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Sino-US Trade & Economic Co-operation



**THE BURGEONING
PETROCHEMICAL
INDUSTRY**



Yuhuatai Martyrs Cemetery in Nanjing.

by Zhang Chengjun

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Xue Chao

HIGHLIGHTS OF THE WEEK

Hong Kong's Future Political Structure

■ The question of the political structure of the Hong Kong Special Administrative Region is one which greatly interests people on China's mainland, their Hong Kong compatriots and people all over the world. In an interview with *Beijing Review*, Professors Xiao Weiyun and Xu Chongde, members of the Hong Kong Basic Law Drafting Committee, discuss various aspects of this topical question (p. 22).

Price Reform: Opportunity With Risks

■ China has decided to rationalize its pricing system and tackle the wage problem, upon the understanding that pricing system reform is key to the success of the economic structural reform as a whole, and it can in no way be by-passed although it involves certain risks (p. 4).

Sino-US Trade Set for Further Growth

■ Thanks to the joint efforts of the two countries, Sino-US trade has made much headway, with trade volume up almost 9 times that of 1978, the year before relations were normalized. In their articles, a high-ranking Chinese official and the US ambassador to China agree in that as China opens up to the world more opportunities will be created for further growth, as evidenced by the June 20 to 23 Sino-US seminar on industrial, trade and economic development in Beijing (p. 14).

Oil Industry Active in World Exchange

■ China's petrochemical industry, which took shape with the large-scale oil exploitation in the 1970s, is now actively engaged in world exchange through the importing of advanced technology and exporting its own products. Its recent rapid development has made it one of the "rising sun" industries in China (p. 18).

Student's Death Provokes Debate

■ The killing of a student at Beijing University has stirred discussion on and off the campus. Some people have tried to turn the criminal case into a political issue. Their attempts have drawn broad criticism (p. 6).

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Price Reform: Opportunity With Risks

by Jin Qi

After nine years of partial readjustment and careful deliberation, China has decided to tackle a major obstacle on its road to advancement—the pricing system.

As a prelude to this major move, last May several major cities began lifting price controls on four staple goods (meat, eggs, vegetables and sugar), allowing prices to float up by 30-60 percent. At the same time, appropriate subsidies were provided for urban dwellers.

Early this month, a meeting of the Party Central Committee Political Bureau decided on a new direction towards deepening reform: Taking the initiative to rationalize pricing system and tackle the wage problem. The meeting called on the Party and the people to seek unity of thought and action and work hard to make it through this difficult time. A comprehensive and systematic plan for the reform is being formulated by the government.

The new strategy is based on the following understanding: As early as in 1984, reform to the pricing system was seen as the key to success in economic structural reform as a whole; although it involves certain risks, it cannot be by-passed. It would therefore be wise to tackle the problem as soon as possible and bear up with the short-term sufferings rather than long-term ones later.

The current situation is also favourable for this reform move. Since the beginning of the 1980s, China's national economy has developed at an average annual rate of around 10 percent. This trend is likely to continue until the

1990s. Reform has brought a substantial improvement in the country's strength and people's living standards. So the people are more mentally prepared to endure price fluctuations for reform.

Reform to the pricing system is the key to success in economic structural reform as a whole; although it involves certain risks, it cannot be by-passed. Therefore, it would be wise to tackle the problem as soon as possible and bear up with the short-term sufferings rather than long-term ones later.

People now approaching middle age have all experienced the supply shortages of the 1960s and 70s when prices and wages remained unchanged. Members of the older generation still remember very well the situation just prior to the founding of the People's Republic when runaway inflation sent prices soaring. Most people, given the choice, would rather repeat the situation of the mid-1950s and 1979-84 when there were mild price rises (the annual rise of the general price index was 2.5 percent) and large rises in income. Even the 7.3-percent annual price rise between 1985 and

1987 is considered bearable. But the two-digit price rises since the beginning of this year have worried them greatly.

A choice must be made between strengthening price controls and postponing this solution to the problem, and grabbing the opportunity to fundamentally solve the problem. Solving the problem requires changing the long-standing pricing system which cannot reflect the law of value and the relations between supply and demand, bringing into full play the role of the market, and thus finally making the market the automatic regulator in commodity exchange. This is in conformity with the principle that "the state regulates the market and the market guides enterprises." Only in this way can an environment of equal competition be created for commodity producers and managers. Enterprises will be compelled to improve management and raise economic returns. This is an indispensable condition for the establishment of a socialist commodity economy and of vital importance for steady, long-term economic development.

Attaining this goal calls for both determination and reliable reform measures. It is unrealistic to think that one adjustment would be enough or that everything would be fine once price controls are lifted. In essence, the pricing system reform aims to readjust differences of economic interest between various social sectors, and between the producers and consumers. This is no easy task, so effective policies and measures

must be adopted to remove all resistance.

There are three major risks in carrying out the reform:

(1) Inflation and overall price rises. Some economists hold that covert inflation has existed in China since the end of the 1950s (prices remained stable but the shelves of stores were empty); the reform has simply brought it to the surface. Of course, they admitted, some new factors are also at play, the major ones being an overly high money supply and demands exceeding supplies. Attention should first be aimed at controlling the amount of currency issued, the scale of capital construction and excessively rapid rise of consumption.

The current task of the pricing system reform is to readjust unreasonable commodity prices; raise the prices of agricultural and sideline products, mineral products, fuel and other raw materials, which have till now remained low; and narrow the price differences between them and processed goods, so as to enhance the enthusiasm of farmers and mining workers. But, the long-standing egalitarian tendency is likely to make the various sectors vie against each other to raise prices. Take Henan Province for example. Every farmer reaped 222.3 yuan from agricultural and sideline product sales in 1987, including 15.51 yuan of extra income from the 7.5-percent state purchasing price rise. At the same time, however, the prices of chemical fertilizers, pesticides, plastic sheeting and other means of production rose 10.6 percent, robbing each farmer of 11.8 yuan, or three-quarters, of the 15.5-yuan extra income from purchasing price rises. It is therefore necessary in the reform process to prevent such simultaneous price hikes and control the prices of certain goods.

(2) Some government officials

and people in commercial establishments collaborate to profit from selling goods in short supply. In recent years, more links have appeared in commodity circulation. The temporary "double-track system" adopted for goods in short supply, that is, the coexistence of state-set prices and market prices, has opened some

Reforming the pricing system is in essence to readjust differences of economic interest between various social sectors, and between the producers and consumers. It will bring into full play the role of the market and make it the automatic regulator in commodity exchange.

loopholes which may be exploited. As Vice-Premier Yao Yilin pointed out, this problem is related to corruption in Party and government organs. To solve it, it is necessary to keep state functionaries honest and free from corruption, separate government organs from commercial establishments, strictly enforce state control over commodities in short supply and punish profiteers according to law.

(3) Political risk. As the prices of many commodities need to be adjusted up, price hikes in the next few years will be rather large. Although wages will be raised and some subsidies will be granted to consumers at the same time, it is impossible for all people to share



the benefits equally. A few policy errors and unsuitable measures may also accompany reform and they could be used to block progress. Since late 1985, "political dissidents" carrying "nice banners" have actively infiltrated university campuses to stir unrest among the students and undermine political stability (see new developments on p. 6 and for North American Edition, P. 10). To overcome this problem, it is necessary to promote socialist democracy, improve the legal system, hold consultation and dialogue in a democratic manner and conduct persuasive ideological and political work to educate the young generation, so as to win the understanding and support of the people.

The reform of the pricing system will have wide repercussions and directly affect the personal interests of China's 1 billion people. In the final analysis, the hope of its success lies in the determination of the leadership, the correctness of policies and measures, and the support of the people. ■



China Applauds US-Soviet Summit

Chinese Premier Li Peng says China has a high opinion of the recent US-Soviet summit. It hopes the two superpowers will continue to hold serious talks on the reduction of strategic nuclear weapons and achieve further results.

But China is greatly concerned about the expansion of the arms race through high technology and its extension into outer space, Li told Yuri Maslyukov, first vice-chairman of the Council of Ministers of the Soviet Union.

The Chinese government also sees as a positive step the signing of the Geneva Accords on Afghanistan and hopes the Soviet Union will pull out its troops from the country as agreed, Li said.

He reiterated China's stand that the Soviet Union should play a more important role in the resolution of the Kampuchea problem by urging Viet Nam to withdraw its troops.

"We believe that the Soviet Union can do a lot in this regard," he said.

Maslyukov arrived in Beijing on June 3 to attend the third meeting of Sino-Soviet Commission on Economic, Trade, Scientific and Technological Co-operation.

Congratulating Maslyukov on the fruitful meeting, which ended on June 8, Li said Sino-Soviet co-operation in these fields has increased over the past few years and has the potential to increase even further.

Turning to the topic of reforms, Li said that although situations in socialist countries differ, many of them are carrying out reforms aimed at giving full play to the superiority of socialism.

"The Chinese government and people are interested in the reforms in the Soviet Union and wish them success," he said.

Maslyukov said the just-concluded meeting could pave a way for an expansion of co-operation between the two countries. He wished China continued success in its reforms and socialist construction.

After the meeting the two sides signed two documents on bilateral economic co-operation and trade. ■

Student's Death Stirs Discussion

The death of a post-graduate student at Beijing University on June 2 has drawn wide attention both on and off the campus and has led to a wall poster fight.

But despite these events, reports said life at the university was continuing as usual. Although many students have expressed regret over the death of Chai Qingfeng at the hands of a group of young thugs, they failed to respond to a call made by some people for an anti-government, anti-reform demonstration in Tiananmen Square.

Wall posters demanding quick and severe punishment for the killers began to appear on the campus with the news of the student's death. Early on the morning of June 3, nearly 1,000 student protesters marched to the Ministry of Public Security. The Beijing Public Security Bureau arrested all six suspects within 40 hours.

Some people have used posters

and rallies organized in the wake of the killing to make a mountain out of a molehill. They say their "ultimate goal" is "to overthrow the government."

In response, many other students put up posters against these people and against staging demonstrations. One of the posters, by a political science student, was entitled, People of Beijing University: Think Twice Before You Take Action.

It said, "We all know that (Deng) Xiaoping and (Zhao) Ziyang, like us, are advocates of the reform. Therefore, we are obliged to help create, for them and for ourselves, a climate conducive to the reform."

On June 8, an "action committee" which had called for a demonstration put up a poster declaring, "We as a group of students have decided to give up all our planned activities and cancel all announcements and plans issued in the name of the committee."

Nevertheless, posters criticizing the committee continued to appear on the campus. One student said he was being driven beyond forbearance. "It is unfair to use the death of Chai to try to achieve an end that he opposed," the student's poster said.

"The action committee has been trying to interfere with normal legal procedures and to disturb the normal work of the students." It does not represent the desires of the students, the poster said.

Many of the university's 13,000 students could be seen reading the posters. Although there are controversies among them, no major conflicts or fights have broken out.

On June 8 a *Beijing Daily* commentary criticized a small number of people at Beijing University for stirring up trouble and trying to turn a criminal case into a political issue.

At a time when China's reform

is entering a critical juncture and requires a stable social environment, it said, these people are attempting to use a criminal case to plot anti-government activities. Their motive is obviously to totally negate a decade of achievements and undermine the reforms and the opening to the outside world.

China's workers, peasants and intellectuals will not tolerate anyone who stirs up trouble or sabotages the reform, the paper said.

It called for the resolute implementation of the regulations on demonstrations worked out by Beijing municipality in 1986 to protect democratic rights and order.

Also on June 8, a commentary in *Renmin Ribao* (People's Daily) said China's ongoing reform demands a stable political environment. This requires the support of the whole society, it said.

"China doesn't need and must firmly oppose a so-called 'democracy' which disrupts stability and unity." ■

Auction Will Help Preserve History

More than 60 donated works by world-famous artists were sold at an auction in Beijing on June 5. Half of the proceeds of about US\$475,000 will go towards the restoration of the Great Wall and the other half towards the preservation of Venice.

Untitled, a work by the French painter Arman, was sold for US\$64,400, one of the highest prices at the auction. The collage of pieces of violins and a cello, was done the evening before the sale, at a benefit performance by artists held at the Great Hall of the People in Beijing.

During a performance by a Chinese string quartet of



YU HUIRU

Japanese bidders paid one of the highest prices for "Homage" by French artist Cesar.

Beethoven's *Quartet No. 15* (Great Fugue), Arman brushed paint on a cello and three violins, broke them into pieces and then glued the pieces on to a canvas.

Arman received a standing ovation from the surprised audience for his unusual method of artistic creation.

The painter said after the auction that his method should not be new to Chinese people because some Chinese artists created similar works using pieces of bamboo hundreds of years ago. "I just borrowed the Chinese method," Arman said.

Another work, which sold for the same price as *Untitled*, was by the French artist Cesar. *Hommage* (*Portrait de Compression*) was composed of small Chinese flags, metal and grey crayon on a plexiglass panel.

Among other works which fetched top prices were American painter Robert Rauschenberg's *China Proverb*, Chinese painter Wu Guanzhong's *Sunrise on the Summit of Mount Huang* and other Chinese traditional paintings.

