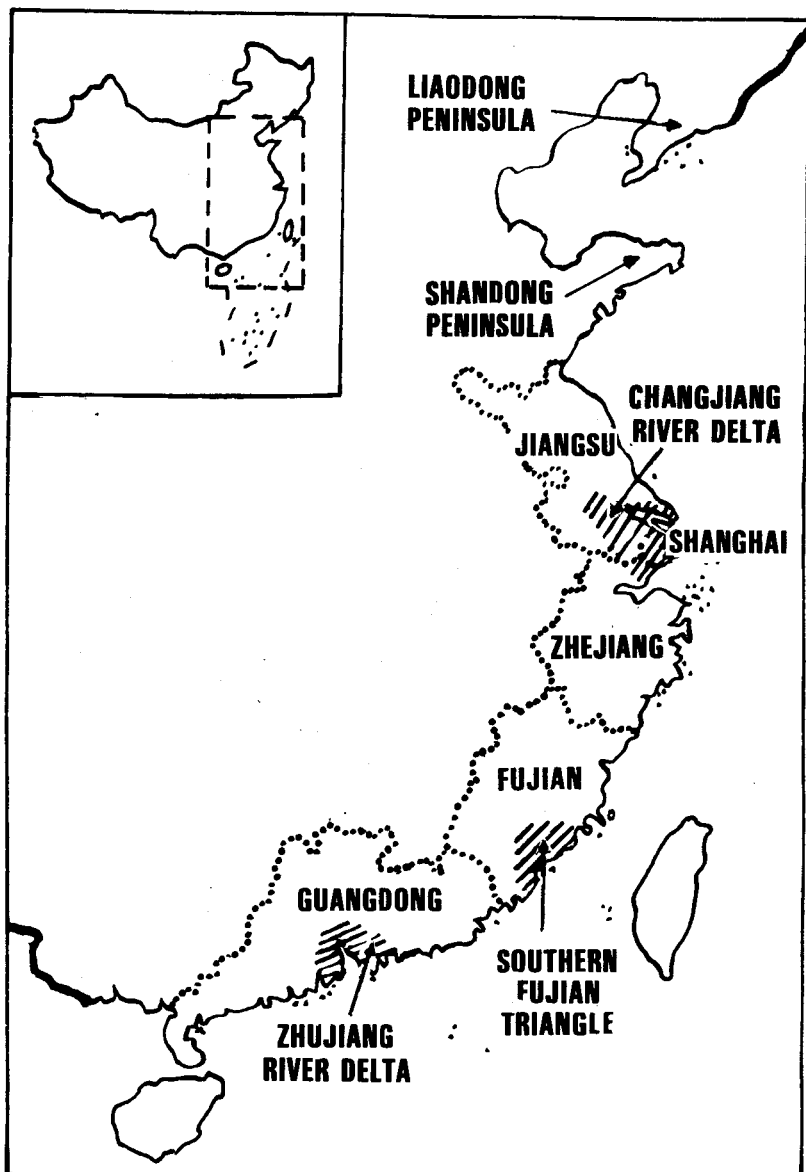
Good Opportunity

Economic development in China's coastal areas is making the best use of a good opportunity. Due to rises in labour costs, the developed world has been readjusting its industrial setup, and moving labour-intensive industries to places where labour costs are low. In this process, China's coastal areas are attractive since they have low-paid but fairly skilled labour, good transport facilities and infrastructure, and very importantly, a good scientific and technological development potential. So long as they do well, China's coastal areas should be able to secure sizable foreign investment.

China has in the past missed a few good chances for development, we must not miss this one. We must have a sense of urgency. To make use of this opportunity, the coastal areas must draft an appropriate development strategy. It is necessary for the coastal areas, with their population of one or two hundred million, to take their place on the international market in a planned way and step by step get further involved in international ex-

changes and competition, and energetically develop an export-oriented economy.

If the coastal areas, including the Zhujiang (Pearl) and Changjiang (Yangtze) river deltas, the

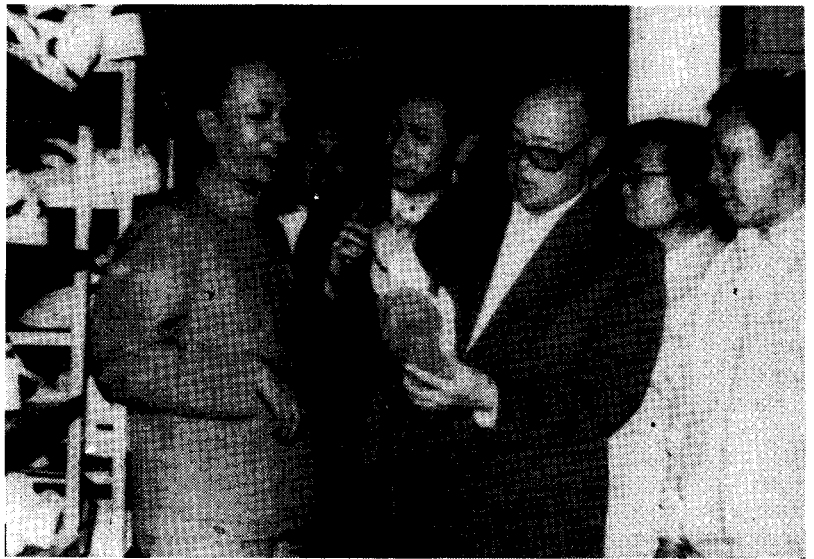


southern Fujian triangle, and the Shandong and Liaoning peninsulas, fulfil their potential on the international market, and develop a solid export-oriented economy, this will not only expedite the economic development of the coastal areas themselves, but will certainly also boost the development of the central and western regions. Politically and economically, this is of great strategic significance.

To realize this development strategy, China should attend to the following priorities:

First, it is necessary to lay emphasis on developing labour-intensive industries. China has an ample supply of human resources, labour costs are low but their quality is good. We should make full use of this advantage, and make energetic efforts to develop labour-intensive industries, as well as industries that are both labour- and knowledge-intensive in the coastal areas. Processing with supplied and imported materials is in fact export of labour in the form of finished products, and it should be actively developed. We have plenty of coal which can be used to generate electricity. The coastal areas must develop their power industry, so as to provide energy for the development of labour-intensive industries and an export-oriented economy. We have plenty of cheap labour, coal, sand and stone for building, and they can be used to develop the building materials industry, which is also a large labour-intensive field. The export of building materials has great potential and a bright future.

The vast rural areas along the coast should also look to the international market and to an agriculture which earns foreign exchange. While making efforts to develop labour-intensive industries, the special economic zones, major cities and other places with appropriate conditions can also develop some high-tech industries. But judging from the overall situation at present, primary



Zhao Ziyang inspecting an export sports shoe factory in Quanzhou during his tour of the southern Fujian triangle last November.

XIAO HUIJIA

attention should be paid to developing labour-intensive industries, as well as those which are both labour- and knowledge-intensive, because labour-intensive industries can make an easy start and suit the current conditions in many of our coastal areas.

Second, the processing industries in the coastal areas must follow the principle of "putting both ends of the production process (the supply of raw materials and the marketing of products) on the world market" and import more raw materials and export more products. What with the increasing demand for raw materials from the coastal processing industries and the economic development of the inland areas, the old method of relying solely on the inland areas for all raw materials will not do, for it will inevitably aggravate the competition for raw materials between the coastal and inland areas.

The various localities should be encouraged to use part of the foreign exchange they retain as working funds, and energetically develop processing with imported materials. Places with appropriate

conditions can begin to produce replacements for components and spare parts which are now imported as well as raw materials, so as to raise the value added on products and improve the export products.

In attracting foreign funds, the focus should be on drawing investment from overseas businesses to develop the foreign-funded enterprise sector. This way the foreign investors will make common cause with us; they will have the motivation to improve product quality, technological level, enterprise management and product marketing.

Reforming Trade Structure

For this strategy to succeed, it is necessary to reform the old foreign trade structure and make sure that the localities and enterprises can import and export as they see fit.

The fundamental problem of China's current foreign trade structure is the practice of "eating from the same big pot" (meaning that foreign trade companies receive the same benefits regardless of their efficiency—Tr.).



The decorative porcelain produced by the Baitenghu Joint Development Company in Doumen County, Guangdong Province, sells well both at home and abroad.

XUE CHAO

Solving this problem will certainly release great potential.

It is right that we should move carefully on the issue of reform. We have been prudent. Comrade Deng Xiaoping has repeatedly told us to be a little more bold and not be afraid of taking risks. His opinions are very important. If we always hesitate in making decisions, we will accomplish nothing and miss good opportunities. Of course, I am not for adventurism. But decisions must be made where they are needed. It is high time we solved the problem of the "same big pot."

As for the reform of the structure of foreign trade, I said in the report to the 13th National Party Congress, "The reform should be designed to give foreign trade enterprises full authority over management and full responsibility for profit and loss. This will ensure better co-ordination between industry and foreign trade and lead eventually to a system whereby foreign trade corporations can act as agents for other enterprises in the export of their commodities." Letting foreign trade enterprises take full responsibility for their own profit and loss is the essential first step. If this question is not solved, the

reform can not proceed well. Only by giving foreign trade enterprises full authority over management on the basis of making them wholly responsible for their own performance, can production be co-ordinated with marketing and the producers be properly exposed to international competition and gradually get accustomed to operating on the international market.

