

Beijing Review

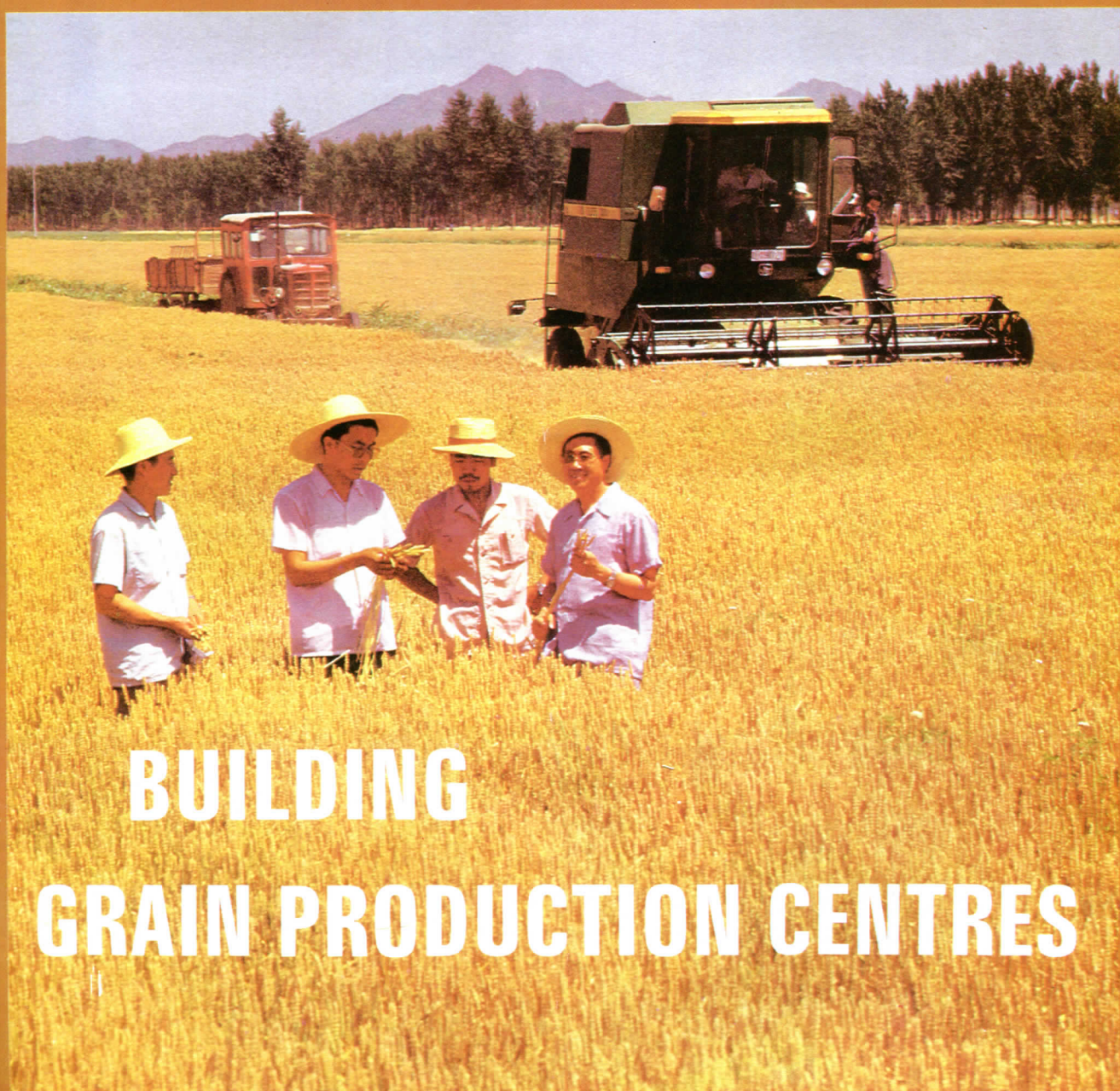
A CHINESE WEEKLY OF NEWS AND VIEWS

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July 25-31, 1988

European Communities Build Trade Links With China



**BUILDING
GRAIN PRODUCTION CENTRES**



Family on the way home in the rain.