The sale — called the Return of Marco Polo Auction — was sponsored jointly by the Chinese and French organizing committees for the restoration of the Great Wall and the preservation of Venice. It was conducted by Sotheby's, a British auction house.

More than 230 business people, public figures, art dealers and collectors from more than 10 countries attended the auction. ■

Students Struggle On Low Budgets

A survey conducted by the Chinese People's University in Beijing has shown that despite press reports to the contrary, overspending by college students is not a significant problem.

Instead, the survey found that about 34 percent of undergraduates have a hard time making ends meet. The survey was conducted on a sample of 6 percent of the university's 7,000 students. Both undergraduates and post-graduates at various levels were

canvassed. About 70 percent came from urban areas.

The survey respondents had an average income of 54 yuan a month (about US\$15), some 15 yuan less than the average per-capita income in urban families, according to 1986 figures from the State Statistical Bureau. About 50 percent of the undergraduates receive less than the average level of urban consumption expenses in China.

About 84 percent of the students have a monthly income of less than 80 yuan. Although they get state subsidies ranging from 6 to 30 yuan, most undergraduates continue to rely on their parents while post-graduates make extra money by teaching or taking on other jobs in their spare time. About 10 percent of the post-graduates also need financial help from their families.

A few students enjoy comparatively high consumption levels thanks to rich parents or extra income from part-time jobs.

Post-graduates spend an average of 45 yuan a month on food, 10 yuan on books, and 7 yuan on daily necessities, leaving 10 yuan as pocket money. Undergraduates have to spend an average of 40 yuan on food, and many complained they could not afford to buy books because of high prices.

About 50 percent of the students have radios, 70 percent have tape-recorders, 10 percent cameras and 17 percent musical instruments. These items are used for their studies and entertainment after class.

The survey concluded that the attitudes of students towards spending money are generally correct. For example, about 90 percent of the undergraduates believe in "taking actual financial conditions into consideration before spending money;" some 78 percent agree with the statement, "control your spending while you

don't earn;" and about 95 percent of the post-graduates are against the idea that "someone with family support can spend as much as he or she likes."

Some students condemned the press for giving a false impression of college students by drawing public attention to isolated cases of overspending. Some said it is all right for a few students with ample family support to lead more lavish life-styles than average people.

Others admitted that students sometimes waste food, throwing away steamed buns or unfinished dishes. But the cooks should also take responsibility for the waste, they argued, because the food in the university dining hall is not that good.

In another survey, the Beijing Telecommunications Institute concluded that its students are in the habit of overspending. While the average monthly expenditure of the students is between 50 and 80 yuan, 50 percent spend more than 100 yuan.

The survey also found that about 52 percent of the students come from families with an average per-capita expenditure of less than 30 yuan a month. ■

Premier Meets Polish Leader

The key to China's current reform effort is the proper handling of the relationship between prices and wages, Chinese Premier Li Peng told Polish leader Zbigniew Messner on June 6 in Beijing.

Li briefed the member of the Political Bureau of the Central Committee of the Polish United Workers' Party and chairman of the country's Council of Ministers on China's reforms, saying that they have reached a critical moment. "We need to resolve our problems in a correct manner and actively promote political reforms.

"At the same time," Li said, "we should establish a new socialist, commodity-based economic order by implementing a series of regulations and decrees."

During the talks, which lasted more than three hours, Messner also briefed Li on Poland's current situation. Messner said that since 1981, Poland has made progress in economic reform and the expan-

Deng meets Messner.

TANG MENGZONG



sion of socialist democracy. The second stage of its reform effort has met some difficulties, but the Party and government have taken effective measures to stimulate the economy and improve market conditions in order to build on past economic gains.

The leaders expressed satisfaction over the all-round development of relations between the two parties and countries. Both of them stressed the importance of keeping each other informed of their experiences in political and economic reforms. They also discussed concrete ways to expand bilateral co-operation in the fields of culture, trade and economy, and science and technology.

Both leaders expressed the conviction that bilateral relations and co-operation between the two parties and countries will continue to develop in a sustained and stable manner.

They also exchanged views on the international situation.

Messner said there appear to be some positive signs in overall global affairs, with relations between East and West having eased to a certain degree.

But he added that dangerous and destabilizing factors continue to exist, so all countries must continue their efforts towards peace and co-operation. For its part, Poland has put forward its "Jaruzelski plan."

Li said the two countries have usually shared identical or similar views on international issues.

Today, there appears to be an optimistic trend in the international situation on the one hand, while on the other, concerns remain that cannot be passed off lightly. On the whole, the international situation is developing in a favourable direction for all concerned, the Chinese premier said. ■

Weekly Chronicle (June 6-12)

POLITICAL

June 7

■ The Dalai Lama's cousin Qilocai expresses her hope that the religious leader will come back to China and visit his former residence in Qinghai Province.

The Dalai Lama's former home, rebuilt in 1985 by the Qinghai provincial government, is still considered his personal property. Qilocai holds the official property certificate issued to him by the local government.

■ Taiwan newspapers report that figures in Taiwan's shipping industry are hoping to start a passenger ferry service between Taiwan and the mainland. Such a venture has been banned by the Taiwan authorities.

The business people plan to buy two ships for a route possibly between Keelung, on the northern part of the island, and Fuzhou or Shanghai on the mainland. The service could begin as early as next month, the reports say.

June 10

■ The bishop of Shanghai, Jin Luxian, meets Taiwan's former archbishop Lo Kuang at and International Seminar on Confucianism and Christianity at the Chinese University of Hong Kong.

At Jin's invitation, Lo says he is willing to visit the mainland to exchange information on religious affairs. He tells Jin that Taiwan is currently not so open as to allow people from the mainland to enter for a visit.

ECONOMIC

June 6

■ At a national conference on transportation safety, Hu Yizhou, general director of the Civil Aviation Administration of China (CAAC), says that to make flying safer, CAAC will replace

outdated planes with new models and accelerate the construction of Sino-foreign aircraft repair centres in Beijing, Guangzhou and Shanghai.

CAAC is also trying to improve its fleet's communications, navigation and meteorological equipment. CAAC will do its utmost to guarantee passenger safety, he says.

June 7

■ Private dealers in religious articles are doing a flourishing business in Lhasa, capital of the Tibet Autonomous Region.

Most of the traders are locals and Tibetan herdsmen but some are Hans from the neighbouring provinces of Sichuan, Qinghai and Gansu, a local trade and commerce official says.

Among the hottest-selling items are incense sticks and *Hada*—thin pieces of silk that Tibetans use as gifts or religious offerings.

CULTURAL

June 7

■ The frescos and statues in the Dunhuang Grottoes are starting to show wear and tear because of the increased amount of carbon dioxide in the air caused by too many visitors.

The grottoes were visited by more than 300,000 people last year and 400,000 are expected this year, an official from the Dunhuang Research Institute says.

SOCIAL

June 10

■ Sex education will be introduced in 1,500 secondary schools in rural China over the next five years, an official from the State Education Commission says.

The official adds that a set of textbooks will be compiled on the subject. About 6,000 schools currently provide sex education courses without standard textbooks.

ARAB SUMMIT

Leaders Rally Behind Palestinian Struggle

The recent Arab summit reflected the growing desire of Arab leaders to unify their positions and strengthen the Arab voice in international affairs through dialogue and consultation.

A three-day extraordinary Arab summit ended in Algiers on June 9 with a communique expressing unified and total Arab support for the Palestinian uprising in the Israeli-occupied West Bank and Gaza Strip.

The meeting, attended by 17 Arab heads of state, three governmental delegates and Palestine Liberation Organization (PLO) Chairman Yasser Arafat, focused on finding ways to increase the Arab countries' political, diplomatic and material support for the Palestinian struggle.

The summit came only seven months after the Amman summit last year. At the earlier meeting, however, the Palestinian problem was overshadowed by escalating tensions in the Gulf and the Iran-Iraq war.

The communique spoke highly of the Palestinian uprising, which erupted last December. To date, according to Palestinian statistics, 372 Palestinians have been killed, about 10,000 others injured and more than 20,000 detained in prison camps.

The uprising has dealt the Israeli authorities a hard blow. In response, they have called in approximately 70,000 soldiers and policemen; cut off electric power, water, food and fuel supplies to Palestinian areas; imposed curfews; restricted coverage by reporters and photographers; and declared some cities military areas.

These iron-fist policies have failed to curb the anti-Israeli struggle. On the contrary, the bloody repression has resulted in wave upon wave of strikes, demonstrations and protest rallies across the occupied territories.

Nevertheless, the six-month-long struggle has also been hard on the Palestinians. They need international, and especially Arab, support.

The summit communique voiced support for the establishment of an independent Palestinian state and for the PLO's participation in the proposed international peace conference on the Middle East question on an equal footing with the other parties concerned.

This common stand is consi-

dered as a negative reply to the US Middle East peace initiative put forward by Secretary of State George Shultz during four shuttle visits to the region this year.

The US peace plan proposed that an international peace conference on the Middle East be convened before direct Arab-Israeli talks on self-rule for the Palestinians in the occupied territories and a final settlement of the Middle East issue. But it fell short of recognizing the inalienable right of the Palestinians to an independent state. Washington's pro-Israeli policy was criticized at the summit.

The communique reaffirmed the PLO as the legitimate and sole representative of the 5 million Palestinian people, who have been struggling for the restoration of their national rights for more than 40 years.

King Hussein of Jordan, who suspended his co-operation with the PLO in 1986 as part of an attempt to seek a common approach to the Middle East issue, threw his weight behind the demand for an independent Palestinian state. He said at the summit that Jordan agrees with making the establishment of an

Arab League Chedli Klibi, Algerian President Benjedid Chadli and Malian President Moussa Traore (from left to right) at the opening ceremony of the Arab summit.



independent state a prerequisite to the convocation of the international peace conference.

The Arab leaders also restated their endorsement of the 1982 Fez Arab summit resolution which calls for withdrawal of all Israeli troops from Arab territories, the peaceful coexistence of all countries in the region and an end to the long hostility between the Arabs and Israelis.

The significance of the summit lies in that Israel and the United States will be forced to face the reality of the Palestinian uprising and unified Arab support for it.

At the summit King Hussein put forward the idea of a Jordan-Palestinian federation to be

established with two independent legislatures and administrations for the state of Jordan and the state of Palestine (located in the West Bank and Gaza Strip). The two states would have equal seats in the congress of the federation. The PLO seemed to be responsive to the conception.

Another factor that contributed to the success of the summit is that Arab leaders sidestepped such controversial issues as Egypt's reinstatement in the League of Arab States and stuck to the task of gathering support for the Palestinian uprising.

Still, there is a long way to go before the summit's resolution is carried out.

by Zhu Jiefei and Bai Guorui

VIET NAM

'Partial Withdrawal': Same Old Trick?

Viet Nam's May 26 announcement of a "partial withdrawal" from Kampuchea does not represent any substantial change in Viet Nam's stand.

On May 26 a Vietnamese Defence Ministry spokesman announced that by the end this year, Viet Nam will withdraw 50,000 of its troops from Kampuchea and move the command of its occupation troops back to Viet Nam. The remaining Vietnamese troops would be placed under the "direction of the Heng Samrin regime."

The announcement—three days before the opening of the US-Soviet Moscow summit—caught the world's attention. But after review and analysis most countries expressed suspicion about the sincerity of the "partial withdrawal."

It is the seventh time since 1982 that Viet Nam has declared a partial withdrawal from Kampu-

chea. The previous six times turned out to be troops rotations. The latest declaration is full of flaws. Here are four examples:

1. Viet Nam calls its troops in Kampuchea "volunteer forces." How can this be so?

About 200,000 Vietnamese troops took part in a surprise invasion of Kampuchea on Christmas Eve, 1978. They burned, killed and looted wherever they went in the towns and the countryside. How can they be called "volunteer forces"?

For 10 years, Viet Nam has been generally condemned as an aggressor in Kampuchea. Calling its forces volunteers, Viet Nam has refused to accept United Nations resolutions which have consistently urged it to withdraw from

Kampuchea. Hanoi also has refused to hold talks with Samdech Norodom Sihanouk and the Coalition Government of Democratic Kampuchea (CGDK) to resolve the Kampuchea problem. All Vietnamese proposals will be suspect if it does not change its stubborn stand on this question.

2. Viet Nam is the aggressor in the Kampuchean war. It should withdraw all its troops unconditionally. The world wants to know why, if Viet Nam sincerely wants to keep its word, it refuses to withdraw its troops all at once—and as quickly as when it invaded 10 years ago, taking Phnom Penh almost overnight.

Sihanouk and the CGDK have been patient about giving Viet Nam time to prepare for withdrawal. Why has Viet Nam rejected their eight-point proposal for a political settlement? As the aggressor, Viet Nam has no right to make the exclusion of the Khmer Rouge, which has been fighting against its invasion, a precondition for the withdrawal of its troops from Kampuchea.