There are two other problems related to foreign trade. First, I suggest the various localities put aside as much of their retained foreign exchange earnings as possible as their working funds while the central government can continue making allocations to the localities. This would help make up the shortage of foreign exchange needed to import raw materials and export products on a large scale.

Second, it is necessary to introduce a system of risk funds for farm and sideline products. To link the coastal areas' economy with the international market more closely, we must find a way of mitigating the influence of swings in the international market. There are some products whose market is particularly

volatile, whose demand can swing by wide margins. Therefore, a big country like ours should have some "regulatory" stockpile, which can help keep domestic prices relatively stable and enable us to stand changes in the world market.

Role of Rural Enterprises

To develop an export-oriented economy in the coastal areas, there are matters of policy, systems and enterprise management still to be solved. The focal point of our policies should be to mobilize the initiative of the people, tap their potential and let them work with all their might. Only then will there be any hope of establishing an export-oriented economy in the coastal areas.

Experience over the last few years has taught us that a good system allows the realization of potential, while a poor one will lead inevitably to lots of difficulties. Over the last two years, we have done a great deal to improve the management mechanism of large and medium-sized enterprises. We must continue making realistic efforts to rejuvenate all our large, medium-sized and small enterprises. But, given our present economic environment, it will be very difficult to invigorate the large and medium-sized enterprises in the short term. Small enterprises, meanwhile those in the rural areas in particular, are filled with vigour from the very start because they are operating with a sound management mechanism. Rural enterprises in the coastal areas now look set for a major boom.

Since they came into being, the rural enterprises have operated the mechanism where they take sole responsibility for their performance. They have grown amid competition where those which succeed develop, and those which fail go bankrupt or are forced to switch to other lines of produc-

tion. They have a strong sense of competition and survival. They are flexibly managed and able to adapt themselves to market changes. They also offer good services, and their delivery time is short. All this makes foreign trade companies happy to deal with them and foreign business people to co-operate with them. Generally, rural enterprises are not overstaffed like large state enterprises, and are efficiently operated. In the face of fierce market competition, rural enterprises keep a close watch on technological advances and the development of new products. The management mechanism of the rural enterprises is conducive to exports and helps them hold a strong position in the market both at home and abroad.

Over the last few years, rural enterprises have multiplied in the Zhujiang and Changjiang river deltas, as well as on the Shandong and Liaodong peninsulas. Many of them started in extremely simple and crude conditions. This can change very quickly. In Wujiang County, Jiangsu Province, I visited a textile mill. It is fitted with advanced Swiss equipment. Many rural enterprises have put up new factory buildings which are just as good as state-owned factories. The proportion of foreign exchange earned by rural enterprises within the total of the coastal areas has shot up. They have become the new impact force for the development of labour-intensive industries, the establishment of an export-oriented economy, and the expansion of foreign currency-earning exports in the coastal areas.

To expand further, rural enterprises must continue to work in a spirit of austerity. In the first stages of the development of an export-oriented economy where there is a shortage of funds, enterprises should use what funds there are to import foreign wherewithal for processing and assembling export products while

making full use of their existing facilities, and not spend precious money on constructing more buildings. They should develop like a snow ball—first accumulate funds by exporting products and then import some new equipment and build more facilities. They must improve the training of workers and make efforts to improve the quality of their labour force. At present, only by having a low-paid, but highly qualified labour force, can the rural enterprises hope to keep a good position in the world market.

Foreign Management

Backward management of enterprises is common in China, and the scale of the waste caused by poor management is horrifying. It is true that some of our equipment is outdated. But our management is even more backward. Our enterprises have many advantages—low labour costs, high technological skill and fairly good factory buildings and equipment. However, these advantages are more often than not offset by poor management.

In order really to strengthen and improve enterprise management, we must resolve to implement the contract system. Only by doing so, can ownership and management of enterprises be truly separated and the directors' managerial authority be genuine. My discussions with factory directors in Shenyang suggest that the bigger the risks involved in a contract, the greater the authority of the director. Some places have tried collective risk bearing, and bidding for contracts.

When a contract is a success, everyone benefits. If it is not, all the people who took on the risk suffer smaller bonuses and welfare. Everyone is in the same boat. This will give rise to many new ideas for success and will result in the eventual improvement of management. Now, all factories, both advanced and

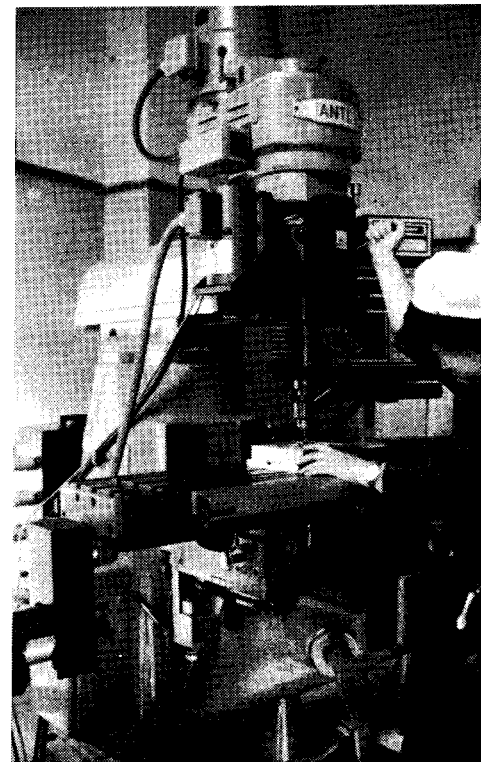
backward, have great potential. The key lies in management and in motivating the people. Experience over the last few years has proved that the contract system promotes the formation of such a mechanism.

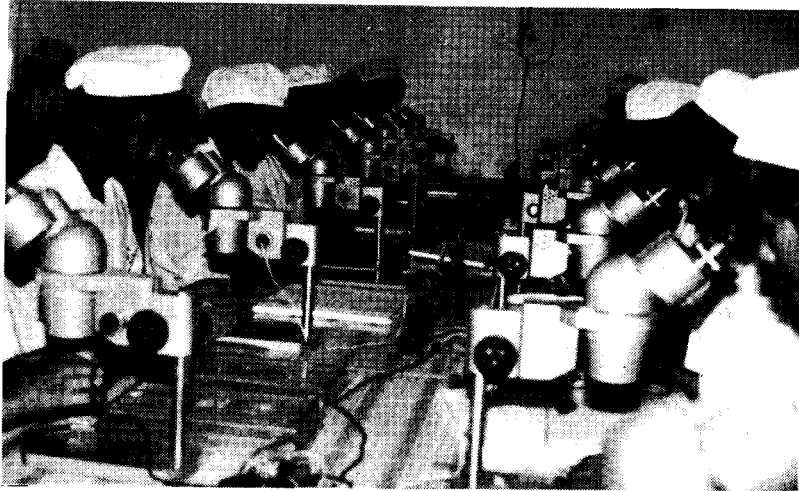
The specific methods of running an enterprise well must be explored in practice. The principle is to let competent people run enterprises. Those who are capable of generating profits for the state and the employees should be allowed to take charge, regardless of whether they are Chinese or foreign, local or from another place. Larger enterprises can run smaller ones and small enterprises may run large ones. The methods can be management under contract, or under lease, or management with joint stocks.

It is necessary to let foreign business people manage foreign-funded enterprises. For a while, at least, the management of Sino-

Small lathes produced by the Ningbo Machine Tool Factory are exported to the United States.

XUE CHAO





CUI BAOZHANG

• Last year, this electronics factory with its workforce of 100, in Putian County, Fujian Province, made 300,000 yuan in profits by processing supplied materials.

many advantages. First, it will help shake off the fetters of the old system, and promote strict management. Second, the foreign managers tend to show more concern for product quality, technological advance and the marketing of products abroad. They will make earnest efforts to tackle these issues and increase the enterprises' income. Third, their financial success will attract other foreign business people to China. Fourth, they can help us train modern managers. And fifth, they can help train our workers, thus improving the quality of the labour force.

Science and Technology

We have quite a potential for scientific and technological development. Very few developing countries have as strong a force as we do. The problem is that we have not made full use of this advantage due to problems in our policies and systems. It is necessary to mobilize and organize our scientific and technological force and see to it that it makes maximum contributions to China's participation in intern-

foreign joint ventures and co-operative enterprises should be left to the foreign side or left mostly to them. They should be allowed to run the enterprises according to international norms: advertising for employees publicly and freely and dismissing workers according to contract. In a word, it is necessary to create an environment where foreign managers can run enterprises according to international standards.

Whether an investment environment is good or not can be judged by whether a foreign business can make a profit or not. The key lies in letting foreign managers run enterprises directly and respect their managerial authority, while protecting the legitimate rights of the Chinese party involved. If a foreign manager runs an enterprise well and makes more money by exporting more products, we all get an increased share.

In the past there was an erroneous view which said that to let a foreigner run an enterprise was to give up sovereignty. This view must be corrected. It is common practice to hire professional managers from abroad. In the developed Western countries, the managers of big companies are not all necessarily

natives of that country. Some of our state-owned enterprises, such as the Wuhan Diesel Engine Plant, have invited foreigners as directors, and this has proved a great success. To allow foreigners to run joint ventures and co-operative enterprises should not be a problem so long as they run them well.

Allowing foreigners to run such enterprises benefits both the foreign side and our side and has

Various decorative plates and murals made by Yantai's Zhifu District Enamelware Factory are exported to Europe, Japan, the United States and Hong Kong and Macao.

WANG HUI



ational role. The participation of scientists and technologists in China's reforms is extremely important to the realization of the development strategy for coastal areas.