Sun Yi

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HIGHLIGHTS OF THE WEEK

The Kuomintang 13th Congress

■ A Commentary on the recent week-long Kuomintang 13th Congress. It is hoped that the election of younger men to the KMT Central Committee will result in practical action to promote contact and understanding between people on both sides of the straits and make new contributions to an early reunification of the motherland. (p. 4).

Marketable Grain Centres Help Feed 1 Billion

■ The Chinese government has set up 170 marketable grain centres throughout the country to meet the needs of its developing foodstuff and fodder industries. Financially supported by the government, the establishment of these centres has proved an important measure in deepening agricultural reforms (p. 18).

Wuxi County Develops Agriculture and Industry

■ Wuxi County serves as a good example of the successful development of agriculture and rural industry. China still needs to firmly establish agriculture as the foundation for further development while continuing to promote industry (p. 14).

Ideological Work Calls for Reform

■ China is now going through a transition from the old to a new economic model and corresponding changes are needed in its ideological and political work. Party leader Hu Qili suggests that efforts should be made to devise new methods to achieve this (p. 6).

The EC and China as Trade Partners

■ Despite the progress made in bilateral trade between China and the European Communities and their shared desire to further expand trade and economic co-operation, both parties still face obstacles to advancement (p. 21).

COVER: Beijing's Shunyi County has introduced large-scale farming and gathered a bumper wheat harvest this summer. The front cover picture shows a combine harvester at work in Yangge Village.

CHEN ZONGLIE/XUE CHAO

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The Kuomintang's 13th Congress

by Our Guest Commentator Xiao Jing

The week-long 13th Congress of the Kuomintang Party of China (KMT) closed on July 13.

Having elected Li Teng-hui president of the KMT, a new central committee and a central standing committee, the congress adopted five motions—"The Political Programme Policy," "Doctrine and Ideology," "Renovation of Party Affairs," "Revisions of Party Constitution" and "Policies on the Mainland,"—and published a declaration.

The congress took place at a crucial juncture in the KMT's history. It had just bid farewell to the strongman's epoch of Chiang Kai-shek and Chiang Ching-kuo and was faced with the problem of replacing old with new.

In search of stability and to dampen the fierce struggles among the KMT's various factions, compromise was the order of the week. Although some progress was made in the renovation of the party leadership structure, reports from KMT leaders and the various motions adopted at the congress revealed no major shift from the policies followed by Chiang Ching-kuo during his lifetime. Much the same as when Cao, the Han Dynasty Prime Minister, followed the rules set by his predecessor Xiao.

Before the congress, the KMT leadership repeatedly stressed it should be "forward-looking and pioneering." In fact, in the fierce struggles between the new and old forces, it was marked by hesitation and vacillation. Under such circumstances, the various motions passed at the congress were

basically aimed at papering over gaps within the existing framework.

Take the "Policies on the Mainland" for example. The draft was strongly conservative and lacking in openness. After criticism from some delegates, the KMT leaders revised a few individual articles. Taiwanese residents may continue to visit relatives on the mainland and restrictions will be relaxed somewhat according to circumstances. Applications from mainlanders for visit to Taiwan to see sick relatives or attend their funerals will be handled case by case.

Athletes from either side of the Taiwan Straits may take part in international competitions held on the other side of the straits in accordance with the provisions of the Olympic Committee. Contacts with overseas students and scholars from the mainland will be expanded, as will the import of raw materials needed in Taiwan. The adopted motion reiterated opposition to "any divisive" stand on the issue of national reunification.

All these positions and measures are positive and should be affirmed. But they are still far from meeting the expectations of the people. Furthermore, the KMT leaders not only continued to stress their "three no's policy" (no contact, no negotiation and no compromise), but harped on in a shopsoiled tone about fighting "against the Communists and for the recovery of the country," and "unifying China with the Three People's

Principles—Nationalism, Democracy and

Welfare."