3. Since 1982 Viet Nam has announced a "partial withdrawal" every year at the end of the dry season. According to the announcements, a total of 110,000-120,000 Vietnamese troops have been withdrawn from Kampuchea. Calculating on the basis of an original invasion force of 200,000, there would now be only 80,000-90,000 Vietnamese troops in Kampuchea. But this does allow for casualties. Considering the casualties over the past 10 years, hardly any troops would be left. International military experts, however, estimate that there are at least 120,000 Vietnamese troops in Kampuchea, proving that the previous "partial withdrawals" have all been phoney. How can Viet Nam guarantee that its latest pledge to withdraw 50,000 troops is not the same old

trick?

4. Viet Nam declared that the command of its forces in Kampuchea will be withdrawn and the remaining Vietnamese forces placed under the direction of Phnom Penh. What has happened that Viet Nam is proposing to subordinate its forces to the Heng Samrin regime, over which it has lorded during its occupation of Kampuchea? It is well known that all of the regime's higher-ranking officers are Vietnamese. Even if Vietnamese troops are left in Kampuchea

under the direction of the regime, leadership of the troops will still be in the hands of Viet Nam. No wonder people suspect that the Vietnamese want to mix their remaining troops with those of the regime in order to hang on in Kampuchea.

If Viet Nam is sincere about settling the Kampuchean issue, it should pull out all its troops immediately and join Sihanouk and the CGDK in talks to find an early solution.

by Yang Mu

conventional forces in Europe is already beginning to worry West Europeans. The ratification by the superpowers of the treaty to eliminate all US and Soviet medium-range missiles, mainly deployed in Europe, and the possible 50-percent cut in their strategic nuclear weapons will further rouse Western Europe from its dependence on the United States.

There has been growing pressure within the United States for Western Europe to share more of the burden of the North Atlantic Treaty Organization (NATO). This can be attributed to several factors, including the increasing economic strength of Western Europe and the huge US trade and budget deficits. The announcement by the Soviets during the Moscow summit that they will withdraw 500,000 troops from Europe has fuelled fears among West Europeans that the United States might follow suit, leaving an unprotected and stunned Western Europe exposed to direct confrontation with the Eastern bloc.

There have also been big divergences on defence issues within Western Europe, and further US-Soviet detente might widen the rift. These disagreements are reflected in what has been called the "three crises"—West Germany's refusal to modernize its short-range missiles, Spain's demand that NATO remove 72 US F-16 fighter-bombers, and Denmark's ban against nuclear warships in its ports. Added to this is increasing sentiment within Western Europe against military spending. "The progress in East-West relations and its impact on public opinion has made support for defence spending harder to win," NATO Secretary-General Lord Carrington said last month.

At least part of the reason for

WESTERN EUROPE

Detente Viewed With Ambivalence

Western Europe is faced with a dilemma: It welcomes, and at the same time fears, the deepening of East-West detente.

While West Europeans praise the recent Moscow summit between US President Ronald Reagan and Soviet leader Mikhail Gorbachev, they continue to ponder a long-standing problem, which is becoming ever more acute: their own defence.

As the birthplace of two disastrous world wars, Western Europe is undoubtedly eager to see Europe—and the whole globe—peaceful and secure. It is in this spirit that West Europeans have been urging the two superpowers to keep up the momentum of their dialogue and negotiations and to take into account the wishes of Western Europe.

There is also an economic side to Western Europe's desire for relaxed East-West relations. With increasing competition from the United States and Japan, as well as increasing US protectionism, West Europeans are keen to explore markets in Eastern

Europe. Relations between the European Community and the Council for Mutual Economic Assistance have improved markedly in recent years. And the current economic restructuring campaign in the Soviet Union and Eastern Europe provides growing opportunities for the West European business community.

But this is only one side of the coin. The increasing detente between the Soviet Union and the United States is obviating the need, from the US point of view, for a large number of US troops to be deployed in Europe. What looks like a decoupling of US-European joint defence is looming.

For both political and financial reasons, Western Europe has failed to establish its independence in defence and for years has taken for granted the presence of US troops and the US nuclear umbrella as a guarantee of its security. The imbalance of

West Europeans' mixed feelings towards detente is their doubts about the sincerity of the Soviet Union's pledge to cut the conventional forces of the Warsaw Pact. West Europeans will feel secure only when an East-West balance in conventional weapons is achieved. This would also allay their concern about defence spending and the decoupling of European and US defences.

But the situation might not be as bad as it seems to the West

Europeans. It is unlikely that the Americans will abandon their European allies because they share mutual interests. And continued detente will reduce, rather than increase, the danger of a military confrontation in Europe between NATO and the Warsaw Pact. Eventually, West Europeans could well overcome their worries about detente, and find ways to build up their own defence independently.

by She Duanzhi

AUSTRIA

'Returning to Europe'

Austria is striving to get closer to the European Community. But it is not prepared to abandon its historic policy of neutrality.

Vienna has become the seat of a European Community (EC) representative, the economic body's first official diplomatic representation in a member state of the European Free Trade Association. The setting up of the office reflects Austria's growing eagerness to "return to Europe" and marks its first noticeable step towards the EC.

Austria's long-term aim is to become a member of the EC while maintaining its neutrality, said Alois Mock, the country's vice-chancellor and foreign minister. A governmental group consisting of representatives from all levels of society and all provinces is to be formed to report on the prospects for moving closer to the EC.

The country's attitude to the community has changed. Although Austria signed a free-trade agreement with the EC in the 1970s, the ruling Socialist Party has carried out a policy of independence and showed little interest in joining the economic bloc. The turning point came in

February 1987, when the newly formed coalition of the Socialist Party and People's Party declared the Austria-EC relationship to be the nucleus of Austria's foreign policy and the focus of its European policy.

There are external and internal reasons behind the change in Austria's attitude. Externally, the EC's integration process has become increasingly attractive to Austria. The community's plan to establish a unified internal market by 1992, which will allow the free circulation of commodities, people, capital and labour services, has painted a clear picture of the world's largest market in the future. Austria, like many other countries, feels under pressure and eager to participate in it.

Internally, domestic economic factors are also putting pressure on Austria to get closer to the EC. For a long time after 1957, when employers and employees agreed to co-operate to break the vicious circle of escalating wages and

prices, Austria enjoyed political stability and economic development. The employment rate rose, production expanded and prices stabilized. The country was hailed as an oasis of economic health when other Western economies were staggering.

But in recent years Austria's industry has been plagued by structural ageing and declining competitiveness. Companies have been losing money; economic growth has slowed; and an imbalance of imports and exports has developed.

Austrians feel the threat of a crisis and an urgent need to find a way out of their economic stagnation. Thus, they began to turn their eyes towards the EC. A recent poll showed that 54 percent of Austrians support participating in the EC while only 19 percent oppose it.

Austria is stepping up its trade with the community. Last year the EC accounted for 64 percent of Austria's total exports and 68 percent of its imports. The country must further expand its links with the EC before 1992 if it wants to avoid economic losses. It is not surprising that the Austrian government described EC entry as a matter of life and death for the country's economic and social development.

But despite its determination to march towards EC, the road to membership will be long and hard. First, Austria must face the knotty problem of how to become a special member of the EC without violating its principle of neutrality. And how the EC will treat Austria's application will be the next issue.

by Yao Li



Sino-US Trade Co-operation Expands

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



Since the establishment of normal diplomatic relations between China and the United States in 1979, Sino-US direct trade has made rapid progress. In that year the two countries signed the Sino-US Trade Relations Agreement which stipulated that from February 1980, each country would grant the other most-favoured-nation treatment. The agreement created favourable conditions for the growth of economic and trade relations between the two countries.

The development of Sino-US economic and trade relations has been highly valued by the governments and leaders of the two countries. With the deepening of mutual understanding, China and the United States have signed co-operative agreements on industry, technology and fishery, on avoiding dual taxation and tax evasion and on the peaceful use of nuclear energy. These agreements provide legal guarantees for economic and technological co-operation and bilateral trade between the two countries.

To review the development of economic co-operation, tech-

nology transfer and bilateral trade and ensure smooth economic and trade relations, China and the United States have set up a joint committee on commerce and trade on the ministerial level. Since 1983, six meetings have been held in rotation in the capitals of the two countries.

Thanks to the joint efforts of the two countries, Sino-US trade has made giant strides. According to statistics supplied by China's Customs House, in 1978, the year before the establishment of diplomatic relations between China and the United States, the total trade volume of the two countries was US\$990 million. But the volume of bilateral trade soared to US\$7.875 billion last year, 8.95 times the 1978 figure.

The United States has become China's third largest trading partner. In 1987 China exported commodities totalling US\$3.04 billion to the United States and imported US\$4.835 billion worth of goods from that country.

Textiles and clothing made up the lion's share of China's exports to the United States, accounting for more than 40 percent. Crude and refined oil are the two other major Chinese exports to the United States—more than 3 million tons of crude oil and one million tons of refined oil a year. Other staple exports include foodstuffs, tea, perfume oils, animal by-products, pottery and porcelain, footwear, toys, handicrafts, black metals, nonferrous metals, rare earth, chemical products and mechanical and electrical products.

Sino-US trade in recent years has changed from a straight exchange of goods to a diversified

system (with mutual investment, co-operative production, compensatory trade, processing with supplied materials and leasing) which integrates industrial and technological import with trade.

The structure of US exports to China has also changed from primary products to machines, technology and equipment. For instance, in the past China imported large quantities of agricultural products, industrial chemicals and timber from the US. But the percentage of mechanical and electrical products and instruments imported has risen from 24.4 percent in 1984 to 42.2 percent in 1987, to a value of US\$1.608 billion. Major commodities include planes for civilian use, of transport, vehicles, computers, oil, chemical equipment and power generating equipment.

On the other hand, China's exports to the United States have also diversified. While continuing to export traditional products such as textiles, clothing, crude and refined oil, handicrafts and foodstuffs to the United States, China has expanded exports of machines and manufactured products (TV sets, transistors, electronic organs and photographic materials). These changes form a solid foundation for further expansions in the two-way trade between China and the United States.

While Sino-US bilateral trade continues to expand, economic and technological co-operation between the two countries is also strong. Remarkable economic returns have been chalked up. According to statistics from the Chinese side, the number of US-

invested projects operating to the end of 1987 totalled 408, with a contract value of US\$3.04 billion, next only to Hong Kong and Macao. The United States leads all the countries in investing in China, both in terms of total value and the number of projects involved. Co-operation covers a wide range of fields, including the manufacture of planes, oil exploration and development, the production of machinery, equipment, motor vehicles and medicines, the processing of foodstuffs,

and the establishment of hotels.

In accordance with the agreement on industrial and technological co-operation, the two countries have since 1984 agreed to co-operate in the fields of metallurgy, telecommunications, electronics, machinery, aviation, energy resources, medicine and the technical updating of China's enterprises. Successful Sino-US joint ventures and co-operative enterprises which have captured international attention include the Beijing Jeep Company, the

Shanghai Foxboro Co. Ltd., the MD-82 project, the Hubei Parker Seals Co. Ltd., the Shanghai Squibb Pharmaceuticals Co. Ltd. and the China Tianjin Elevator Co. Ltd.

China has also invested and set up joint ventures or exclusively Chinese-operated enterprises in the United States. Their business scope covers trade, the development of resources, industrial and agricultural production, clothing production, transport and communication projects, consultancy

Sino-US Symposium on Economy

The Sino-US Symposium on Industrial, Trade and Economic Development, the biggest non-government, bilateral symposium since the establishment of diplomatic relations between China and the United States, was held from June 20 to 23 in Beijing.

The main purpose of the symposium is to promote mutual understanding, form direct industrial, trade and scientific connections and set up economic, trade, and scientific and technical co-operation between China and the United States.

Noted Chinese and US economists, financial and banking experts, entrepreneurs and government officials will present their views on investment, industry, trade, finance, banking, technological transfers and economic co-operation. Direct discussions on economic co-operation will be arranged between industrialists from the two countries.

The symposium aims to extend China's policy of opening to the outside world and set in motion the strategy for developing export-

oriented economies in coastal areas. Preparations for the symposium have been made in various coastal provinces and cities. Heads of their respective governments will lead delegations representing economic, scientific and technical, industrial and trade circles and discuss co-operative projects with US business people after the symposium. These exchanges, discussions and contacts are expected to create favourable conditions for extensive, long-term co-operation in the future.

Participating in the symposium will be small and medium-sized US companies with annual sale volumes ranging from US\$10 to 1 billion. Over 90 percent of the companies had no business dealings with China in the past. The business scope of the companies covers light industry, foodstuffs, machine-building, metallurgy and building materials.

About 1,000 business people from the United States will take part in the symposium which will help promote economic co-operation between China and the

countries of Western and Eastern Europe, the Soviet Union and Japan. It will also help China absorb funds from Hong Kong and Macao and develop the processing of imported materials, the assembling of supplied parts, and compensatory trade. The Chinese side hopes the symposium will act as a bridge, enabling business people from various countries to reach a better understanding of China's open policy and contribute to the growth of China's coastal areas in the future.