It is imperative to change the view in the field which looks down on small enterprises and sees work in rural enterprises as a loss of face. In fact, the rural and township enterprises are the most ready to assimilate the results of scientific research. Once science and technology are combined with their flexible management, rural enterprises will have a greater future.

We must integrate scientific research with production and link the interests of scientific research institutions with their research results. We must allow the research institutions to earn a living through their research results and thus introduce competition into scientific research. The better their research results, the more they are needed by society and the greater their rewards.

Some people say that in this way all research institutions would undertake short-term research projects at the cost of long-term ones. This is nothing to be afraid of. The long-term scientific research projects, which have an important bearing on the development of the country or of a particular region, can be incorporated into the plans of governments at various levels and be given special support. They can be distributed through public bidding.

We should allow scientists to start up their own enterprises, especially those in technology-intensive industries. There are some people who are good at scientific research but poor at management. They can concentrate on research. There are others who are able in both; they should be allowed to start businesses. Around the scientific research centres and institutions of higher learning, some technology-intensive enterprises — enterprises

that can use and demonstrate research results — should be set up. This will be conducive both to the development of scientific research and to our economic development.

The Coast and Inland Areas

At present, there are two contradictions that merit attention: One is the contradiction arising from the transition from the old system to a new one, and the other is the imbalance in the development of the coastal and inland areas. These problems must be handled properly.

There are big differences in the economic and cultural conditions of the coastal and inland areas, and it is impossible to conduct economic development throughout the country at a uniform pace. First, it is necessary to ask the coastal areas, as they work on their reforms and on expediting their opening up, to avoid unnecessary conflicts and frictions with the country's economy as a whole. This is especially pertinent to pricing. The measures they adopt should be well thought out and they should do all they can to reduce any bad effects these measures might produce on the inland areas.

Second, while seeking economic development, the coastal areas should avoid scrambling for raw materials and a home market with the inland areas. Instead, they should endeavour to build an export-oriented economy.

Third, in importing foreign funds, the coastal areas should lay emphasis on the establishment of foreign-funded enterprises, and on other direct foreign investment. Particular efforts should be made to import foreign funds to re-equip existing enterprises. This will help reduce the foreign funds the state must borrow, stabilize the economy and improve profits. Foreign funds can be used mainly to import key equipment and technology, thus producing a

drastic reduction in the equipment China must supply and helping the state to bring investment and credit in fixed assets under control.

To import foreign funds for the technological revamping of existing enterprises and let foreign businesses take care of the management, it is necessary to make a realistic evaluation of the original property and sort out the problems of cutting down the managerial staff and finding new jobs for the redundant workers. Thus importing foreign funds for the technological renovation of existing enterprises not only helps save money and quickly raise the technological level of old enterprises, but in the process also promotes reforms in the personnel and labour systems of our enterprises. This is of great significance. In this regard, experiments should be conducted and practical measures worked out.

Finally, to develop their economy, the coastal areas should find more ways of raising construction funds from their own localities. They should make every effort to increase production and cut expenditure. This is the most important point. In the coastal areas, there are many poorly managed small shops and factories which have long been losing money, and become financial burdens. They can be auctioned off to collectives or individuals or other efficiently managed enterprises. This should greatly improve their chances of turning a profit, and the state will be able to divert more funds to key construction projects.

Paid land use can also be a major source of income. Towns in the coastal areas have no small source of revenues in selling their old houses. This can also benefit the reform of the housing distribution system. It is also necessary to try out the joint-stock system and turn more short-term funds into long-term funds so as to increase construction funds. ■

China Aims to Wipe Out Monopoly Prices

With the economic reforms, producers have been allowed to have a say in the prices they charge, and some have taken advantage of this to set high monopoly prices. Here we survey this disturbing new phenomenon and what is being done about it.

by Ling Bin

China used to have a highly centralized, planned economic system. The overwhelming majority of the commodity and labour prices were controlled by the state pricing management organs; the producers of these commodities had no role in the matter.

In 1979, China opened to the outside world and began loosening its economic policies. Having a say in the prices of their products has encouraged enterprises to speed up commodity production and revitalize themselves. It has also resulted in some enterprises seeking unfair profits by conspiring to monopolize prices.

Multifarious Monopolies

Enterprises in the same line of business usurp the pricing organs by together fixing the prices of their products. Last year, directors of 18 printing and dyeing factories decided to raise the prices of over 50 dyestuffs; ten pharmaceutical plants, which produce raw materials for the production of *Xinnumin*, an anti-biotic, raised the price of their products; representatives of the vinylon factories in Shanghai, Beijing and four provinces raised the price of polyvinyl alcohol; 108 low-voltage electrical goods enterprises in March 1987 issued a "joint letter to consumers," in which they announced price rises for 260 products; in November, nine enterprises in Beijing, Chongqing, Shenyang and five other cities called a meeting and decided

jointly to raise the prices of a certain kind of refractory material they produce.

Enterprises in the same line of business jointly decide to find the highest prices for any of their products whose prices are under state control but which are subject to market fluctuation. A number of ball bearing factories did so in December 1986.

Enterprises decide to raise the prices of products subject to market regulation under the guise of trade meetings or trade associations. For example, the "1987 price negotiation meeting of the national steel ball industry," attended by representatives of 27 factories, decided to raise the prices of steel balls by 50-60 percent beginning January 1, 1987; and the national association of sliding wheel makers asked its member factories to go along with the new price the association had fixed.

Trade groups fix base prices for products which are in ample supply. For example, in 1986, the electricity meter joint group decided to maintain a base selling price and impose quota sales restrictions on electricity meter factories last year, it also decided to ban its members from providing electricity meter parts and components to non-group enterprises.

Some trades arbitrarily decide to increase their charges. For example, some units in the railway industry decided to increase the charges on consigners and passengers; some units involved in power supply decided to raise the price of electricity and threatened people

who objected with suspension of their power supply.

Contributory Factors

Over the last few years, with the reform of the economic structure, market regulation has been introduced into the planned economy and cross-regional economic associations formed. This has broken the compartmentalization which had existed between different regions and trades. In their new found unity some groups began to decide on the scale of their products' marketing and the prices, and to work out restrictive quotas.

During the price reform, planned prices began to give way to different, less rigid pricing systems. The state allows enterprises to fix the prices for the products they sell themselves, including the above-quota part of certain means of production. Products are being sold at different prices at the same time. This makes it possible for producers to seek monopoly prices.

Some enterprises have a leverage role within their own trade, while others are sole producers of a product. Many of them are contracted out to individuals, or are now responsible for their own performances—easily allowing for monopoly pricing.

Many important goods are in short supply in China. Their producers are ideally placed to monopolize prices for higher profits.

Different Contexts

Monopoly prices are the product of a commodity economy. Nonetheless, they take on different characteristics depending on their economic and social contexts.

In the capitalist world, the monopoly prices are based on the private ownership of the means of production, with the extra profits earned belonging to the capitalists. But the monopoly prices in China are fixed mainly by the state-owned enterprises with public ownership of the means of production. The extra profits are partly used as bonuses or allowances for the employees, with the remainder belonging to the enterprises. However, this does harm the interests of the state, the consumers and other businesses.

In the capitalist world, the monopoly prices take shape through market competition and in the context of monopolized production. In China, however, monopolized prices are appearing

at a time when the market system is in its infancy, market competition is only beginning to be felt and many commodities are in short supply.

In the capitalist world, the monopoly prices are in some ways supported by the banking system.

The monopoly price fixers are forcing prices up for higher profits. The State Council promulgated regulations last year to strengthen the management of the pricing of capital goods and to check wild price hikes.

In China, however, these prices are free of any bank support.

Counter-Measures

The monopoly price fixers are not attempting to enhance the

quality of their products and reduce production costs, but are simply forcing prices up for the sake of higher profits. This is harmful for the working of the market and the healthy development of a planned commodity economy; it impedes technological progress and the restructuring of the economy. It damages the interests of the state, the consumers and other businesses. Its spread will hamper the smooth progress of the economic reforms.

The State Council promulgated regulations last year to strengthen the management of the pricing of capital goods and to check wild price hikes and charges. They stipulate that no enterprise may work to fix a monopoly price whether or not the state has worked out a ceiling price for the product, or decreed it subject to flotation or market regulation. The State Council promulgated other regulations last year on management of pricing, which list monopolized prices fixed by enterprises or trade organization as being in violation of the state law and pricing policy.

On January 11, the State Council decreed that the state prohibits all monopoly prices set by enterprises and associations, and undertook to punish any business which, taking advantage of its monopoly position, inflates prices for higher profits or which conspires with others to force up prices.

The existence of such prices indicates that the state needs a law to eliminate and prevent monopoly pricing and needs to look again at its policies on industry. Meanwhile, the state needs to coordinate prices and replace monopoly prices with reasonable ones. The state must give guidance to enterprises on how to manage the pricing system. While strengthening state supervision, efforts should be made to reinforce mutual supervision within industries and the supervision of society to check the rise of new monopoly prices. ■

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 on 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's Burgeoning Electronics Industry

by Our Correspondent Liu Jianjun

Spurred by the new technological revolution and the mounting domestic demand for electronic products, China's electronics industry, starting from a very weak foundation, is now experiencing rapid growth. Last year it produced over 40 billion yuan in total output value, six times as much as it did in 1978.

China manufactured 510,000 television sets in 1978 and about 16.8 million sets last year. In the nine years since economic reforms were launched, 70 million TV sets, 177.4 million radios and 50 million radio-cassette recorders have been made in China.