They stressed that Taiwan should not be content with its temporary ease, but should psychologically be on its guard, temper itself against misery and hardship, and strengthen defence. Today, as relations between people on both sides of the straits are developing continuously, the KMT's statements are regrettable.

Most noticeable was that the reshuffle in personnel at the congress was bigger than the policy adjustments. Although the policy-making core of the Kuomintang basically remained unchanged, 12 new people entered the 31-member standing committee of the central committee, bringing down its average age from 71 years to 67 years.

The newly elected 180-member central committee has become even younger, with new faces accounting for more than half and the average age falling from 69 years to 58 years. As the members were elected by ballot, the more reform-minded younger generation obviously had strong support from many delegates, while people with backward or outmoded ideas suffered setbacks.

Both KMT members and the press in Taiwan were somewhat dissatisfied with the congress. A typical comment was that it "did too much in maintaining the status quo, but too little in exploring new fields."

Li Teng-hui, Li Huan and other KMT top leaders stressed repeatedly that one should not hope to tackle all problems at one congress, as solutions need time to be found, and there would be



CPC To Join KMT For Reunification

The Communist Party of China (CPC) will work together with the Chinese Kuomintang (KMT) and the Taiwanese people for an earlier reunification of China, Zhao Ziyang said on July 15.

During a meeting with United States Secretary of State George Shultz, Zhao, general secretary of the CPC Central Committee, said, at the recent "13th National Congress" of the KMT, leaders of the Kuomintang made some remarks which were not in line with the current situation.

"We expected them to make such remarks," Zhao said. "They had to do so, but they did also have some positive ideas."

"Some individuals in particular have put forward some good opinions and tentative ideas on

how to further improve relations on both sides of the Taiwan Strait and how to promote the country's reunification, and we appreciate this."

China's reunification has been the concern of people from all walks of life both in China and abroad, Zhao went on. Both sides of the strait also share a lot in common and a strong foundation in politics, economics, culture and tradition.

Both sides support the policy of "One China," and agree that Taiwan is an inalienable part of China, and oppose all words and acts which might lead to Taiwan's independence. Both sides hope for mutual co-operation, the joint development of the national economy, higher living standards,

changes to Taiwan's mainland policies before the end of this year.

We completely understand this. In meeting with the United States Secretary of State George Shultz, Zhao Ziyang, general secretary of the CPC Central Committee, said that at the 13th national congress of the KMT, leaders of the Kuomintang made some remarks which are not in line with the current situation. "We expected them to make such remarks," he added.

But, we also noticed that more and more new people have appeared in the KMT's top power echelon who can play a positive role in implementing new policies and in promoting the improvement of relations on both sides of the Taiwan Straits. Not only do they shoulder less of the burden of historical issues and thirst for change, but they also have a wider social base and pay more attention to the people's wishes.

We hope the new KMT leadership will look reality in the face, discard the burdens of history, comply with the people's wishes and the trend of the times, work to promote the understanding and exchange of people on both sides of the straits, and make new contributions to the early reunification of the motherland and the rejuvenation of the Chinese nation. ■

Deng meets Shultz.

CHEN ZONGLIE



and a prosperous, powerful and modern China. And both sides want to carry on the fine tradition of China's national culture, Zhao said.

Premier Li Peng also met the US Secretary of State the same day and said that China needs a stable political situation, a powerful government and greater democracy to build a new economic order.

Li said that the country's economy is moving rapidly towards a brand new system combining central planning and market regulation.

However, he said, this pace of development has brought with it some problems such as a shortage of energy, rising prices, an over-expanded scale of capital construction and an unfair distribution system. He said that the government is adopting a series of measures to solve existing problems and deepen the reforms.

Shultz said he is happy to see a thriving economy and is eager to know more about China's economic development to reach an understanding that will benefit both sides.

On July 15, top Chinese leader Deng Xiaoping also met Shultz. He told him that despite some problems, Sino-US relations have developed steadily during the term of office of US President Ronald Reagan and Secretary of State Shultz.