Sino-US trade and economic co-operation has made rapid progress in the past ten years, but some barriers still stand in the way of further expansion. The economic situations of both countries now more than ever favour the expansion of Sino-US trade. As China deepens its reforms and develops export-oriented economies in coastal areas, it is providing more and more opportunities for the development of Sino-US economic and trade co-operation. We are convinced that the symposium will be a major event in the history of Sino-US economic and trade relations.

by Wei Liming

services, contracted projects, banking, tourism, and operation of Chinese restaurants.

The achievements of China and the United States in economic and trade relations are praiseworthy. However, great potential in their economic and trade co-operation has not been fully tapped. Some barriers still stand in the way of further economic and trade expansion. For instance, some US legislations biased against China have not been revised; China has not enjoyed the Generalized System of Preferences which should be extended to a developing country; exports of some Chinese commodities have been restricted by the United States; and US technology transfers to China have been strictly controlled. The two countries have not signed investment protection and sea transport agreements.

More and more people are

aware that both sides benefit from the expansion of bilateral trade. At the sixth meeting of the joint committee on commerce and trade held in Washington last month, both sides agreed that great potential exists for economic and trade co-operation. Both sides were satisfied with the growth of economic and trade co-operation in the ten years since the establishment of diplomatic relations between the two countries and they believed that the economic situation in both countries now more than ever favours the expansion of trade. The US side expressed the hope that both sides will meet the challenges of the next ten years with the same creative and co-operative spirit.

The time is indeed ripe for co-operation. As the largest developing country in the world, China is devoting itself to large-scale

economic construction and will be importing funds, technology, equipment and necessary raw and semi-finished materials from abroad in large quantities. As the world's major developed country, the United States is blessed with advanced technology, equipment, managerial expertise and abundant funds. China's increasingly competitive export products will provide the United States with more choice. With its deepening reforms, opening wider to the outside world and the implementation of a strategy for developing export-oriented economies in coastal areas, China has provided more and more opportunities for the development of Sino-US economic and trade co-operation. I am convinced that as long as both sides continue in their joint efforts, this co-operation will open up a new era in their bilateral trade relations. ■

Sino-American Economic Relations in a Changing World

by Winston Lord



As the American Ambassador, I am honoured that the *Beijing Review* has invited me to write this article on the occasion of the US-China Joint Session on Industry, Trade and Economic Development. This conference is timely. It introduces China especially to small and medium-sized American enterprises. From China's perspective, these companies are a virtually untapped source of technology, flexibility and investment.

Since the PRC's opening to the outside world, Sino-American ties have grown wider and deeper. Trade and investment are two areas of significant progress which underline the strength and mutual

benefit of our relationship.

In 1987 Sino-American trade increased 25 percent to US\$10.4 billion. The PRC rose to become the 13th largest US trading partner. American imports from China shot up 32 percent to US\$6.9 billion—a testament to China's economic reforms and the continued openness of the US market to Chinese products. In fact, after Japan, the United States is the leading foreign market for Chinese products, taking more than 16 percent of the PRC's exports. In 1987 US exports to the PRC rose 13 percent to US\$3.5 billion, or 8.7 percent of China's imports.

The US has also been actively

involved in the PRC's drive to attract direct foreign investment. We fully support the efforts of American companies to share in China's economic development. American firms have technology transfer and co-production arrangements, co-operative and equity joint ventures, and wholly-owned enterprises in this country. By the end of 1987 there were 407 US-China joint ventures in China, totalling US\$3.1 billion in pledged investment. We lead all other countries, and are second only to Hong Kong. But these figures are modest compared to the potential experience thus far underscores the need to improve continuously the climate by responding to investors' suggestions and by studying how they evaluate opportunities elsewhere.

The expansion of trade and investment during the 1980s is only a start. I believe we can look forward to an even more impressive record in the 1990s if we pursue positive policies. Both our countries must enhance our economic relations while combating protectionism. Both must open the trade door as wide as possible. In this regard, we hope that certain Chinese restrictions on imported products and equipment do not reflect a reversal of the trend toward freer entry of foreign goods.

Let me be candid about four specific areas where further US-China economic co-operation can build on the successes of the past decade.

First, the United States should resist the forces of protectionism. History has proven the folly of that course. If China cannot export to us, it will not import from us.

Second, the United States should further liberalize export controls on dual-use, high technology. We welcome suggestions by American companies and Chinese organizations on how to expedite technology transfer.

Third, China should make its administrative and market practices more transparent. China's complex system of controls includes licensing, registration, and foreign exchange regulations, as well as high tariffs and import regulatory taxes. There should be less restrictions on trade, investment, and service activities of foreign companies in the PRC.

Fourth, China should recognize that protecting intellectual property is in its long-term interest. The PRC will be unable fully to attract the high technology it seeks if it does not safeguard intellectual property, e.g., new pharmaceutical products and computer software.

Some of these measures will require difficult political decisions and economic adjustments. Each of them, however, will benefit our economies and our overall

relations.

Today rapid scientific and technological changes are forcing countries to shape structural and systemic reforms. Information and innovation are the engines of modernity. The trend is towards greater openness, within and between nations. Countries encouraging greater freedom in their market places, trading systems and political institutions are marching ahead. Those suppressing innovation and information are lagging behind.

America is at ease in this multipolar world of interdependence. China is boldly reforming and welcoming the outside world. To succeed, America and China must draw upon our own unique strengths. But like all nations, we will truly flourish only if we continue to open up—to each other and to the world. ■

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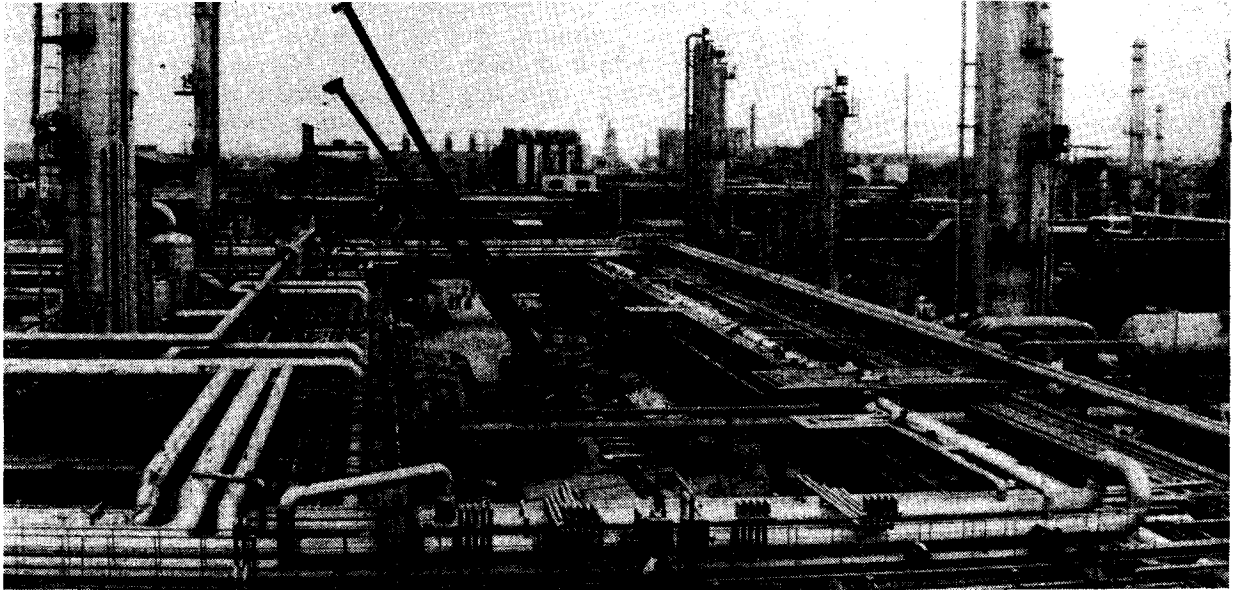
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The No. 1 Chemicals Factory for the Yanshan Petrochemical Works in Beijing.

Oil Industry Joins World Exchange

by Our Correspondent Liu Jianjun

China's petrochemical industry, which came into being with the large-scale oil exploitation of the 1970s, is now actively seeking to import advanced technology and export products. Its recent rapid development has made it one of the "rising sun" industries in China.

The industry comprises more than 40 large petrochemical works and numerous medium-sized and small enterprises, employing over 1 million people. With annual sales of more than 40 billion yuan, it is becoming an important pillar of the country's national economy.

At present, the industry's crude oil processing capacity stands at 110 million tons a year, and it is capable of producing more than 2,000 types of petrochemical products. In 1987, it produced over 50 million tons of gasoline, diesel oil, kerosene and lubricating oil, 1.63 million tons of ethylene,

over 1.1 million tons of synthetic fibre, 140,000 tons of synthetic rubber, more than 800,000 tons of plastics and 17.03 million tons of chemical fertilizers. The majority of this output goes towards meeting domestic demand, and a small proportion is exported.

The reorganization of the industry and the reform of its management system in recent years added new vitality to its development, and international exchange and imports of advanced technology boosted its capacity. China's petrochemical industry now appears set to enter a phase of sweeping development and to play an increasingly important role in the international economic arena after 1990.

Industrial Reorganization

In the early 1980s, to make better use of its 100-million-ton

annual oil output and improve processing, China introduced centralized management and unified planning for the petrochemical works scattered around the country and established a number of petrochemical complexes. In 1983, with the approval of the State Council, the China National Petrochemical Industrial Corporation (CNPIC), an economic entity enjoying the status of a ministry, was established. The corporation is responsible for the unified control of 40 large and medium-sized oil refining, petrochemical, chemical fibre and chemical fertilizer enterprises linked to a dozen or so ministries and commissions, as well as related research institutes and institutions of higher learning.

The corporation is responsible for drafting general programmes for reform and development which are then interpreted into specific annual economic quotas



The computer centre of the Yanshan Petrochemical Works.

SUN YI

to be met by branch companies, factories, workshops and individuals according to signed contracts. At the same time, it gives the enterprises full management autonomy and full responsibility for their own gains and losses.

In the past five years since its establishment, the corporation witnessed unprecedented development. From 1983 to 1987, its total industrial output value increased by an average 8.8 percent each year, reaching 38.4 billion yuan in 1987, a 40 percent increase on the 1983 figure. The output of major petrochemical products went up by 30-80 percent, and some outputs were doubled or tripled.

The construction of key projects was accelerated. From 1983 to 1987, the corporation completed more than 10 petrochemical production bases, at a total investment of nearly 30 billion yuan, 10 percent more than the total for the past 30 years.

What merits special mention here is that China has always concentrated on the development of ethylene production, typical of the petrochemical industry. Now the country has seven major ethylene production centres. In 1987, their output reached 1.63 million tons, double that of 1986.

The technological level of these ethylene production centres

reached advanced international levels in the 1970s and early 1980s. Some equipment, such as the imported catalytic cracking equipment in the Liaoyang Petrochemical Works and the Beijing Yanshan Petrochemical Works, is highly advanced. But, in terms of the industry as a whole, the technology is rather outdated, and large-scale technological upgrading is urgently needed. There is also still much to do to fully tap the potential of existing equipment.

At present, the output of ethylene still cannot meet domestic demand. Supplies of polyethylene and polypropylene are very strained, which is pushing up the prices. China will continue to build and import new ethylene production projects, with the aim to push its output over the 2-million-ton mark.

Over the past few years, China's output of chemical fibre has on average increased 20-30 percent annually, reaching 1.1 million tons in 1987 to rank fourth after the United States, Japan and the Soviet Union. But in average per-capita terms, it is very low.

At present, China has more than a dozen large and medium-sized and over 200 small locally run enterprises producing five major categories of chemical fibre, namely, polyester fibre, acrylic

fibre, polyamide fibre, polypropylene fibre and vinylon. Their output basically meets domestic demand. But to more fully meet demand, further efforts to increase the output to over 2 million tons are necessary. At present, some projects are still being imported.

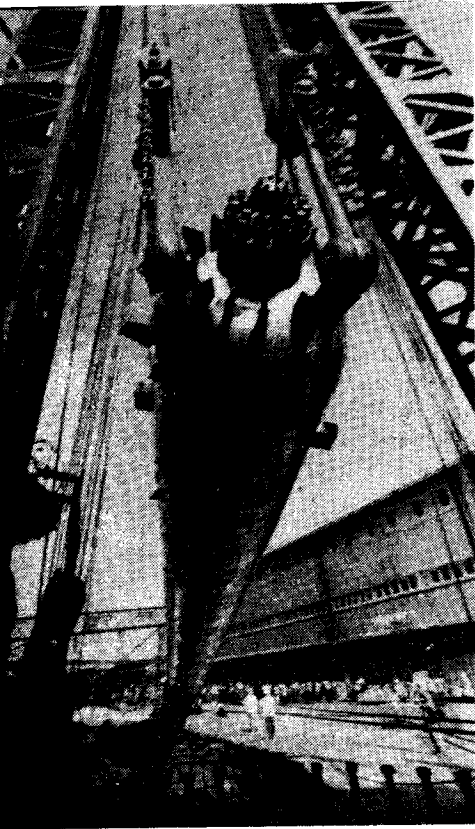
Technological Import

Last year was marked by new developments in the import of advanced technology, equipment and foreign funds by China's petrochemical industry. The imports were valued at US\$660 million. Of all the imports, advanced technology and key equipment accounted for US\$300 million; machinery, accessories and spare parts, US\$110 million;

The No. 2 Polyester Fibre Factory under the Shanghai General Petrochemical Works handed over 469 million yuan in profits and taxes to the state and earned US\$11 million from exports last year.