China is now able to design and produce 1,200 kinds of electronic equipment and attachments, some of which are as advanced as any in the world either in precision or in their manufacturing technique and have been widely used, notably in missile and satellite manufacture.

Since 1980, China's major electronics producer, the Ministry of Electronics Industry, has made nearly 4,000 research breakthroughs, some of which have won international acclaim.

Telemetry & Telecontrol

On August 5, 1987, China successfully launched and recovered a satellite. It was the 20th since China began launching satellites in 1970. In launching these satellites, China has been using the sophisticated missile-satellites radio tracking and control system, which China developed independently and which measures and controls the velocity, orbit, tilt angle and attitude of missiles and satellites.

China is one of the few space powers in possession of such a technique.

Liu Tiejing, an official of the Ministry of Electronics Industry, says China began researching this system in the early 1960s. It has since developed a dozen or so similar large-scale electronic tracking and control systems for the installation of a high-precision telemetry zone and a medium-precision telemetry and telecontrol network.

For example, China has equipped the high-precision telemetry zone with a continuous-wave interferometer system, a multi-station telemetering system and mono-pulse instrumentation radars. The application of telemetering stations and the optimum trajectory evaluation method has made it possible to reduce the error in measuring the component velocity to the cm/second requirements.

Liu says that China began researching and manufacturing the radio-telecontrolling system for atom bomb fuses in 1963, and succeeded in igniting its first atom bomb by remote control in 1964. In 1965, China formulated its satellite launching programme and began researching and manufacturing the missile radio exterior ballistic measurement and range safety control system. This system, complete with a radio continuous-wave component velocity measuring system, a control centre and five other attachments, is China's first-generation telemetry and telecontrol system for monitoring the launching of missiles and satellites.

In the 1970s, China set out to develop its second- and third-generation missile radio telemetry and telecontrol systems. The accuracy of telemetry and telecontrol and the multi-purpose use of the channels were much enhanced.

An assembly line of the Beijing Dongfeng Television Factory, which exports all its "Kunlun" colour sets.

YANG LIMING



In 1985 a US space delegation visited a satellite launching control centre in Shaanxi Province, which is composed of a telemetry and telecontrol system and a satellite ground station. One member on the group said in an article he published in the *US Aviation Week & Space Technology*, that China is extensively updating its satellite launching control centre to bring it up to advanced 1980s levels.

For the telemetry and telecontrol system, China has also designed and applied the new laser cinetheodolite, and fulfilled the initial task of telemetering carrier rockets for synchronous satellites.

National Defence

A highly placed official in charge of China's electronics production said that electronics technology is the core of weapons modernization. To modernize China's weapons and military equipment through extensively applying electronics will be the focus for modernizing China's armed forces in the future.

China has already equipped its latest "Qian-8" high-altitude, high-speed fighter planes with fire-control radar, aviation-guidance radar, rangefinder, radio altimeter and plane tail warning sets, all designed and manufactured in China.

Since the early 1950s when it set out to research military radar and related electronics attachments, China has designed and turned out more than 30 airplane- and ship-borne radars and other electronics devices.

In 1981 the Chinese Academy of Sciences succeeded in producing China's first state-of-the-art airborne imaging radar. It has also made a breakthrough in air-borne pulse Doppler technology.

In 1986, China's air force developed and put into service the Type-ZS Light-weight reconnaissance plane equipped with a video camera and a radio system.

China's navy is working on fitting all its submarines with electronic devices. Having already installed optical fibre, computer and satellite communications devices, the Chinese navy fleets are now able to communicate with headquarters anywhere.

China has now outfitted its military ships with radar systems and its missile-destroyers with technically advanced air surveillance radars, low-altitude sea searching radars, target-indicating radars as well as various kinds of fire-control radars.

The electronic ground command system, upon which the state conferred a special prize in 1985, has proved able, in large-scale military exercises, to improve the co-ordination and responsiveness of army groups. Its application represents an important step towards electronic warfare.

Computers

China began developing computers in the mid-1950s and turned out its first small digital vacuum-tube computer in 1958. In the early 1960s, it made its second-

generation transistor computer. About ten years later, it manufactured the third-generation small integrated circuit computer.

In the 1980s, the computer industry has been developing rapidly. It has designed and manufactured gigantic computers and various universal computer and micro-computer series. China now boasts a computer industrial system complete with hardware and data processing enterprises. Nationally, there are now over 200 computer manufacturing enterprises, which turned out 2,000 computers of varying sizes and over 200,000 micro-computers between 1981 and 1986.

Before 1980, China imported over 500 large and medium-sized computers from the United States, Britain, France, Japan, Romania and nine other countries. Since then, it has imported or technologically upgraded more than 50 micro-computer production lines and nearly 20 exterior device production lines, which will be able to produce over 400,000 micro-computers a year. The *Great Wall-0520* micro-computer, derived from advanced foreign technology, has won international recognition. It is now widely used

Experts checking the computer-laser Chinese-character typesetting system.

BAI ZHUZHEN



in the country and some have been exported.

An important breakthrough in China's computer industry is the birth of the *Galaxy* super-computer, capable of making 100 million calculations per second, and the 32-bit NCI-2780 mini-computer. In 1985, said Lu Ning, an official of the Ministry of Electronics Industry, when Beijing University developed the *Galaxy* super-computer, China became one of the few countries able to make such gigantic computers. The *Galaxy*, with its super-speed and large storage capacity, has proved applicable in space aviation, aircraft design, global weather forecasting and geophysical prospecting.

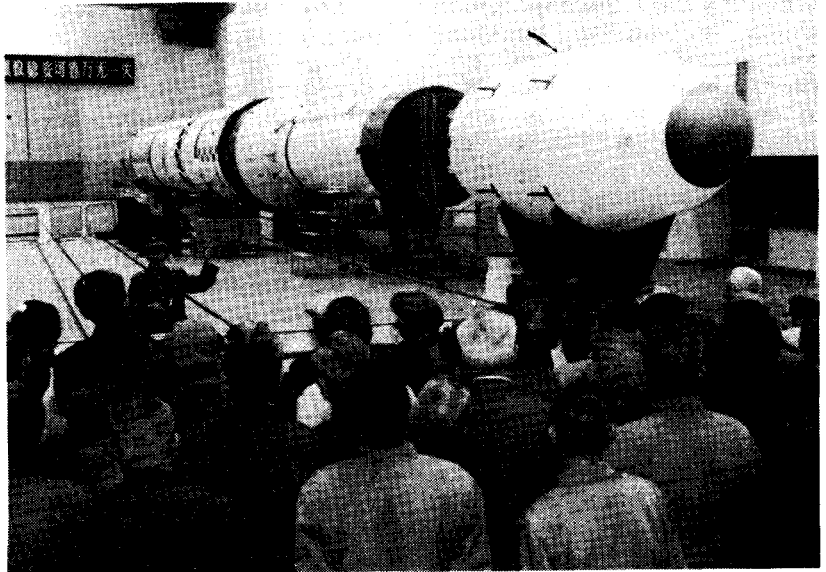
The 32-bit NCI-2780 mini-computer, made in 1984 as the first of its kind in China, has proved highly efficient and reliable. This computer, say some experts, is well-structured and has many programming languages. Its best features are flexible addressing, capacious virtual memory and multi-programme functions.

This computer technically comparable to the internationally applied VAX-11/780 of the American DEC company, has proved to be the most advanced of all the early 1980s designs. Now in service at the Xian Satellite Control Centre and on the *Yuanwang* ocean-going prospecting ship, this computer has been one of the few selected for use by the armed forces.

These two kinds of computers mark the birth of China's fourth-generation computers.

Printing Technology

The computer-laser Chinese-character typesetting system manufactured by Beijing University in 1985 undoubtedly heralded a revolution in China's printing and publishing industry. A gold prize winner at the 14th Geneva Scientific and Technological Fair and one of China's top ten



WU ZUZHENG

The "Long March-3" rocket at the Xichang satellite launching centre, Sichuan Province.

scientific research results registered in 1986, this system, the first of its kind in the world, with its unique data-condensing technology, is able to reduce the 2.5 billion bytes of Chinese characters 500 times. Its use requires a smaller workshop and much less manpower and electricity than the traditional stereotype, and it also avoids the risk of exposure to lead. The following table gives a comparison of the requirement for producing 50 million Chinese characters by the traditional and new methods:

According to an official of the Ministry of Electronics Industry, China has manufactured 32 such typesetting sets for the Xinhua New Agency and other news organizations. Capable of reduc-

ing production costs by 50 percent and raising efficiency 5 to 10 times, this system, when used nationwide, will greatly improve the country's 11,000 printing and publishing organizations.

Colour Televisions

In the spacious dust-free workshop of the Beijing Television Factory are installed two colour TV production lines, one imported from Japan and the other, made in China. Computer-controlled robots "plant" parts and components on circuits while workers assemble and check the completed sets as they come off the production lines, one every 45 seconds.

Traditional stereotype	Laser Typesetting
A workshop 1,500 square metres in area	A workshop 200 square metres in area
335 tons of lead, worth 1.14 million yuan	No lead needed
330 workers	25 workers

The factory's *Peony* brand colour televisions, known as "a flower of Beijing," sell very well in Sweden, Norway and many other countries.

China now has altogether 113 such production lines, of which 29 were made in China. These lines are able to make over 15 million sets a year.