Deng said as far as the reforms are concerned, China has no so-called conservatives and the reform policies are unanimously accepted by the country's leadership as well as its people.

Shultz, speaking at a press conference after his meeting with the Chinese leaders, described Sino-US ties as getting "better and more extensive".

Also at the press conference, Shultz quoted the Chinese leaders as saying that China has sold

missiles to no countries other than Saudi Arabia. ■

Foreign Trade Sets New Records

China's total import and export values topped US\$43.2 billion in the first half of this year, 22.4 percent higher than in the same period last year, according to customs figures released on July 8.

The country's exports during that period soared by 26 percent to reach US\$21.03 billion, and imports grew by 19 percent to US\$22.18 billion.

The figures indicate that China's trade deficit dropped to US\$1.15 billion from US\$1.97 billion during the same period. But the real trade deficit is estimated at US\$910 million, if the value of non-trade commodities is excluded.

China's exports have enjoyed steady growth since the beginning of this year as a result of readjusted tariff rates, relaxed foreign trade controls and other government policies to encourage exports.

Some trade analysts predict that China's trade deficit could be maintained at around US\$2 billion for the whole year since various reform measures will improve the trade situation and provide domestic firms with more incentives for export.

This optimistic view, however, is not shared by some economists. They argue that China is unlikely to balance its trade payments in the second half of the year because imports of expensive commodities like automobiles will grow during that period.

Inflated imports in 1985 resulted in a trade deficit of US\$14.9 billion, and the 1986 figure was US\$12 billion.

In 1987 China's trade deficit dropped to US\$3.75 billion. But according to the Ministry of

Foreign Economic Relations and Trade, that year China actually achieved a trade surplus of US\$1.88 billion, with the import and export values of non-trade commodities deducted.

Commodities each with an export value exceeding US\$200 million include aquatic products, grain, canned food, cotton, coal, crude oil, refined oil, cotton yarn, cotton and polyester-cotton cloth, pure silk and garments.

Exports of higher-value products shot up in the textile industry, which is pioneering reforms to China's foreign trade structure.

During the January-June period, garments were China's biggest export commodity, drawing a US\$1.68 billion income—a 26 percent increase from the same period last year.

Exports of copper and aluminium products, sewing machines, machine tools, bicycles and some household electrical appliances increased considerably.

Meanwhile, imports of raw materials and processed parts have also grown in the past six months. Those which have an import value exceeding US\$200 million each include grain, refined sugar, natural rubber, timber, paper pulp, synthetic fibres, wool, fertilizer, paper and cardboard, steel, machine tools, television tubes and motor vehicles.

With the exception of steel, paper and cardboard, imports have increased for all these commodities. Steel was China's number one import commodity, but its import value dropped by 20 percent to US\$1.77 billion during that period. ■

Ideological Work: Field for Reform

A senior Party official has called for the reform of China's ideological work to assist the

country's efforts in setting up a socialist commodity economy.

Hu Qili, a member of the Standing Committee of the Political Bureau of the Party Central Committee, also wants ordinary people to be better informed of the country's current situation so they can understand what is going on and thus prepare themselves "to cope with the difficulties and contradictions cropping up at the current crucial stage of the reforms."

China is now experiencing the transition from an old to a new economic model, so corresponding changes should be made in its ideological and political work, Hu told a national conference on ideological work held in Daqing, Heilongjiang Province, July 6-9.

"The significance of reforming our ideological and political work should be understood from the angle of ushering in a new order for the socialist commodity economy, and efforts should be made to work out new methods and formulas, Hu said.

"The fundamental touchstone for the success of our ideological and political work today should be the full mobilization of the initiative and enthusiasm of the people, and the promotion of production and improvement of economic efficiency," he said.

"In enterprises, ideological and political work should be so oriented as to respect and take care of workers so that their initiative, creativity and enthusiasm can be brought into full play.

"We should carry forward our fine traditions in the work on the one hand, and on the other, correct the faulty practices followed in the past due to 'leftist' influences," he said.