XU YIGEN





LI YIPING

The No. 2 chemical Fertilizer Plant under the Qilu Petrochemical Works in Shandong is under construction.

and chemical raw materials, steel products and cement, about US\$100 million.

Priority was given to auxiliary equipment for key construction projects such as the few ethylene projects with an annual production capacity of 300,000 tons each, and to the technological upgrading of existing enterprises. For instance, the Qilu Petrochemical Works in Shandong Province imported a low-density linear polyethylene project with an annual capacity of 60,000 tons and key equipment needed by a polypropylene project with an annual capacity of 70,000 tons from the US Union Carbide. The Shanghai Petrochemical Works imported a complete set of polypropylene equipment with an annual output of 70,000 tons from Italy and signed a contract

undertaking the Japanese Toyo Engineering Company to construct a set of ethynol equipment with an annual output of 120,000 tons, in line with technology developed by a US scientific design company.

With regard to the import of foreign funds, since 1984 China's petrochemical industry has signed loan agreements or contracts to import US\$1 billion with banks or bank consortia in over 30 countries. For instance, the Daqing 300,000-ton ethylene project was undertaken with loans granted by the Export-Import Bank of Japan, and the Qilu 300,000-ton ethylene project was funded by a loan from the Japanese C. Itoh & Co. Bank.

All modern and large petrochemical works established in China since the 1970s have been built using imported technology and equipment. So far, the country has signed more than 240 contracts for technological import, involving more than US\$6 billion.

The value of imports of machinery and electrical products, meters and instruments and accessories is over US\$1 billion. The imports are from several dozen companies in more than ten countries, including the United States, Japan, the Federal Republic of Germany, the Netherlands, Switzerland, Italy, Denmark and Yugoslavia. Of all the equipment imported by CNPIC, 68 sets have been completed and put into production. They have been used mainly to equip large ethylene projects with annual production capacities of 300,000 tons each, and major chemical fibre and chemical fertilizer production bases. The aim is to raise their technological level up to advanced world standards of the 1970s and early 1980s.

Today, import priorities have shifted from complete sets of technology and equipment to key technology and equipment. The

methods of import have become more diversified to include compensatory trade, imported material processing, co-operative design, manufacturing and purchasing of equipment and parts.

A CNPIC chief engineer said that China's petrochemical industry currently lacks the capacity for independent construction and manufacturing. Technology and equipment are still lagging behind and its scientific research capability is limited. In some areas, however, it is able to independently design and manufacture the necessary equipment. For instance, the oil refining equipment of the Shanghai Gaoqiao Petrochemical Works is basically manufactured by China; home-developed advanced cracking technology and equipment are expected to be applied before 1990; and 60 percent of catalytic agent supplies, once completely reliant on imports, is now provided by Chinese producers.

In the process of large-scale import, China's efforts to strictly abide by contracts and absorb foreign techniques are very much appreciated by foreign partners. A representative of a Danish firm is quite satisfied with his company's co-operation with China. He said the Chinese side acts in good faith, is quick to learn techniques and never delays on fulfilling its obligations. The Danish company has already concluded a number of transactions valued at US\$7 million in China and established long-term mutual-trust and mutual-benefit co-operative relations with its Chinese partners.

Today, two-thirds of the equipment imported by China is operating at designed capacity and all imported projects have been completed one or two months ahead of schedule. Production for some imported projects has reached advanced world standard. For instance, the two sets of ethylene equipment imported by the Qilu and Yangtze chemical

works require only 128 and 116 hours to produce a final product.

Technology Export

In 1987, CNPIC's exports of petrochemical products were valued at US\$900 million. Between 1983 and 1987, it exported US\$6.1 billion worth of petrochemical products. The products are now sold in over 60 countries and regions, including the United States, Japan, Federal Germany, India, Singapore, Pakistan and Hong Kong. The 20 and more products exported by CNPIC include gasoline, paraffin, diesel oil, fuel oil, lubricating oil, and synthetic fibre. Over a dozen products are exported to Japan, and exports to the United States mainly include gasoline, oil and naphtha.

China's petrochemical industry also has begun exporting technology, providing labour and training services, and entering bidding for international projects.

In 1987, CNPIC exported technology to some large Western petrochemical businesses. It attended the first Chinese Industrial

Technology Export Fair held in Hong Kong, offering more than 60 new technological items and products. A number of letters of intent on technology export were signed at the fair. Prior to this, the Yanshan Petrochemical Corp. of Beijing had exported a complete set of SBS technology to the Eni Group of Italy.

To date, CNPIC has signed three contracts for undertaking projects abroad, including one with the Ministry of Energy of Jordan for an oil shale processing project there. It also signed a contract with a US petrochemical company to produce heating furnaces for a Chinese business. In total, the corporation has put in bids for 12 overseas petrochemical projects. Some of the bids have been accepted, and contracts will be signed soon.

Before 1983, China's petrochemical exports were mainly handled by foreign trade departments, but with the reform, a multi-channel, multi-layer export network has taken shape. CNPIC and its subordinate enterprises are now able to directly export 16 types of petrochemical products. The China Petrochemical International Undertaking Co. under

CNPIC is planning to set up representative offices in the United States, Japan and Hong Kong and has established wide-ranging business relations with overseas commission agents.

Co-operation & Exchange

In recent years, China's petrochemical industry has expanded its economic and technological co-operation and exchange with foreign businesses and established relations with over 800 enterprises, banks, international organizations and government institutions in 46 countries in North America, Western Europe and Asia. In addition, 18 joint ventures and co-operative businesses have been established with the United States, Japan, Canada, Singapore and Hong Kong. Three of these businesses are located in Houston, USA, Taizz of the Yemen Arab Republic and Hong Kong, and the other 15 are in China.

According to an official of China's petrochemical industry, most of these joint ventures and co-operative businesses have been operating satisfactorily. Lubricating oil produced by the China Sun Oil Co., a Sino-US joint venture, is sold to over 30 countries and regions throughout the world. The contracted terms for these businesses range from three to 15 years.

China's petrochemical industry has also concluded agreements or contracts with overseas firms for seven compensatory trade projects, two projects for processing imported materials, and two co-operative projects and one international leasing project. Investments in these projects range from 400,000 yuan to 100 million yuan each.

Currently, the major problems facing the joint ventures and co-

(Continued on p.28, and for North American Edition, on p.32)

Dai Shunzhi (centre), general manager of the Yangtze Petrochemical Works, inspects the ethylene equipment.

FANG AILING



Hong Kong's Political Structure Plan

—An interview with Professors Xiao Weiyun and Xu Chongde

by Our Correspondents Zou Sicheng and Chen Zhonglan

The Draft Basic Law of the Hong Kong Special Administrative Region (SAR) of the People's Republic of China for Solicitation of Opinions was made public at the end of April. The move, which was decided at the seventh meeting of the Hong Kong Basic Law Drafting Committee, was aimed at soliciting opinions from a broad range of people on China's mainland and Hong Kong. It marked the start of a new phase in the drafting work.

The question of Hong Kong's future political structure has attracted a lot of attention. In a recent interview, Xiao Weiyun, one of the members in charge of the political structure special subject subgroup of the basic law drafting committee and a professor at Beijing University, and Xu Chongde, a member of the committee and professor at the Chinese People's University, talked about the principles that guided the drafting of the provisions on political structure, the nature of the proposals, how the first government of the Hong Kong SAR will be formed and other questions.

Professor Xiao is one of the authors of chapters IV and X of the draft basic law, which pertain to political structure. The Hong Kong basic law is unprecedented, Xiao said. There is no similar law anywhere to refer to. The Sino-British Joint Declaration talks about the principles but not the

concretes of the SAR's political structure. Moreover, various circles in Hong Kong have considerable differences on the issue of political structure, making the drafting of the chapters an even more arduous task. After two years of fruitful work, the subgroup drafted 61 articles on political structure, reaching a consensus on most questions.

The Constitution of the People's Republic of China—especially Article 31, on setting up the SAR—forms the legal and political basis for the provisions, which also have to be based on actual conditions in Hong Kong.

Xiao cited the main principles that guided the drafting of the provisions. He referred to the policy of "one country, two systems," which aims both to preserve national unity and territorial integrity and to ensure a high degree of autonomy. He also mentioned retaining some of the advantages of Hong Kong's existing political structure and gradually developing democratic participation suited to Hong Kong's conditions, with the aims of maintaining Hong Kong's prosperity and stability and contributing to the development of its capitalist economy, while taking into consideration the interests of all social strata.

Some positive aspects of Hong Kong's existing political structure—for example, the public service system, the advisory

system and the Independent Commission Against Corruption—have given impetus to Hong Kong's economic and social development and are efficacious, so we will keep them intact or make only slight changes, Xiao said. Of course, we will eliminate those elements that the Sino-British Joint Declaration stipulates must be abolished, for example, those which reflect colonialism. But we will make no or only slight, necessary changes in the systems that are efficacious and suited to actual conditions, so as to maintain Hong Kong's long-term prosperity and stability.

What form will Hong Kong's future political structure take and what will be the relationship between the executive authorities and the legislature?

Xiao said that despite differences on a few questions, the political structure special subject subgroup has reached a common view that the judicial organs should be independent. The executive authorities and the legislature should both condition each other and co-ordinate with each other to avoid putting too much power in the hands of any group or individual, which could lead to arbitrary action. Articles 49, 50, 52 and 64 embodied this idea. There is also provision for the impeachment of the chief executive.

If the chief executive considers that a bill passed by the Legislative

Council is not compatible with the overall interest of the Hong Kong SAR, he or she may return it to the council within three months for reconsideration. If the chief executive refuses to sign a bill passed by the Legislative Council for a second time, or the Legislative Council refuses to pass the budget or other important bills introduced by the government, and if consensus cannot be reached after consultation, the chief executive may dissolve the Legislative Council.

But the power of the chief executive is also restricted. If, after the Legislative Council is dissolved because the chief executive twice refuses to sign a bill it passes, the new Legislative Council again passes the original bill in dispute with a two-thirds majority, or if, after the Legislative Council is dissolved because it refuses to approve the budget or any other important bill, the new Legislative Council still refuses to pass the original bill in dispute, the chief executive will have to resign. Also, a chief executive can dissolve the Legislative Council only once in each term of office. Xiao said the dissolution stipulation will prevent the legislature from rashly voting down bills introduced by the chief executive, while the resignation stipulation will prevent the chief executive from rashly dissolving the legislature. Both will be forced to consider the consequences. Rigorous conditions and procedures are set out for dissolution and resignation. These are designed to promote co-ordination between the two sides.

The draft basic law stipulates that an Executive Council will be set up to assist the chief executive in policy-making. Its members will be appointed by the chief executive from among the principal officials of the executive authorities, members of the Legislative Council and public figures. The council will be similar

to the existing Executive Council. On major issues, the executive authorities and the Legislature can exchange views and learn each other's intentions. The Executive Council will consult on questions collectively to avoid the arbitrariness of individuals.

Xiao said the Sino-British Joint Declaration does not mention an Executive Council. The idea first came up at the fourth meeting of the political structure special subject subgroup in November 1986. The proposal was formulated in the light of conditions in Hong Kong and with reference to the existing political structure. We are also seeking other ways to promote co-ordination between the executive authorities and the legislature, he said.

Xiao said the chief executive of the Hong Kong SAR must have real power so that he or she can run an effective administration. But he added that the executive power should be restrained to a certain extent. Such constraint accords with the spirit of the Sino-British Joint Declaration.

According to the draft basic law, after 1997 the legislature of the Hong Kong SAR will have more power than the present Legislative Council, which is an advisory body, while the powers of the chief executive will be weaker than those of the present governor of Hong Kong. Because the executive powers of the government of the SAR will be restrained and supervised, they will not be overly great.

Xiao said that since Hong Kong will be a local regime under the guideline "one country, two systems," and to avoid frequent changes of government, most of the members of the subgroup are opposed to allowing non-confidence votes to be held in the legislature. Hong Kong cannot withstand frequent political fluctuations, he said.

It is unnecessary for Hong

Kong to copy the mainland's system of a National People's Congress, or the responsible cabinet system of Western countries. Hong Kong will take whatever political forms suit it. The basic law's chapters on political structure embody the principle that "Hong Kong will be administered by Hong Kong people." This is also stipulated in the articles concerning the relations between the Central People's Government and the Hong Kong SAR. The provisions reflect the high degree of autonomy to be enjoyed by the SAR. Out of respect for the opinions of all circles in Hong Kong, some sections of the draft basic law include several alternative provisions. More local people's opinions must be collected, Xiao said. These will be collated and discussed with a view to producing a better plan that is acceptable to the majority.

Professor Xu focused his remarks on the question of how the first government of the Hong Kong SAR would be formed. He related the proposed procedure to the current situation.