An official from the Quality Control Department of the Ministry of Electronics Industry said China's 12 types of 14-inch colour televisions produced in 1986 each have a fault-free service period of over 20,000 hours. They are technically comparable to their Japanese counterparts. In some respects, such as sensitivity and power consumption, they are more than a match for their foreign rivals.

China signed a colour kinescope glass tube agreement with the United States in October 1986 and two months later a general agreement with Japan on producing colour kinescopes in Shaanxi, Shanghai and Nanjing. This laid the foundation for localizing the entire process of colour TV production in China by 1990.

Apart from continuing to mass-produce 14- to 22-inch domestic colour televisions, China has been devoting great efforts to developing new television technologies. It has already made much headway in researching into two-picture televisions, colour televisions up to PAL, Secam and NTCS standards, high-resolution colour televisions and stereoscopic colour televisions.

International Orientation

Importing and absorbing advanced world technology from which to produce for export is a shortcut for China to reach advanced technological levels.

Since China opened up to the outside world in 1979, its electronics industry has been geared up for full-scale imports of advanced foreign technology and

will continue to do so in the future. According to the Ministry of Electronics Industry, one-third of China's electronics enterprises have been revamped through technology imports. Almost half of the total output value of the electronics industry is obtained by importing advanced foreign technology.

An official of the China National Electronics Import and Export Corp. said that between 1980 and 1986 his company signed contracts with overseas businesses for importing 475 large and medium-sized electronics projects, worth over US\$3 billion, of which 319 have gone into operation. The import of foreign technology has quickened the development of China's electronics industry by 10 to 20 years and raised the quality of electronics parts by one grade. Take the company's Beijing subsidiary for example. About 1 billion yuan of its 1985 output value came from its imported projects.

The official said that substantial changes have taken place in China's imports, which are shifting from complete sets of equipment to technologies notably in the form of licensed trade. The focus is on the technological transformation of existing enterprises through software imports in particular.

The import of foreign technology can be conducted in the form of joint ventures, co-operative management, joint tendering for some projects, technology transfers and co-operative production.

China also absorbs advanced foreign technology through holding international symposia and exhibitions. For example, Beijing sponsored a "Federal German Electronics Week" last July, and Nanjing held an international microelectronics and mini-electric machinery exhibition last September.

Importing advanced foreign technology has boosted China's electronics exports considerably,

making it a powerful player on the competitive world market.

"The total export volume of China's electronics products," says Ni Zhen, marketing manager of the China National Electronics Import and Export Corp., "amounted to almost US\$500 million in the January-September period of 1987, and it is expected to reach about US\$1 billion in 1990."

At present, he says, China's electronics exports consist of nearly 100 types. Such products as radars, televisions, radio-cassette recorders, communications devices, electronics parts and attachments each earn China over US\$1 million a year.

The mix of export products has also changed greatly, from low-grade electronics parts to high-grade complete sets of electronic devices. In addition, some of China's electronic products have been well received on the international market. For example, China's 4-CK transmitting tube series exported to the United States measures up to the client's military standards. China has also exported to the United States electron tube assembling and testing equipment, technology and scattered electron tubes. It is the first time for China to sell electronic technology to a developed country.

Overall, continues the official, China only has a small share of the international electronics market. It pales in comparison with countries such as the United States and Japan. China is unused to world market developments and slow to follow new trends. So its products, often poorly packaged, are obsolete as soon as they appear. Efforts are being made to change this situation. Some 17 electronic production and export bases and many more electronic groupings have been set up in Beijing, Shanghai, Qingdao, Nanjing and Guangzhou to develop and export electronic products matching the demand of the international market. ■

Revaluation of NT\$ Hits Taiwan's Exports

Taiwan has been thriving on its export-driven economy for years. Now, the very strength of its currency is threatening Taiwan's success. We examine the nature of the present crisis and what is being done to avert it.

by Ling Li

By late last year, the New Taiwan dollar was rising by about three cents a day. By December 4, the rate of exchange between the New Taiwan dollar and the US dollar had broken the 29:1 level. "The price of the US dollar is exceptionally low," cried the Taiwan newspapers. "Bad consequences are inevitable."

Strong NT Dollar

By late 1987, the New Taiwan dollar had risen 22.62 percent over its January level, a rate slightly lower than the 22.66 percent increase of the Japanese yen, but higher than the rise of the DM of Federal Germany, the South Korean won and the Hong Kong dollar (which rose 17.71 percent, 8.2 percent and 0.31 percent respectively). This indicates that the New Taiwan dollar is one of the world's strong currencies.

In the 1960s, Taiwan's economy began its meteoric development and its industrial setup became foreign-orientated. Supported by the United States, Taiwan's foreign trade turned from deficit to surplus. Two years ago, the rate of exchange between the New Taiwan dollar and the US dollar was still unobtrusively at 40:1.

This decade, with the rapid development of Taiwan's foreign trade (which makes up 88 percent of its GNP), its foreign exchange reserves have bulged, increasing by US\$20 billion-30 billion a year since the mid-1980s. These

reserves rose from US\$22 billion in late 1985 to around US\$75 billion late last year, an exceptional phenomenon.

Today, Taiwan is the 16th trading power of the world, and over half of its foreign currency is earned from its trade with the United States. In 1981, Taiwan registered a surplus of US\$3.4 billion in its trade with the United States. The figure rose to US\$9.8 billion in 1984 and further to US\$16 billion in 1986. Last year, even though the United States forced the New Taiwan dollar to rise and squeezed many American products on to Taiwan's market, Taiwan still had a surplus of US\$13.7 billion in its trade with the United States.

Under strong political and economic pressure from the United States, the exchange rate between the New Taiwan dollar and the US dollar rose gradually to the present rate of 29:1. It is reported that by the end of this year, the exchange rate is expected to rise to 27:1 and stay at around 25:1 for the next few years.

Export Producers Suffer

The strong New Taiwan dollar is not at all a good thing for Taiwan whose economy is based on export-oriented processing and manufacturing businesses. The revaluation of the New Taiwan dollar hit Taiwan's agriculture and traditional labour-intensive industries: textiles and shoe- and

toy-making firms particularly hard.

Last year, Taiwan had a good harvest in 54 kinds of fruit. However, the strong New Taiwan dollar blocked their export while fruit imports increased. According to the paper *Ming Pao*, last September Taiwan imported 89,820 tons of fruit valued at US\$45 million, an increase of more than 50 percent over the same period the year before. As a result, fruit prices on the island plummeted. The price of oranges dropped from NT\$23 to NT\$5 a pound. The *Central Daily News* noted: "The hardworking farmers have suffered a merciless blow."

The Wanchong Leather Production Co. is Taiwan's chief leather exporter. Due to the revaluation of the New Taiwan dollar, orders for its shoes dropped 30 percent last year and it had to sack 100 employees. Taiwan's cobblers union estimated that orders for Taiwan-made shoes generally dropped around 30 percent last year. In the last two years, 52 shoe factories on Taiwan suspended production and another 158 closed down.

The marketing manager of the Kuangan Industrial Co., a prestigious tennis racket producer, said the revaluation of the New Taiwan dollar might force 25-30 percent of Taiwan's smaller sports goods factories to close down.

Taiwan's textiles had always been exported at minimal profit margins and were squeezed hard

by stiff competition from South Korea, Singapore and Hong Kong. Now even those tiny margins cannot be retained and many smaller textile mills in Taiwan are running at a loss. Every day, small textile factories are closing down.

Systems which Taiwan export producers used previously to fall back on to offset rises in the New Taiwan dollar are beginning to be broken up. For example the Central Bank of China started in September 1986 to buy long-range foreign exchange at workable rates of perhaps 90 percent from the Taiwanese foreign exchange banks. "This is a thing of the past," declared the *United Daily News*. The Central Bank of China has now suspended this practice. It is predicted that smaller businesses in Taiwan will suffer more blows this new year.

Extending Export Markets

Taiwan's economy was built up by the export processing industry. Today, 700,000 of these small and medium-sized businesses (over 95 percent of the island's total) are still the backbone of its economy and their export earnings now make up about 72 percent of its total exports value.

All these smaller enterprises are labour-intensive businesses with less advanced technology and weak competitiveness. They are extremely sensitive to changes in the exchange rate and find it hard to bear the losses inflicted by the New Taiwan dollar's rise. To survive, they are trying to turn themselves into technology-intensive businesses. However, this is a long-term task. Currently these businesses are extending their export markets to replace their dependence on the US market.

Expanding Trade With Europe. It is reported that in the first 10 months of last year, the bilateral trade between Taiwan and Europe was 65.2 percent more than the same period in 1986, being worth

US\$10.5 billion. Today, Taiwan's largest trade partners in Europe are Federal Germany, Great Britain and the Netherlands. Recently, Taiwan began to strengthen its trade with East European socialist countries.

Taiwan now mainly exports household electrical appliances, textiles and rubber and plastic products to Europe while importing from there chiefly chemical products and machinery.

To expand this market, Taiwan has, in recent years, been exchanging trade delegation visits with European countries and encouraged businesses from these countries to establish representative offices in Taiwan. Thus far, 12 European banks and 11 trading businesses have set up representative offices in Taiwan. Recently, the Taiwan authorities relaxed restrictions on trade with East Europe and permitted local business people to trade directly with the German Democratic Republic, Poland, Czechoslovakia, Hungary, Yugoslavia, Bulgaria and Romania, in an effort further to diversify Taiwan's European market.

Stressing Southeast Asian Market. Taiwan has also turned its attention to the nearby Southeast Asian countries. The *Taiwan Commercial Times* revealed that the Taiwan authorities have decided to emphasize the island's entrepot trade with Hong Kong, Macao and Singapore.