Hu called for vigorous efforts to inspire the national spirit of the people, saying that the slogan of "realizing the four modernizations and revitalizing the Chinese nation" should be used as a

powerful morale booster to unite and encourage the people in their struggle.

"Events in many countries and nations around the world have demonstrated that it is deplorable for a nation to be without ideals or moral pillars," he said.

He called on Party members and leading cadres at various levels to act as a vanguard and an example in the drive to inspire national spirit.

"Special attention should be paid at present to the honesty of the Party and the government, because this issue is a decisive link in winning or losing the support of the people and in the success of the country's current reforms," he said.

"If our Party and government organs take the lead in creating a general social mood of honesty, a tremendous ideological force will emerge and the whole nation will follow suit."

He also urged the media to do a good job in guiding public opinion and encouraging the whole population to overcome difficulties which may crop up in the course of the reforms. ■

Passengers Trains Overloaded

As the main means of transport in the country, China's train system faces a big task to keep up with expanding numbers of travellers.

In the first half of this year, the number of railway passengers topped 585 million, an increase of 5.4 percent from the same period last year. Freight volume reached 700 million tons, a 5.2 percent increase. This summer season trains across the country will carry an estimated 4 million people each day.

China's transport system has long suffered from overcrowding and train travel has always been a

headache for many long-distance travellers. A popular saying goes: To take a train in China is to buy suffering.

Spring and summer were once the two busiest seasons of the year, but this year trains have been packed since January. According to a report in *Economic Daily*, there was an "explosion" of the numbers of passengers travelling in April and May, previously the least busy months of the year. On May 3 alone, about 3.96 million passengers nationwide travelled by trains, the highest figure in history. That number exceeded the figure for the busiest day in this year's spring rush season by 30,000 people, the paper said.

Experts from the Ministry of Railways predicted that passenger numbers will continue to rise sharply in June and August, a situation which greatly worries ministry leaders.

Last year, trains in China carried 1.2 billion passengers, according to the report. The annual number of passengers in the recent past averaged 1.1 billion.

Statistics show that as many as 236 passengers may be crowded into a 24.6-metre-long, 3.1-metre-wide railway car — that allows less than 0.3 square metres of space for each person.

The severe shortage of passenger trains is forcing the ministry to use transformed freight cars to ease growing demand. During a 40-day period in spring this year, the railways converted more than 60,000 freight cars, an average 1,500 per day for, use as passenger transport. But even so, the railways cannot meet the huge numbers of passengers travelling across the country.

According to statistics, about 2,000 passenger trains run each day in China, each with the capacity to carry 3 million people. The trains are now actually carrying 3.9 million passengers

each day, nearly one-third of them in overloaded carriages.

The growing number of travellers has also made it difficult to buy train tickets, the paper said. The Beijing railway station turns away 15,000 ticket buyers every day.

A sample survey of 1,923 travellers conducted this May at the Beijing railway station showed that 40 percent were tourists and 23.5 percent were farmers working outside their hometowns or seeking jobs in Beijing. Those travelling on business made up 23.3 percent.

The paper noted that the only way to solve the problem of overloading was to raise ticket prices. It said present ticket prices are too low to cover maintenance and other costs. More passengers simply mean more financial losses for the railway system. ■

Killing Heat Wave Hits South China

A heat wave which hit Nanjing, the capital of Jiangsu Province, at the beginning of July has killed 83 people and hospitalized 1,500 as temperatures soared to about 40 degrees Centigrade.

Zhu Qingxue, director of the city's public health bureau, said on July 11 that most of those who died were over the age of 60.

The heat wave made it impossible for people to sleep indoors and the city's 2 million residents were forced to spend nights outdoors on bamboo beds and chairs in the hope of catching a breeze.

Roads were literally melting in the heat. The temperature on road surfaces was measured at 70 degrees Centigrade.

Watermelon and fan sales shot up: one of the city's department stores sold 1,000 fans on July 8. Prices of watermelons rose by

more than 200 percent.

Large factories with high electricity consumptions were asked to halt production to ensure sufficient electricity supplies for city residents.