Xu said Hong Kong currently operates on the governor system. The governor is appointed by the British monarch and administers Hong Kong on behalf of the British government. A subordinate Legislative Council helps the governor make laws, and an Executive Council helps him make decisions. All members of the two councils are appointed by the governor. The election of a small number of the members of the Legislative Council by the public was introduced only recently. The governor system is essentially a centralized one, although it includes some advisory organs.

After the People's Republic of China recovers its sovereignty over Hong Kong, in what way and through what procedures will the first government of the Hong

Kong SAR be formed?

Xu said Hong Kong will become a special administrative region of the People's Republic of China on July 1, 1997. It will be impossible to elect the first government of the Hong Kong SAR before that date, using procedures stipulated in the basic law. If an election is carried out after July 1, 1997, there will be a vacuum of power for a period. At the same time, it is also unnecessary for the central government to send officials from the mainland to take over Hong Kong after the British withdraw.

In view of these considerations, special provisions must be worked out for the formation of the first government of the Hong Kong SAR. To date, many suggestions have been put forward. Xu said that in handling the problem, it will be necessary to follow both the principle of Chinese sovereignty over Hong Kong and the principle of ensuring a smooth transition and maintaining Hong Kong's stability and prosperity. Of course, the transition will be based on the recovery of China's sovereignty over Hong Kong. The first government of the SAR must be formed under the sponsorship of the Government of the People's Republic of China.

Xu said Annex III of the draft basic law suggests methods for forming the first government and Legislative Council of the Hong Kong SAR. During 1996, the National People's Congress will set up a Preparatory Committee for the Hong Kong SAR, which will be responsible for the preparations for the establishment of the region and will decide exactly how its first government will be formed. The committee will be composed of both mainland and Hong Kong members. Hong Kong members will constitute not less than 50 percent.

The preparatory committee will be responsible for preparing the

establishment of the Election Committee for the First Government of the Hong Kong SAR, which will be composed entirely of permanent residents of Hong Kong and will be broadly representative. The election committee will formulate procedures and accordingly select the candidate for the first chief executive through local consultation or through local election after consultation. The recommended chief executive will be appointed by the Central People's Government.

The proposal to establish the preparatory committee was first put forward by Xu in the discussions of the Basic Law Drafting Committee. Preparatory committees were set up before the foundation of the Chinese People's Political Consultative Conference and before China's mainland established autonomous regions for some nationalities. History proved these experiments successful and worth referring to, Xu said. He added that since Hong Kong will remain a British dependency until July 1, 1997, the Chinese side hopes that it can obtain co-operation from Britain in smoothing the transition.

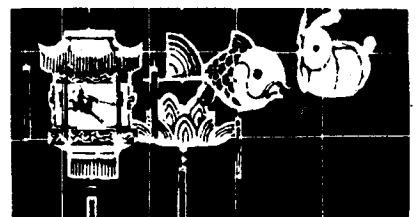
Asked to comment on the current differences over the method of selecting the chief executive and constituting the Legislative Council, Xu said he is in favour of the proposal for elections. Some Hong Kong people advocate direct elections, some favour indirect elections and others propose mixed elections. Xu said majority of people now agree on mixed elections with multiple methods, but there are still disputes over the proportions. He said that as Hong Kong has little experience with direct elections, it would be best that only a small number of the Legislative Council's members were elected directly in the initial period. The method for forming

the Legislative Council could be worked out later according to the stipulations of Articles 45 and 67 of the draft basic law. Changes can be made in accordance with Hong Kong's reality and the principle of "gradual and orderly progress." But whatever kind of elections are held, they must follow the principle of democracy: both direct and indirect elections can be carried out democratically or without democracy. It is not a problem of direct elections or indirect elections, but of maintaining democracy, Xu said. To solicit a broad range of opinion, the draft basic law includes several specific alternative methods for electing the chief executive and constituting the Legislative Council.

Xu said the plan for Hong Kong's future political system and the proposed level of democracy must be accepted by Hong Kong people from all walks of life. It must also reflect and take into consideration the interests of all social strata.

The strengths of Hong Kong's former political system, except for the colonial aspects, can be reserved, Xu said. A minimum of change in Hong Kong's political structure will be good for the region's stability.

In short, Xu said, Hong Kong's political system should be characteristic of Hong Kong and conform to Hong Kong's reality. It should be democratic, efficient, and take into consideration the welfare of all social strata. It should provide ample autonomy. With such a political system, Hong Kong's stability and prosperity can be guaranteed. ■



1997年7月1日

Law of the People's Republic of China on Chinese-Foreign Contractual Joint Ventures

(Adopted at the First Session of the Seventh National People's Congress
On April 13, 1988)

Article 1

This law is formulated to expand economic co-operation and technological exchange with foreign countries and to promote the joint establishment, on the principle of equality and mutual benefit, by foreign enterprises and other economic organizations or individuals (hereinafter referred to as the foreign party) and Chinese enterprises or other economic organizations (hereinafter referred to as the Chinese party) of Chinese-foreign contractual joint ventures (hereinafter referred to as contractual joint venture) within the territory of the People's Republic of China.

Article 2

In establishing a contractual joint venture, the Chinese and foreign parties shall, in accordance with the provisions of this law, prescribe in their contractual joint venture contract such matters as the investment or conditions for co-operation, the distribution of earnings or products, the sharing of risks and losses, the manners of operation and management and the ownership of the property at the time of the termination of the contractual joint venture.

A contractual joint venture, which meets the conditions for being considered a legal person under Chinese law, shall acquire the status of a Chinese legal person in accordance with law.

Article 3

The state shall, according to law, protect the lawful rights and interests of the contractual joint ventures and of the Chinese and foreign parties.

A contractual joint venture must abide by Chinese laws and regulations and must not injure the public interests of China.

The relevant state authorities shall exercise supervision over the contractual joint ventures according to law.

Article 4

The state shall encourage the establishment of

productive contractual joint ventures that are export-oriented or technologically advanced.

Article 5

For the purpose of applying for the establishment of a contractual joint venture, such documents as the agreement, the contract and the articles of association signed by the Chinese and foreign parties shall be submitted for examination and approval to the department in charge of foreign economic relations and trade under the State Council or to the department or local government authorized by the State Council (hereinafter referred to as the examination and approval authority). The examination and approval authority shall, within 45 days from the date of receipt of the application, decide whether or not to grant approval.

Article 6

When the application for the establishment of a contractual joint venture is approved, the parties shall, within 30 days of receiving the certificate of approval, apply to the administrative authorities for industry and commerce for registration and obtain a business license. The date of issuance of the business license of a contractual joint venture shall be the date of its establishment.

A contractual joint venture shall, within 30 days of its establishment, carry out tax registration with the tax authorities.

Article 7

If the Chinese and foreign parties, during the period of operation of their contractual joint venture, agree through consultation to make major modifications to the contractual joint venture contract, they shall report to the examination and approval authority for approval; if the modifications include items involving statutory industry and commerce registration or tax

registration, they shall register the modifications with the administrative authorities for industry and commerce and with the tax authorities.

Article 8

The investment or conditions for co-operation contributed by the Chinese and foreign parties may be provided in cash or in kind, or may include the right to the use of land, industrial property rights, non-patent technology or other property rights.

Article 9

The Chinese and foreign parties shall, in accordance with the provisions of the laws and regulations and the agreements in the contractual joint venture contract, duly fulfil their obligations of contributing full investment and providing the conditions for co-operation. In case of failure to do so within the prescribed time, the administrative authorities for industry and commerce shall set another time limit for the fulfilment of such obligations. If such obligations are still not fulfilled by the new time limit, the matter shall be handled by the examination and approval authority and the administrative authorities for industry and commerce according to relevant state provisions.

The investments or conditions for co-operation provided by the Chinese and foreign parties shall be verified by an accountant registered in China or the relevant authorities, who shall provide a certificate after verification.

Article 10

If the Chinese or foreign party wishes to make an assignment of all or part of its rights and obligations prescribed in the contractual joint venture contract, it must obtain the consent of the other party or parties and report to the examination and approval authority for approval.

Article 11

A contractual joint venture shall conduct its operational and managerial activities in accordance with the approved contract and the articles of association for the contractual joint venture. The right of a contractual joint venture to make its own operational and managerial decisions shall not be interfered with.

Article 12

A contractual joint venture shall establish a board of directors or a joint managerial institution which shall, according to the contract or the articles of association for the contractual joint venture, decide on the major issues concerning the venture. If the Chinese or foreign party assumes the chairmanship of the board of directors or the directorship of the joint managerial institution, the other party shall assume the vice-chairmanship of the board or the deputy directorship of the joint managerial institution. The board of directors or the joint managerial institution may decide on the appointment or employment of a general manager who shall take charge of the daily operation and management of the contractual joint venture. The general manager shall be accountable to the board of directors or the joint managerial institution.

If a contractual joint venture, after its establishment, chooses to entrust a third party with its operation and management, it must obtain the unanimous consent of the board of directors or the joint managerial institution, report to the examination and approval authority for approval, and register the change with the administrative authorities for industry and commerce.

Article 13

The employment, dismissal, remuneration, welfare, labour protection and labour insurance, etc. of the staff members and workers of a contractual joint venture shall be specified in contracts concluded in accordance with law.

Article 14

The staff and workers of contractual joint venture shall, in accordance with law, establish their trade union organization to carry out trade union activities and protect their lawful rights and interests.

A contractual joint venture shall provide the necessary conditions for the venture's trade union to carry out its activities.

Article 15

A contractual joint venture must establish its account books within the territory of China, file its accounting statements according to relevant provisions and accept supervision by the financial and tax authorities.

With respect to contractual joint ventures that,

in violation of the provisions prescribed in the preceding paragraph, do not establish their account books within the territory of China, the financial and tax authorities may impose a fine, and the administrative authorities for industry and commerce may order them to suspend their business operations or revoke their business licenses.

Article 16

A contractual joint venture shall, by presenting its business license, open a foreign exchange account with a bank or any other financial institution which is permitted by the exchange control authorities of the state to conduct transactions in foreign exchange.

A contractual joint venture shall handle its foreign exchange transactions in accordance with the provisions of the state on foreign exchange control.

Article 17

A contractual joint venture may obtain loans from financial institutions within the territory of China and may also obtain loans outside the territory of China.

Loans to be used by the Chinese and foreign parties as investment or conditions for co-operation, and their guarantees, shall be provided by each party on its own.

Article 18

The various kinds of insurance coverage of a contractual joint venture shall be furnished by the insurance institutions within the territory of China.

Article 19

A contractual joint venture may, within its scope of operation approved, import materials it needs and export products it produces. A contractual joint venture may purchase on both the domestic market and the world market, raw and processed materials, fuels, etc. within its scope of operation approved.

Article 20

A contractual joint venture shall achieve on its own the balance of its foreign exchange receipts and

expenditures. If a contractual joint venture is unable to achieve the balance of its foreign exchange receipts and expenditures on its own, it may, in accordance with state provisions, apply to the relevant authorities for assistance.

Article 21

A contractual joint venture shall, in accordance with state provisions on tax, pay taxes and may enjoy the preferential treatment of tax reduction or exemption.

Article 22

The Chinese and foreign parties shall distribute earnings or products, undertake risks and losses in accordance with the agreements prescribed in the contractual joint venture contract.

If, upon the expiration of the period of a venture's operation, all the fixed assets of the contractual joint venture, as agreed upon by the Chinese and foreign parties in the contractual joint venture contract, are to belong to Chinese party, the Chinese and foreign parties may prescribe in the contractual joint venture contract the ways for the foreign party to enjoy a priority in recovering its investment during the period of the venture's operation. If the foreign party, as agreed upon in the contractual joint venture contract, is to recover its investment prior to the payment of income tax, it must apply to the financial and tax authorities, which shall examine and approve the application in accordance with state provisions concerning taxes. If, according to the provisions of the preceding paragraph, the foreign party is entitled to a priority in recovering its investment during the period of the venture's operation, the Chinese and foreign parties shall, as provided by the relevant laws and the contractual joint venture contract, be liable for the debts of the venture.

Article 23

After the foreign party has fulfilled its obligations under the law and the contractual joint venture contract, the profits it receives as its share, its other legitimate income and funds it receives as its share upon the termination of the venture may be remitted abroad according to law.

The wages, salaries or their legitimate income earned by the foreign staff and workers of contractual joint ventures, after the payment of individual income tax according to law, may be remitted abroad.

Article 24

Upon the expiration or termination in advance of the term of a contractual joint venture, its assets, claims and debts shall be liquidated according to legal procedures. The Chinese and foreign parties shall, in accordance with the agreement specified in the contractual joint venture contract, determine the ownership of the venture's property.

A contractual joint venture shall, upon the expiration or termination in advance of its term, cancel its registration with administrative authorities for industry and commerce and the tax authorities.

Article 25

The period of operation of a contractual joint venture shall be determined through consultation by the Chinese and foreign parties and shall be clearly specified in the contractual joint venture contract. If the Chinese and foreign parties agree to extend the period of operation, they shall apply to the examination and approval authority 180 days prior to the expiration of the venture's term. The examination and approval authority shall decide whether or not to grant approval within 30 days of receipt of the application.