This is a way of expanding Taiwan's trade with the mainland. According to the *Far East Economic Review*, the mainland has already become one of Taiwan's 10 principal markets. In the first nine months of last year, over HK\$6.6 billion worth of Taiwan goods were sold in the mainland through entrepot trade, up 53 percent over the same period the year before. At the same time, HK\$1.12 billion worth of mainland products were sold in Taiwan via Hong Kong. Western analysis predicts that when Taiwan and the mainland begin direct trade, the

mainland will become one of Taiwan's four biggest markets.

Today, Southeast Asian countries are attracting more and more Taiwanese investment, being geographically close and rich in natural resources, raw materials and cheap labour. They are also waiting to be economically developed and have sizeable overseas Chinese populations. To expand Taiwan's export market, the Taiwan authorities now encourage local business people to invest abroad, particularly in Southeast Asia because this is seen as being helpful to Taiwan's exports there.

Of the Southeast Asian countries, Thailand has stood out because of its very cheap labour. Furthermore relations between the Thai and Chinese populations are good, and many of the Chinese there are Chaozhou and Shantou (Swatow) dialect speakers, as are many Taiwanese.

Officials of the Thailand investment bureau said many Taiwan paper mills, toy factories and textile mills intend to invest in Thailand, and they have begun to do so. One Chinese paper there says 49 investment projects applied for by Taiwan businesses were approved by the Thai authorities in the first half of 1987, a three-fold increase over the same period the year before. They were valued at US\$235 million, a nine-fold increase.

However, Taiwan faces stiff competition from Japan, Hong Kong, South Korea and Singapore who are also expanding their Southeast Asian markets. These countries and regions, which are also being hit by America's trade protectionism, all hope to expand their trade elsewhere. Competition is fierce. The Taiwan authorities now face the difficulties of deploying Taiwan's increasing foreign exchange reserves and reducing the adverse repercussions of the revaluation of the New Taiwan dollar on its export-oriented industries. ■

Will Reform Lead to Polarization?

"BAN YUE TAN"

(Fortnightly Forum)

Will reform in China's rural areas lead to a polarization of rich and poor?

Since the implementation of the contract responsibility system in China's rural areas, farmers' incomes have increased sharply. In 1985 the annual per-capita net income was 397.6 yuan, 2.6 times that of 1978, after the price rise has been deducted. From 1978 to 1985, the average annual rate of increase was 14.9 percent, compared to only 1.7 percent from 1965 to 1978. In 1986 the average per-capita net income for farmers was 424.05 yuan, an increase of 6.7 percent on the 1985 figure. In the first six months of 1987, incomes increased by 6.7 percent over the corresponding period for 1986, allowing for rising prices.

The difference in income among farmers is not great. According to the State Statistics Bureau figures based on internationally accepted coefficient computations, the coefficient of income differences between Chinese farmers was 0.2124 in 1978; 0.2366 in 1980; 0.2388 in 1981; 0.2318 in 1982; 0.2459 in 1983; 0.2577 in 1984, and 0.2636 in 1985. Statistics gathered by the United Nations organization concerned indicate that generally speaking, the coefficient should be between 0.2 and 0.6; coefficients below 0.2 or above 0.6 are considered unreasonable. Some departments hold that it is reasonable for China to control the coefficient within the 0.3 to 0.4 range. In recent years, the difference in incomes has progressively widened. However, this was the result of a breaking away from the egalitarian system which dominated in the mid-50s after the agricultural co-operative movement and since 1958 when the people's communes were set up.

Obviously, this difference can not be regarded as a polarization of rich and poor in rural areas.

The polarization of rich and poor would involve the private ownership of the means of production. In these circumstances, a small group of people owns a large proportion of the means of production and profits by the hard work of others, while the overwhelming majority of people have nothing to their names and must make their living as part of the work force. Since China operates under a socialist system, and the major means of production such as land and village and township enterprises in rural areas are owned by the collective, the gap between farmers' incomes, even if it is broad, cannot be interpreted as an indication of polarization.

(Issue No. 22, 1987)

Moving the Rural Labour Force

"RENMIN RIBAO"

(People's Daily, Overseas Edition)

Since the implementation of the contract responsibility system which links remuneration to output, China's rural economy has entered a new stage and is working towards a rational distribution of labour and resources between town and country in line with the requirements of a commodity economy. In effect, the movement of rural labourers means the emancipation of the social work force.

The success of the transformation depends on the state's overall guidance and a series of reforms.

1. From now on, the government should start drawing medium- and long-term land plans

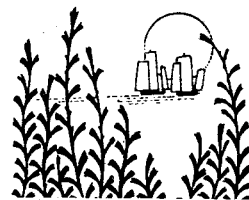
which should focus on the regional distribution of the work force, the size and density of the population, and the nature of urban organization. In the areas rich in funds, population, industries and non-agricultural trades, the government should, by means of tax revenue and interest rates, guide non-agricultural trades to concentrate on building cities, and encouraging farmers to move there. In other areas, the stress should be placed on the development of county seats and small towns within county boundaries. At the same time, non-agricultural industries and farmers should be encouraged to gather at county seats and small towns.

2. In the coming decades, several hundred cities will spring up and more and more farmers will become city dwellers. In order to lighten the financial burden on the state caused by the high tide of urbanization, we must carry out reforms in urban construction and management, and the employment and welfare systems.

3. The main factor restricting the movement of rural population to urban areas is the current land system. To promote the movement of rural people and the businesses linked to agriculture, we must separate the land's nature as means of production from its function as a means of social security.

4. A pension system should be introduced in village and township enterprises and new social security mechanisms established to replace the former social security provided by the land. This will help promote the flow of the rural population moving and the reform of the land system.

(December 9, 1987)



Remarriage for Mao's Daughter-in-Law

"JIEFANGJUN BAO"

(Liberation Army Daily)

December 26, 1987 marked the 94th birthday of Chairman Mao Zedong (1893-1976). Every year for the last 10 years, Liu Songlin, Mao's former eldest daughter-in-law, went to the Chairman Mao Memorial Hall on this day to pay her respects to her father together with Mao Anqing and Shao Hua, Mao's son and daughter-in-law.

Liu Songlin, an editor for the Literature and Art Publishing House of the Chinese People's Liberation Army, said Chairman Mao was not only a great leader but also a loving father and sincere friend. In strangers' eyes, Mao Zedong was a great figure in the world and very few people knew about his private life.

In 1950, Mao Anying, Mao's eldest son and the former husband of Liu Songlin, was killed in the War to Resist US Aggression and Aid Korea. Liu was deeply grieved. She refused to consider remarrying for many years. This worried Chairman Mao greatly. He felt that Liu should begin to think about a new family. But, it was very inappropriate for him to directly advise his daughter-in-law to remarry. So whenever Liu Songlin and his other unmarried children were all at home, Chairman Mao would encourage them to look for a partner in marriage.

His children retorted in unruly fashion. "Where can we find one?" "We don't know how to look for a partner." Mao Zedong told them to close their eyes and catch one in the street. Liu Songlin asked jokingly what they would do if they caught a person with a pockmarked face.

It was not until 1957 when Liu Songlin returned from her studies in the Soviet Union that Chairman

Mao began to directly talk with her about her remarriage. He also introduced two men to Liu.

Later, with a little help from Liu Zhen, the former president of the Air Force Institute, Liu Songlin fell in love with Yang Maozi, a teacher at the institute. Chairman Mao presented them with a poem of congratulations and 300 yuan on their wedding day.

Liu Songlin said that it was her good fortune to have such an enlightened father-in-law. Now, she has two sons and two daughters and lives a happy life.

(January 14, 1988)

Animals With Economic Value

"DA ZI RAN"

(The Nature)

China has more than 430 varieties of wild animals, 10.71 percent of the world's total. Of them, many are either rare animals or animals which have potential economic value. The animals may provide a source for furs, meat, medicines and essence, or they may be suitable as the subjects of experiments.

Fur-Bearing Animals. The furs of these animals are used in various kinds of garments such as coats and headwear. Of them, the furs of the sable, marten, otter and lynx are the most highly valued.

Animals Used as Sources of Medicine. According to records in medical books, 65 varieties of animals in China can be used as sources of medicines. The bezoar, musk and antler, for example, are all sources of medicines widely used for their curative powers. According to statistics, about 295 patent Chinese medicines contain musk which acts as a tonic.

Pangolin scale, bear's gall and otter's liver are also widely prescribed for various diseases.

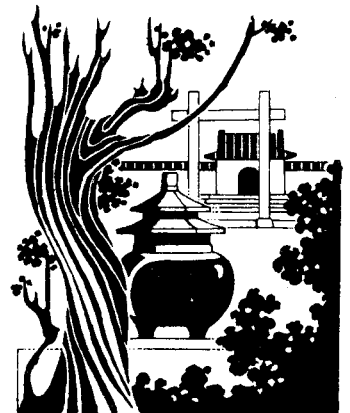
Animals Used as Sources of Essence. The musk, civet and beaver are major world sources of essence. China has few beavers but many civets and the essences derived from Chinese civets compare favourably with those of the African species.

Animals Used as Sources for Meat. These mainly include the boar, hare and members of the ox and deer families. In northern China the roe deer is the prime source of meat, but in the south, the Asian muntjac family is favoured. China's grassland and highland areas are rich in oxen, Tibetan gazelles and bharals.