Article 26

Any dispute between the Chinese and foreign

parties arising from the execution of the contract or the articles of association for a contractual joint venture shall be settled through consultation or mediation. In case of dispute which the Chinese and foreign parties are unwilling to settle through consultation or mediation, or of a dispute which they have failed to settle through consultation or mediation, the Chinese or foreign parties may submit it to the Chinese arbitration agency or any other arbitration agency for arbitration in accordance with the arbitration clause in the contractual joint venture contract or a written agreement on arbitration concluded afterwards.

The Chinese or foreign party may bring a suit in a Chinese court, if no arbitration clause is provided in the contractual joint venture contract and if no written agreement is concluded afterwards.

Article 27

The detailed rules for the implementation of this law shall be formulated by the department in charge of foreign economic relations and trade under the State Council and reported to the State Council for approval before implementation.

Article 28

This law shall come into force on the day of its promulgation. ■

(Continued from p.21, and for North American Edition from p.25)

Oil Industry

operative businesses are balancing foreign exchange incomes and revenues as well as raw material supplies. The Chinese authorities are striving to solve these problems.

Since its founding, CNPIC has sent several hundred trade, scientific and technological inspection groups to various parts of the world, participated in 27 special meetings of the international petrochemical industry and invited 400 delegations of 5,000 people to China. It has established co-operative relations

and developed over 20 co-operative projects with 15 companies in the United States, Canada, Japan, France and Italy. Another five co-operative projects are being negotiated.

The main task China's petrochemical industry is now concentrating on is upgrading the technology of a large number of backward enterprises. Between 1983 and 1987 it invested several billion yuan in completing 413 technological upgrading projects.

In its efforts to upgrade technology, the industry has attracted US\$300 million in foreign investment, and 60 of the 138 projects planned to expand production capacity and reduce energy consumption have been completed.

The Hubei Chemical Fertilizer Plant, one of the largest chemical fertilizer producers in China, has worked in co-operation with a US company and a Danish company and purchased their technology and equipment. As a result, the plant's annual production capacity of synthetic ammonia was raised from 8.5 million tons to 10 million tons and its energy consumption was reduced by 10 percent. For the project, the Danish company alone did business valued at US\$1 million.

To date, China's efforts to upgrade the petrochemical industry have drawn co-operation from more than a dozen countries, including the United States, Japan, the Netherlands, Denmark, Switzerland and Federal Germany. ■

Outlook Bright for Zhuyuan Hotel

The Zhuyuan (Bamboo Garden) Hotel, the first Chinese and foreign joint-venture enterprise in Shenzhen, has been through a lot. But having survived the trauma of its foreign partner's bankruptcy, the Zhuyuan is now ready to take on its many rivals.

When the hotel opened for business in January 1981, it was operated jointly by the Millis's Group of Hong Kong and the Chinese partner. It attracted many guests with its beautiful bamboo garden setting and good service and was one of the top hotels in the special economic zone.

At the end of 1984, during the Zhuyuan's second stage of construction, the Millis's Group went bankrupt. The roughly 300 employees in Shenzhen were worried that the hotel would go bankrupt too; 50 of them left to work elsewhere. In 1985 the Zhuyuan's occupancy rate was only 30 percent and three general managers were replaced.

Li Sandai, the present general manager came to the hotel in August 1986. The daring young

woman immediately set out to regain the Zhuyuan's reputation and organized a bowling contest to popularize the hotel's name.

"Providing top service is the golden key to survival and development for a hotel," Li said. "There are many hotels in Shenzhen; some of them are of higher quality and are better located and have more modern facilities than we have. But while we lack these, at least we can provide the best service.

"There is competition among talented personnel in Shenzhen. Without talent, top service is impossible. So we decided to train middle-level staff. To make them more competent, we sent them to learn about cuisine in restaurants and about management in hotels in Hong Kong and other first-class hotels in China, as well as inviting specialists to give them lessons at the Zhuyuan Hotel."

The Zhuyuan also concentrates on co-operation with other organizations. It has established relations with five travel services in Hong Kong and has received

prestigious international conference delegations. The Zhuyuan's motto is to receive a guest not just once, but many times.

The hotel has 170 rooms with 325 beds, including luxury suites at 1,500 yuan (about US\$400) a day. The occupancy rate is more than 85 percent. Revenue doubled in each of the past two years, to 20 million yuan in 1986 to 40 million yuan in 1987.

by **LI Rongxia**

Tourist Briefs

■ A Hungarian Roast Chicken Restaurant, the first of its kind in China, recently opened for business in Baozi Lane in Beijing's West District.

Hungarian roast chicken, one of the famous fast foods of the world, is made with choice chicken roasted in an electric oven, and accompanied by sour cucumber, apple, chilli and other condiments which give the dish a special sweet and sour flavour.

The restaurant roasts chickens for 600 clients a day with the help of specialists and equipment from Hungary. Guests can enjoy their roast chicken in a Hungarian style decor with the folk music of the country playing in the background.

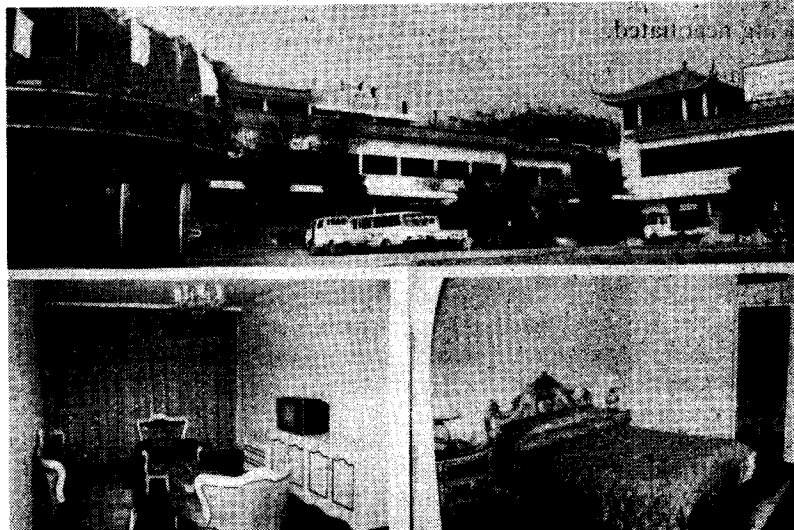
■ The Jinshan Guest House, a new hotel for tourists at the Beidaihe seaside tourist resort, has Chinese courtyard-style buildings connected by winding corridors and 120 rooms with views of Beidaihe scenery.

The guest house has a recreation centre, an international conference hall equipped with simultaneous translation facilities and telex. Billiard tables, tennis courts, a swimming pool, ballroom, and a bathing beach cater for guests' recreational requirements.

Beidaihe has over 50 rest houses and sanatoriums, and nearly 800 guest houses, hotels and hostels with nearly 30,000 beds.

Above: View of the Zhuyuan Hotel. Below: Two-roomed suite.

XUE CHAO



Poor Quality Found In Imported Goods

Poor quality import commodities are now being brought to the attention of Chinese inspection authorities. According to statistics, 17,834 of the 129,876 batches of import commodities inspected in 1987 were not up to standard; this amounted to 13.73 percent of the total number inspected, an increase of 2.48 percent from last year. The poor quality goods brought heavy losses for Chinese economic construction, despite compensation payments of US\$110 million.

Cereal is one of China's major imports. The quality of grain imported last year improved slightly, but there were also many problems with quality such as impurity. The protein content of imported cereals was often not up to contract standard. Some grain was mildewed and water-damaged. Of the imported wheat, maize, soybean and rice inspected by the Qinhuangdao Commodity Inspection Bureau in Hebei Province, 22.4 percent was below standard. Of the 390,000 tons of rice, wheat and maize inspected by the Guangxi Commodity Inspection Bureau, 42.24 percent was not up to standard.

Some imported equipment is also poor in quality. For example, the Tongxian County Fenghua Leather Shoe Factory in Beijing imported a set of shoe-making equipment worth US\$220,000 from a Hong Kong company and on inspection found it was old equipment and was missing 44 components.

Poor quality and old products were also uncovered on inspection of 10 American plastics production lines worth US\$6.05 million for the Wuhan Plastic Industrial Co., an instant-noodle production line imported from Japan by

Anhui Province, a potato crisps production line imported from Australia by Heilongjiang Province, and a freezer production line imported from Hong Kong by Fujian Province.

Some spare parts and components for imported household electrical appliances have also been found poor in quality.

The quality of imported timber is often very poor. Of 313 pieces of ferrous mesua imported from Mexico by Shanghai through a Hong Kong company, 85.6 percent was sub-standard; 15.7 percent of 5,000 square metres of timber imported from Malaysia by the Guangxi Zhuang Autonomous Region was found to be rotten, moth-eaten or damaged.

According to statistics, of the 30 kinds of commodities imported last year at a value of over 200 million yuan each, eight were below quality. They included steel plate, steel tubing, metal products, coal and machinery. The other 22 commodities including chemical fertilizer, synthetic fibre, high-quality steel and aluminium ingots were of an improved quality on 1986 imports. ■

Import Licence To Be Adopted

According to the State Commodity Inspection Bureau (CIB), to improve its import inspection system and ensure the quality of import commodities, China plans to implement an import commodity quality licence system for products relating to security, health, environmental and labour protection, and quarantine.

At present, the bureau and departments concerned are speeding up the process of implementation of the system which is expected to be put into operation

in the next six months.

An official from the bureau said, according to the provisions of the Procedure for Implementing the Import Commodity Quality Licence System soon to be formulated, licences will be issued to import commodities on two conditions—the products must meet China's security rules, the producers inspection and quality control system must meet set commodity standards.

The provisions state that overseas firms and their agents should apply for import commodity "security labels," certificates or registrations before they sign import trade contracts with China. Licenced and registered commodities will be announced by the CIB, and unlicenced commodities will not be passed for import.

Overseas firms expecting to export commodities to China must submit an application to the CIB specifying the type and specification of their products and make advanced payments for charges. If the products do not meet the required standard, further applications will not be admitted before a six-month period from the day of announcement. When authorized licences and registrations expire, applications must be re-submitted.

The official said if licenced commodities are found to be substandard after they arrive in China they will be returned or destroyed by the CIB. The import and sale of unlicenced and unregistered commodities, and the forging or transferring of security labels or numbers will be punished according to Chinese law.

This is the first system of its kind to be implemented in China and there is still much work to do before it can be put into operation.

by Zhang Zhiping

Shantou SEZ Improves Traffic

The construction of the 2,150-metre long and 23-metre wide prestressed concrete Mayu cross-sea bridge will begin in Shantou City at the end of this year. The bridge's main arch spans 276 metres and clears a height of 46 metres. Up to 50,000-ton ships will be able to pass under the bridge, and the daily traffic capacity over the bridge will be more than 36,000 vehicles.

Situated on the east coast of Guangdong Province, Shantou is divided by the sea gulf, which seriously limits economic development. After the bridge's completion in 1990, the area will become the southeast gate of Guangdong Province and an important hub of railway and sea transport.

Other traffic projects slated for the Shantou Special Economic Zone include:

- A 10,000-ton deep-water dock in Shantou port. Three 5,000-ton and two 3,000-ton berths already exist in the port. Another 3,000-ton to 5,000-ton deep-water berth will be built next year.

- The construction of the more than 300-km Shantou-Shenzhen special highway will soon begin. Designed travel speed for the road is 80 km an hour. When completed, the traffic flow between Shantou and Hong Kong will be improved.

- The Guangzhou-Meixian-Shantou railway. The construction of the more than 400-km line which began this year will improve communications services in the cut-off eastern part of Guangdong Province.

The funds required for the above-mentioned projects will reportedly be raised through the issue of shares and bonds overseas, and the drawing of loans at home and from foreign banks and investment companies.

by Li Ning

Netherlands Seeks More Co-operation

The Netherlands Economic Delegation, headed by Foreign Trade Minister Yvonne M.C.T. van Rooy and composed of representatives from 22 Dutch enterprises, visited China on May 3-12 to seek ways to further co-operation and increase investment in China.

Before leaving China, Ms Rooy told our correspondent that the visit was a fruitful one. The Dutch delegation signed a five-year contract to jointly design and manufacture textile machines with a Chinese textile department. The delegation also discussed co-operation with Chinese departments on medicine, geological surveying and upgrading Shanghai's Hongqiao Airport. Ms Rooy said some Dutch companies also formed new Chinese partnerships.

The Netherlands is trying to expand its investment in and co-operation with China. In February, Philips signed contracts with two companies in Wuhan for the joint production of optical fibre and cables. In April the Royal Nedlloyd Group N.V. and the Tianjin Port Office joined forces to construct a 150,000-square-metre warehouse, and Philips and the Huadong Electronic Tube Factory in Nanjing established a production line with a designed annual capacity of 1.6 million colour TV tubes. To date Dutch companies have invested in 10 Chinese enterprises.

In addition, the Dutch government has also promised to provide China with loans worth 300 million Guilders for co-operation projects involving electronics, medicines, dairy products, fodder and chemical production, and meat and poultry processing.

Other contracts on programme-controlled exchanges, corn processing and milk powder production are due to be signed soon.

Ms Rooy said during her visit, Chinese leaders' stress on further implementation of the open policy strengthened her confidence in investment in China. She said the symposium to be held in The Hague in the second half of this year will discuss the possibility of more investment in China.

by Yao JIanguo

News in Brief

- The International Energy Equipment Technology Exhibition will be held in Beijing June 20-25. At present, about 100 factories and companies from more than a dozen countries, including Denmark, the Federal Republic of Germany, Spain, France, Italy, Poland and Bulgaria, are expected to participate in the fair. The exhibition will cover 5,500 square metres of floor space and display advanced technology and equipment in such fields as thermal hydro, nuclear and wind electricity generating.

The exhibition will be jointly sponsored by Adsale Exhibition Services Ltd. of Hong Kong and the Ministry of Water Resources and Electric Power.

- Chief Executive Organization (CEO) will hold a forum in Beijing on October 17-22.

Presidents from about 200 companies in the world are expected to participate in the meeting. During the meeting, Chinese and overseas businesses will discuss co-operation.

CEO, established in 1958, is an international organization formed by present and former company presidents. Meetings of this group have taken place in Australia, India and Yugoslavia. This is the first meeting to be held in China.

New Progress in Tibetan Studies

Tibetan studies—a comprehensive study of Tibetan society, history and culture—is fast becoming a popular subject.

The first issue of the newly released quarterly *China's Tibetan Studies* records some of the latest achievements in this field including:

—Bainqen Erdini Qoigy Gyaincain's summary of his system of management in Trashilhunpo Monastery, Xigaze (Shigatse);

—Experiences and lessons gained after the policy adopted in Tibet by the Chinese Communist Party since the region's peaceful liberation in 1951, as recalled by a senior research fellow Jiang Ping, vice general secretary in charge of the China Tibetan Research Centre in Beijing.

—On a paragraph of text carved on a mountain cliff located in the Qamdo area in eastern Tibet. From the studies conducted by scholar Qiabai Cidanpingcuo of the Tibetan Academy of Social Sciences, the carving is believed to date back to 804 AD. Its contents explain political religion, translated scriptures, decrees and the other aspects of the Tibetan regime in the period of King Tride Tsugten.

—Comments and analyses by the famous expert on nationality Ya Hanzhang (author of the book *Profile of Dalai Lama* published in 1984), on the beginning, development, and final phasing out of the Tibetan feudal serf system which lasted until the liberation of Tibet and the democratic reform in the 1950s.

Research Centre

The quarterly is sponsored by the China Tibetan Research

Centre in Beijing, which was established two years ago. Its recent work is as following:

Buddhist Classics. The centre is sorting out and publishing the voluminous Tibetan Buddhist scripture. One of the most essential pieces of data to Tibetan studies, it provides an important grounding for a study of the history, culture and religion of ancient India. Its contents include Sakyamuni's doctrine and the advisors' explanation of the doctrine, as well as writings on philosophy, literature, art, language, astronomy, the calendar, medicine and crafts.

The compilation of the Tibetan Buddhist scripture began in the 7th century. As Buddhism spread into Tibet, Buddhist monks of the Tibetan nationality began to translate the main Sanskrit and Chinese Buddhist classics into Tibetan. The Tibetan Buddhist scripture was first compiled into a standard edition (at the Natang Monastery in Xigaze) in the 14th century. At the beginning of the 15th century, the Emperor of the Ming Dynasty sent a special envoy to Tibet to bring back the first manuscript to the capital for printing. This edition was the famous "Yongle edition" of the Tibetan Buddhist scripture.

In later years, a special scripture printing organization was set up in Beijing by the imperial court of the Ming and Qing dynasties. After the introduction of engraved block printing to Tibet, the grand Tibetan Buddhist scripture appeared in many different editions in the region. During the 1920s and 1930s, the 13th Dalai Lama presided over the printing of the Lhasa edition of the grand Buddhist scripture.

The arrangement and publish-

ing of the grand Tibetan Buddhist scripture is a massive task which has been listed as the country's major subject of social science studies during the Seventh Five-Year Plan period (1986-90). A number of learned scholars and veteran Buddhist monks were invited to contribute to the work. It is estimated that it will take about 10 years to publish a complete version of the work.

The study and compilation of Sanskrit Buddhist scriptures on pattra (paper made from palm leaves) is gradually unfolding. Those classic pieces of Sanskrit scriptures on pattra kept in Beijing and Tibet describe the literature, linguistics, logic, religion, art, and many other aspects of ancient India, which attract great attention in the academic circles both in China and abroad. At present, some related subjects have also been listed in the state key research programme, and the formation of a new branch of Sanskrit studies in China, Buddhist scriptures on pattra, is likely.

History and Society. The study of relations between the Tibetan region and the central government has also been listed as one of the state's key research projects. A great deal of valuable material has already been sorted out of the millions of Tibetan history files. The findings are set for publication around 1990.

According to historical records, Tibetans living in China's western border areas established the Tubo Dynasty during the 7th century. The regime maintained close and friendly relations with the Tang Dynasty of central China. In the 13th century under the Yuan Dynasty, Tibet was under the direct jurisdiction of the Chinese central government. After the Ming Dynasty in the 14th century, relations between the Tibetan area and the central government became closer. The central government sent administrative

officials to Tibetan areas, decreed local political and religious rulers and set up a series of managerial systems.

The 8,000 or so existing Tibetan scriptures in the ancient Buddhist Centre of Dunhuang, northwest China, are also of great significance to the studies of Tibet. In the late 8th century the Tubo regime ruled Dunhuang for 70 years. Arranging the Dunhuang materials will greatly enrich the knowledge and understanding of society during the Tubo regime and the relations between the Tang Dynasty and Tibet. The work will be accomplished in 10 years.

Publishing Works. A large series of books comprising some 100 volumes and collecting representative works of renowned scholars in Tibetan history is currently being published for scholars of Tibetan studies.

Another series slated for publication will offer ordinary readers rich materials on Tibet's history to the present day, its religion and culture, and other aspects of interest.

A comprehensive *Tibetan Dictionary* with 60,000 entries is also being compiled.

Duojiicaidan, general secretary of the China Tibetan Research Centre and former chairman of the people's government of the Tibet Autonomous Region, is confident that the centre will prosper. He said that the centre aimed to raise the level of Tibetan studies to a new height, while strengthening studies on the Tibetan economy and culture. The centre will train personnel in Tibetan studies and set up academic channels for exchange between China and the outside world. ■

expression.

The work entitled *Hot-Blooded Land* is representative of his recent works. It is actually a picture series consisting of two woodcuts which combines trees, water, fish, a pigsty, a woman with a baby, and a man out hunting in an artistic whole. The work is full of vitality, arousing a feeling of love for the homeland. The dominant colours are the artist's favourite black and white.

Dong considers black and white the two most basic colours in the universe. He explains that when he feels inspired to paint, he only has some vague and subtle ideas. However, once he paints the first brush stroke in black, the whole picture begins to take shape before his eyes, and the lines and spots become clear and definite.

Dong also uses both red and green quite often. According to traditional Chinese art theory, to use red and green together is in poor taste, but Dong's works do not support this notion. For

Woodcuts by A Guizhou Artist

Woodcuts by Dong Kejun, an exhibition recently held in Beijing, displayed the artist's successful attempts to combine traditional art with modern ideas.

Dong, 49, an artist from Guizhou Province, southern China, never had the opportunity to train as a professional as he began working in a factory at a young age. He draws most of his inspiration from his own life experience, and his works are greatly influenced by the nature of his home province—a place inhabited by different ethnic groups. He learned many techniques from the folk arts such as mask and character design for local Tanxi opera, batik design and the crafting of silver locket and bracelets for the girls of the Miao nationality. "Everywhere I feel the astounding and irresi-

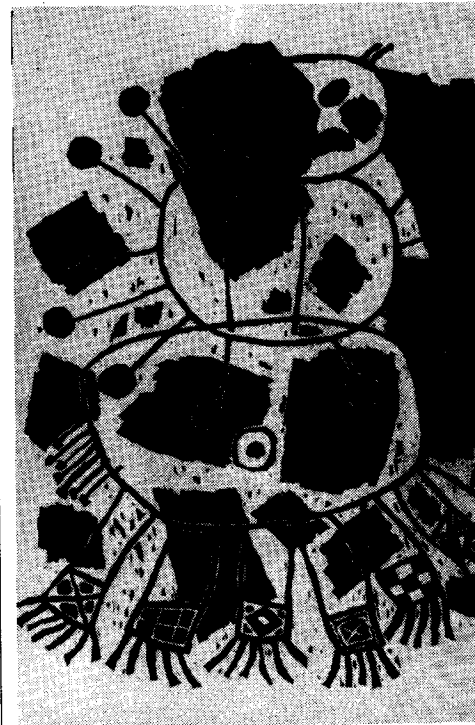
stable charm and beauty of the robust and strong, and even the wild," Dong said.

His first work was released in 1960 and since then his works have been selected for display at the fifth, sixth, seventh, eighth and ninth national graphic art exhibitions, and the sixth national art exhibition. One of his works entitled *Mountain Spirit* won an award for best creation in the ninth national graphic art exhibition. Another *Spring Returns to Miao Mountain*, won a first prize in Guizhou Province.

In his recent works, Dong has become less preoccupied with a detailed depiction of local life and custom, and begun concentrating on presenting his own perceptions of life. He attempts to grasp the natural, cultural spirit of Guizhou, using a more abstract form of

Noon.

DONG KEJUN



instance, in *Mountain Spirit*, the woman's dress, the basket on the man's back, rabbits hanging from his gun and even the eagle perching on his gun are all in red and green. The two colours add real vitality to the scene.

In recent years, Dong's works have been exhibited in Japan, France, the United States, Sweden, Singapore, some African countries, Hong Kong and Taiwan.

By Wei Liming

outside world, the Liaoning People's Publishing House urges its editors to think for the future and try to predict reading trends. It is through this approach that the publishing house has achieved such success.

by Hong Lanxing

Book Series Appreciated by Readers

The Liaoning People's Publishing House recently published a series of books entitled *Man and Culture* which attracted wide readership. One unique feature of the series is that all the books selected are recent publications from China and abroad. The works not only convey pioneering ideas but are also in depth academic pieces.

According to Wang Dalu, associate editor of the series, the books focus on the study of human beings as social creatures and the relationship between man and culture.

Works already published include *Psychical Research—A Guide to Its History, Principles and Practices*, edited by English scholar, Ivor Grattan Guinness. The first academic work on psychic research in China, the book offers a study of human intuition, premonition and psychic phenomena experienced just before death. *The Spirit of Man in Asian Art* by Laurence Binyon is a work devoted to the research of common and special features of oriental cultural psychologies. *Cultural Anthropology* by American scholars Carol R. Ember and Melvin Ember is a comprehensive and systematic study of many aspects of cultural anthropology. *The Ideological Evolution of Western Sociology*, written by Chinese scholar Hou Junsheng, analyses the theories of representative sociologists on social structures, social ideals, social life, family, marriage, birth, customs and religion from ancient times to

the birth of Marxism.

Works soon to come off the press include: *Culture, Society and the Individual*, *The Evolution of Culture and Human Behaviour*, *Multi-Cultural Society and Social Progress*, *Culture and Personality*.

Apart from the series mentioned above, which embraces different academic views from abroad, the Liaoning Publishing House has also published other series by Chinese scholars in recent years. *The Contemporary Chinese Aesthetic Research Series* records the theories of seven representative Chinese scholars. *The book series entitled Contemporary Western Aesthetics*, edited by Li Zehou, the well-known scholar, includes 11 modern and contemporary classics by foreign scholars, which have had and continue to have an influence on the development of aesthetics. *The Psychological Research Series* includes 22 research works by both Chinese and foreign scholars, such as the *Psychology of Emotion*, *Psychology of Personality*, and *Psychology of Art*.

These series which cover some of the most outstanding recent achievements in academic research both at home and abroad have met with a warm response from the reading public. One of the books has a printing of 150,000 copies, a rare thing in an academic work. The book, *Psychology of Emotion*, won a best seller award last year.

In order to keep up with rapid reforms and the opening to the

Cultural Briefs

■ Literature and art circles in Beijing and Shanghai are jointly requesting film and television play scripts from Chinese and foreigners as part of the celebration for the 40th anniversary of New China this October 1.

Scripts will be accepted between today through August 31 next year, an official in charge announced, and the event is being held to promote the improvement of China's movies and TV.

According to the official, topics focusing on the reform and open policy written in various styles will be welcomed.

A committee of well-known playwrights, critics and film and TV directors will recommend the scripts for prizes, publication and production.

■ Some foreign diplomats and their families in Beijing just held a party where they conversed and performed in Chinese.

The party, sponsored by a Chinese language centre designed to help foreign diplomats, journalists, airline personnel and their families to break the language barrier in their work and daily life in China.

The centre was organized in the 1950's and has enrolled more than 6,000 foreigners since that time. The 600 currently studying at the centre not only learn the Chinese language, but also attend classes on Chinese culture, history, calligraphy, painting, musical instruments, and shadow boxing.