Animals Used as Experimental Subjects. The rhesus monkey, mainly found in the provinces and autonomous regions to the south of the Changjiang (Yangtze) River, is an animal favoured as a subject for medical experiments. The tree shrew, sand mouse and mouse hare have also been used as experimental subjects.

In order to fully utilize its wild animal resources, China has given a great deal of attention to the domestication of many potentially useful animals.

(Issue No. 4, 1987)



Solving Joint Ventures' Problems

Sino-foreign joint ventures will be helped in solving problems, according to Chu Baotai, deputy director of the Administration of Foreign Investment under the Ministry of Foreign Economic Relations and Trade. Not long ago the State Council asked all local governments to send high-level investigation groups to the joint ventures in their areas to help them solve any problems they have. This was to be done within two or three months.

In October 1986 the State Council promulgated the 22-article regulations on encouraging foreign investment. Since then various localities have been implementing it and also drawing up their own economic rules and regulations to simplify approval procedures. They have established foreign exchange regulation mechanisms and raw material supply centres, and sped up the construction of airports, harbours, highways, telecommunications facilities, and water and power supply projects, in an attempt to further improve the environment for foreign investment.

It is estimated that 2,230 foreign businesses invested in the construction of new factories in China last year, of which 1,399 are joint ventures. From 1979 to the end of 1987, a total of 10,008 foreign-funded enterprises were approved. They had a combined foreign investment of US\$21.96 billion (US\$8.47 billion of which has been used). Most of the 4,000 joint ventures which have already started to operate have performed well and increased their exports from US\$480 million in 1986 to US\$1 billion last year. Their ability to balance their foreign exchange accounts has also improved.

Owing to traditional management methods and an imperfect economic structure, some foreign-invested enterprises still have

many problems. These include too much administrative interference, not enough freedom to make their own decisions, and poor supplies of raw materials. Some joint ventures find that other units ask for money and materials from them which cuts into their profits.

So the State Council issued its order. Solving these problems will improve the environment for foreign investment, thus helping foreign businesses to administer and operate their joint ventures according to the international norms.

by Yao Jianguo

More Ship Exports Registered in 1987

The shipyards under the China State Shipbuilding Corp. signed export contracts for a total of 335,000 tons last year, the highest figure for five years. This, plus exports of machinery and electronic products and repairs of foreign ships, boosted their trade volume to US\$305 million.

Some of the commissioned vessels require complicated technology and advanced equipment. The 280,000-cubic feet giant refrigerator ship to be made by the Shanghai Shipyard and the air-cooled container ship (with a loading capacity of 2,700 containers) to be made by the Hudong Shipyard for Federal Germany will be highly modern ships. Many export ships have been designed and developed by China, such as a 3,600-ton freighter for Hungary, a 62,000-ton oil tanker for Chile, a 16,500-ton multi-function container ship for Bangladesh and a 64,000-ton oil tanker for Hong Kong.

Chinese shipbuilders won orders in South America for the first time last year, and are now

open to such orders in over 20 countries around the world.

The exports of Chinese ships has developed amid intense international competition. A slump in the market and an enormous drop in ship prices in the last few years have intensified the competition. Chinese shipbuilders offer lower prices, good quality and excellent service. Last April the Hudong Shipyard received an order to build a huge air-cooled container ship for a West German shipping company. With its advanced technology it caused quite a stir in the world's shipping and shipbuilding circles. A Japanese maritime newspaper commented that it will further improve China's position in the business.

China started to export ships in the late 1970s and has contracted to build a total of 168 ships with a combined DWT of 1.9 million, a full 1.3 million tons of which were completed by the end of 1987. China has also contracted to build three offshore drilling platforms and two oil extracting ones. The total value of this trade, the exports of machinery and electronic products, and ship repairs were worth US\$1.87 billion.

Last year China exported ships with a total DWT of 275,200, 76 percent more than 1986, making China the fifth biggest ship exporter in the world.

by Li Rongxia

Power Projects for Foreign Investment

The third group of power projects to be built with foreign investment has been decided upon, according to the Huaneng International Power Development Corp. They include the four 300,000-kw coal-powered generating sets needed by the Yingkou Power Plant construction project in Liaoning Province

and the Nanjing Thermal Power Plant expansion project. These generating sets will be imported from the Soviet Union on credit. The two sides have discussed the deal and plan to sign contracts in the next two months.

The Huaneng corporation has been designated by the state as the exclusive handler of foreign investment in China's power industry. Established in 1985, the corporation announced two groups of power projects to be undertaken with foreign investment. The first included the four coal power plants in Dalian (Liaoning Province), Fuzhou (Fujian Province), Shangan (Hebei Province), and Nantong (Jiangsu Province). Construction started in August 1986 and the four plants are expected to go into operation this year. The Shantou Power Plant in Guangdong Province went into operation at the end of 1986.

In the second group of projects, the corporation found investors in the building the Shidongkou No. 2 Power Plant in Shanghai, these were the Swiss companies — BBC and Sulzder, and the American CE and S & L companies. The Luohuang power project in Chongqing, and the Yueyang project in Hunan Province are under discussion.

Thus far, the corporation has raised US\$2.4 billion in foreign investment for the partial construction of 13 electricity generating projects (with a combined installed capacity of 7.6 million kw). This year 1.4 million kw generating sets are expected to go into operation, and the rest (4.8 million kw) next year.

To import generating equipment, the corporation has also agreed on barter trade. For the first set of projects, it signed 6 barter trade contracts with Japanese, US and French companies, worth US\$426 million. This trade helps balance the corporation's foreign currency accounts.

by Zhang Zhiping

More Dukang Liquor Exported

Exports of *Dukang* liquor will be increased this year in order to meet the growing international demand, according to Zhong Guangxian, director of the Yichuan Dukang Liquor Distillery in Henan Province. "Our factory plans to export 400 tons of quality *Dukang* liquor, about 100 tons more than last year," said the director.

The factory exported its liquor first in 1981 and has increased its exports every year since then. The liquor is now shipped to Japan, the United States, Britain, France and Southeast Asian countries. An American academic said when visiting the factory in 1985, "The *Dukang* distillery has some of the best distilling skills and ability to handle sorghum I have ever seen."

Dukang liquor, named after a liquor master of 4,000 years ago, is made of sorghum, wheat and quality spring water. It is clear and tasty and is good for the stomach, secretion of fluids, for invigorating the spleen and for preventing ageing. ■

News in Brief

■ By the end of last year China had conducted 30 bond issues abroad worth a total of US\$3.381 billion, which accounted for 10.59 percent of foreign investment in China since 1979 (or for 14.81 percent of foreign loans raised abroad in that time).

■ The board of directors of the World Bank officially approved the third loan to the Chinese Bank of Agriculture on January 26. The US\$170 million loan is to be used to develop rural projects in Yunnan, Guizhou, Sichuan, Hubei, Henan and Anhui provinces.

■ The hair restorative, based on ginseng and deer's tail extract, and



The statue of liquor master Du Kang in Yichuan County, Henan Province.

two other ginseng products which ameliorate the effects of ageing, made by the Jian Pharmaceutical Factory in Jilin Province, won silver prizes at the 36th Eureka International Innovation Fair in Brussels. The factory has signed letters of intent for co-operation with businesses from the United States and Japan. Some clients from Federal Germany, Belgium, Switzerland, Singapore and Hong Kong are also looking for co-operation with the factory. ■



Imperial Tombs 2,000 Years Old

Recently a large imperial cemetery was found eight kilometres southwest of the famous tomb of Qin Shihuang, the first emperor of the Qin Dynasty, where hundreds of life-sized terra-cotta warriors and chariots were found.

According to some archaeologists, the entire area of 24 square kilometres is the burial place of seven kings in the 137 years before Emperor Qin Shihuang.

Qin was a kingdom formed in 770 BC in northwest China (present-day Shaanxi Province) and lasted 563 years, during which time four burial sites were built. All but the first two kings' tombs, 31 have been located. Of them, the most famous tomb is the funeral pit of the terra-cotta army of Qin Shihuang unearthed in 1974. Qin Shihuang (259-210BC) was the first emperor who unified China and built the Great Wall to guard against northern invaders.

The newly discovered Qin imperial cemetery is called the Eastern Tomb Area. The shape of the tomb area is like a large underground gully. Its outer wall is six to seven metres deep under the ground and the gully is 10 metres wide, a gigantic, complex project.

Four tombs have been found in the site. Of them, the largest one is four kilometres long and two kilometres wide.

Of the four tombs, two contained kings. They are approached by sloping aisles from four sides which lead to the coffin chamber. The symbolism is that a king lives in a palace with four doors facing the four directions of the compass, so the king has sharp eyes and keen ears and his power extends everywhere.

The two big tombs face east and have the same size and shape. The coffin chamber is 58 metres long,

57 metres wide and 25 metres deep. The aisles from the east and the west have a total length of 163 metres and the north-south aisle is altogether 70 metres long. The larger end of the aisle is 32-34 metres wide, the small end 12-13.5 metres wide. It is the largest coffin chamber ever unearthed in China.

At the same time, two graves with two sloping aisles and some graves with one sloping aisle have also been found.

Before the Qin Dynasty, tombs were built into the ground. The

Eastern Tomb Area was built on the ground. Over the Eastern Tomb Area there is a large rectangle earthen pile which is 400 metres long, 200 metres wide and 4 metres high. The earthen pile is level and covers the coffin chamber and the aisles. This style is different again from the pyramid earthen piles built in the later period.

The initial excavation already promises many relics in the ancient tombs. In the side chambers, there are gilded bronzes, wooden articles, lacquerware, bone objects and many pieces of pottery with seal script. Formal excavation has yet to begin. ■

Favourable Response to Scientific Films

Every year China produces more than 200 scientific films and a dozen or so of these were shown at the International Scientific Film Festival held in Beijing in November 1987.

The film *Crested Ibis* produced by the Beijing Scientific and Educational Film Studio documents the habits and behaviour of these rare birds in their natural environment. The discovery of the crested ibis in the low-lying lands of northwest China in 1981 caused a sensation in the world because only here are the birds breeding and growing in their natural environment.

Brown-Eared Pheasant, produced by the China Agricultural Film Studio, also provides an insight into the habits and environment of another rare species found in China. The film makes use of minute description and detail to impress audiences with the rarity of this bird.

The films *Cradle—Artificial Eggs and Trichogramma* and *Bright Pearl in the Green Kingdom—Male Plant Sterility* records successes in agricultural

research, a topic which accounts for one-third of China's scientific films.

The trichogramma is an insect important in the prevention and control of plant diseases and the elimination of pests. *Cradle—Artificial Eggs and Trichogramma*, produced by the Shanghai Scientific and Educational Film Studio, documents the research process used to create the artificial eggs for developing trichogramma. The studies were based on the habits of this insect which likes to lay eggs in and live on the eggs of insect pests. One artificial egg is capable of producing more than 60 trichogrammas.

Male plant sterility is an abnormal phenomena in the natural world. The film *Bright Pearl in the Green Kingdom—Male Plant Sterility* outlines the way in which Chinese researchers used this phenomenon to breed new varieties of wheat and rice.

Of the films produced by the Beijing Scientific and Educational Film Studio, several are universal educational films. *Nature's*

Comeback records the development and decline of Caohai—the natural freshwater lake in southwest China and a world-renowned habitat for winter birds. The film's message stresses the importance of protecting the environment for the sake of mankind.

Heredity and the Production of Good Offspring documents the causes of hereditary diseases and provides an elementary introduction to eugenics. The film *Titanium—The Third Rising Metal* explains the characteristics of titanium, its extensive uses in daily life and its possible future influences on mankind.

The International Scientific Film Festival featured more than 60 highly rated films produced by 16 countries including Australia, Austria, Bulgaria, Canada, Federal Germany, France, German Democratic Republic, Holland, Hungary, Italy, Japan, Korea (DPRK), New Zealand, Poland, the Soviet Union and the United States of America. The festival with its highly varied contents and friendly atmosphere was warmly praised by audiences from many countries. The second international scientific film festival is expected to be held in Shanghai in 1989.

Teaching Violin Abroad

In September 1985, I took two of my students to compete in the International Youth Violin Competition held in Poland. One student Wang Xiaodong took the first prize in the youth group (and also won a special prize for his rendition of Polish composer Szymanowski's works), and Zhang Le took the third place in the youth group (and also won the Mayor of Lublin Prize).

When the competition was over, many of the violin teachers came to ask why Chinese boys won so many prizes in international violin competitions. Several violin pro-

fessors from Germany invited me to discuss my work. Soon after that, I was invited as guest professor to the International Music Seminar sponsored by the Franz Liszt Conservatory in Germany. I went there with my wife (as my piano accompanist) and began teaching violin classes.

On July 10, 1987, we arrived in Weimar.

The seminar was the 28th International Music Seminar, sponsored by the German Democratic Republic. Most of the teachers were famous musicians from the United States, France, Finland and the Soviet Union. During their teaching period in Weimar they performed special concerts.

I was the first Oriental violinist to be invited as guest professor and my teaching activities were highly valued. Before our arrival in Weimar, the president of the conservatory Dr. Diethelm Muller-Nilsson released the news that violin professor Zhang Shixiang from China's Shanghai Conservatory of Music would travel to teach at the seminar.

Students at the seminar could participate either on a formal level or as auditors to the classes. I asked all the students wishing to take my lessons to play and I selected those who would receive formal lessons. Students who failed to be selected could participate as auditors. Before every class, I would post in front of the classroom the time and content of the class. In this way, all students could select the classes which best met their own needs.

One day, to my surprise, I discovered an older Korean member of the audience among the students listening to my lecture on Bach's Chaconne. I later learnt that he was none other than the famous violinist Professor Paek Ko San who visited the Shanghai Conservatory of Music 30 years ago to play Bach's Chaconne.

My class was made up of eight college students and seven middle school students. During the 12

days of classes, my general impression of them was that they had a good sense of music and were willing to learn, and eager to hear suggestions from the teacher. We got along well with one another. But I also felt that the sound they produced lacked the force which is indispensable for soloists accompanied by a music ensemble on the stage. I also felt that their playing fell short in meeting the music requirements of each piece in speed and strength.

I once told a promising student, "I feel German students not only persist in using but study in depth the bowing and fingering used in the days of Bach, Beethoven and Mozart. I agree with you and admire this, but I hope my students will be able to adjust their bowing to meet the needs of modern audiences and the requirements of the acoustics in grand music halls. I hope they will not unconditionally use the original style of bowing." The student nodded when I said this but I did not know whether he accepted my suggestion or not.

Some younger students were not relaxed while playing. They played by any means they could because they had a strong desire to take centre style. They wished they could have participated in the Beijing Youth Violin Competition held a year ago.

During my 12-day teaching activities, the local newspaper issued several long articles on my classes proclaiming "the secret of his teaching success lies in his strict demands." Other articles such as "Class Organized with Wisdom and Precision," "Friendly Attitude, Strict Demands" also appeared in the newspapers. I was later interviewed on a Sunday evening TV programme.

On the evening of July 29, the seminar ended on time and we left for home on the 30th. On the plane I was deep in thought about the results of this international teaching experience.

by Zhang Shixiang

International Tourist Film Festival

The First China International Tourist Film Festival will be held in November in Wuxi, a picturesque city in Jiangsu Province. This is one of the highlights of 1988, the year of the dragon, according to a spokesman from the State General Administration of Travel and Tourism.

At the film festival, China will show five tourist films and 10 video tapes on the subject.

The aim of the film festival is to "promote the development of tourism through film." Films and video tapes produced after November 1986 dealing with tourist resources, programmes, facilities, services, and attractions of various countries will be shown at the festival. The best one will win a "Gold-Dragon Prize." There will also be Silver- and Bronze-Dragon Prizes. In addition, four awards for best director, best photography, best music, and best special effects will be given.

China started producing tourist films in 1982. Over the past five years, over 50 tourist films and more than 100 videos on the subject have been shot. Out of 20 tourist films selected for competitions at five international tourism film festivals held abroad, 18 have won prizes, four of them top medals.

According to an official of the State General Administration of Travel and Tourism, the First

China International Tourist Film Festival will be attended by representatives from Korea, Japan, Singapore, Thailand, the United States, Canada, Mexico, Britain, France, the Soviet Union, the Federal Republic of Germany, Bulgaria, Hungary, Hong Kong, Macao, Taiwan and African countries.

by Han Guojian

Newest Tourist Centre: Hainan

Hainan Island, soon to be declared a province, will be made into one of the major tourist areas in China. By 1990, tourism in Hainan will have expanded to a yearly intake of 500,000 Chinese and foreign tourists.

Hainan is China's second largest island, next to Taiwan. The island has 123 scenic spots, of which, 20 have been developed. These include a vacation centre, bathing beaches, a winter resort, hot springs, and Soong Ching Ling's (Madame Sun Yat-sen) family house. In addition, tourists can visit the Li and Miao minority people's villages in Wuzhi Mountain.

In recent years, the Chinese government has invested over 30 million yuan in developing Hainan's tourist resources. Hainan's traffic, telecommuni-

cations, hotels and other tourist facilities are much improved. Three highways run through the island. Hainan has regular air routes and chartered flights to Beijing, Guangzhou, Hong Kong, Singapore and Thailand. The microwave telecommunications exchange on the island has 1,800 channels linking it with Guangzhou. In addition, 26 hotels are open and nine others are under construction.

Last year, Hainan received over 100 foreign ambassadors and their wives from Beijing. They were all surprised by Hainan's rich and wonderful tourist resources. Hainan could become a major tourist area of the world, they said.

Professional Tour Groups in China

Members of the Sacramento Youth Philharmonic Orchestra of the United States had many opportunities to share techniques and exchange experiences with Chinese musicians during their tour of China. The conductor of the orchestra expressed, on behalf of the orchestra, gratitude for the warm service provided by the China Folk International Travel Company during the trip.

The company specializes in receiving foreign professional tour groups, and makes all the arrangements for their sightseeing and meeting Chinese colleagues. Since it was founded in 1985, the company has received over 30 professional groups in education, medicine, the arts, agriculture and industry. The company has opened about 40 tourist routes, some of them follow the popular tourist routes through Beijing, Xian and Guilin; some are new, including one route, which goes along part of the ancient "Silk Road" from the Sino-Pakistan border to Urumqi, the capital of Xinjiang, via Kashi and Aksu.

by Han Guojian

Bird's eye view of Shanya City on Hainan Island.

XUE CHAO



ART PAGE



Dragon Papercuts

The dragon is the god of nature in ancient Chinese tradition. It is the product of the totemism of China's ancient clan society. It is also a symbol of the Chinese nation. Over the millennia the dragon's image has evolved and changed. These are some folk dragon papercuts.

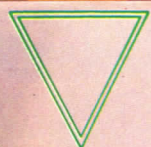


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