Hospitals were alerted to set up rescue centres to provide emergency services. Many had to add extra beds for the steady stream of patients suffering from heatstroke.

According to Central Meteorological Observatory reports, the heat wave reached Jiangsu and Anhui provinces in the second week of July. It then spread to Jiangxi, Hunan, Hubei, western Zhejiang and Guangdong and Guangxi. Temperatures in these provinces exceeded 36 degrees. In some cities, including Jingdezhen in Jiangxi, and Bengbu in Anhui, the temperature reached 40 degrees.

The ten-day heat wave in Nanjing was finally broken by a rainstorm which brought welcome relief to the residents.

As rain started falling shortly after 9 pm on July 12, people rushed onto the streets and some let off firecrackers in celebration. The torrential rains lasted 45 minutes.

The temperature dropped from 39 degrees to 35 and more rain was predicted by the city weather bureau. ■

Putting an End To Child Labour

The Ministry of Labour called on society as a whole to take strong and effective measures to stop the employment of child labourers in China's rural industries, *People's Daily* said on July 10.

The country's leading paper quoted a ministry spokesman as saying that compared to last year the number of child labourers has increased.

Child labourers account for 10 percent, and in a few cases 20 percent, of the total employee numbers in some rural enterprises, and the percentage of girls is very high, the spokesman said.

The spokesman noted that the employment of children not only affects the children physically and mentally but also has an impact on the levels of education in China as more and more middle and primary school children discontinued their schooling to join the workforce.

China's employment policy stipulates that employees must have reached the age of 16 or above. Organizations and individuals are forbidden to employ child labourers. This policy needs to be strictly enforced and more efforts should be made to publicize compulsory nine-year education, the spokesman said.

A circular on laws against hiring child labourers is now being prepared by the Ministry of Labour, the State Education Commission and other government departments, and will soon be ready for distribution, the spokesman said. ■

Lama Rioters Released in Lhasa

Fifty-two lamas detained after riots in Lhasa on March 5 were released on July 11 after an initial investigation was completed.

The lamas, all aged about 20, belong to three major Lhasa monasteries — Zhebung, Cela and Gandain — and a few are from the Tibet Buddhist seminary.

The public security office said the lamas stormed, looted and set fire to shops and restaurants and beat up policemen sent to maintain order outside the Jokhang Monastery on March 5 at the end of the 10-day Grand Summons Ceremony. They were

taken into custody the same day.

Yuan Chengquan, deputy-director of the Lhasa Bureau of Public Security, said that investigations into the cause of the riots had been completed. Most of the participants, he said, had "blindly" taken part in the riots.

Yuan said the lamas showed repentance during their detention and helped the police identify those who were involved behind the scenes.

"In accordance with the Communist Party's policies, we decided to deal with them leniently although they committed crimes," he said. ■

China to Produce More Sedan Cars

China will produce more sedan cars using foreign investments and funds raised by the enterprises themselves to meet growing demand on the domestic market.

At a symposium on the country's sedan car industry, held recently in Changchun, capital of Jilin Province, it was announced that the State Council has decided to build three sedan car production bases in Changchun, Shiyang and Shanghai.

As one of the country's leading manufacturers of motor vehicles, the Changchun No.1 Motor Vehicle Plant will become one of the three bases.

The No.2 Motor Vehicle Plant in Shiyang City, Hubei Province, will be another sedan car production base. Director Chen Qingtai said his plant is expected to achieve an annual production capacity of 150,000 cars by the year 1996, and 300,000 cars by the year 1998.

The Shanghai Volkswagen Corporation, a joint venture between Shanghai and Federal Germany, is the third base. The corporation is set to achieve an annual production capacity of 60,000 Santanas. ■

Weekly Chronicle (July 11-17)

POLITICAL

July 11

■ During his meeting with the visiting President of the European Parliament Lord Henri Plumb, Chinese President Yang Shangkun says that Europe's growing power and the development of China represent the rising force of peace in the world. China attaches great importance to its relations with the European Parliament and the European Community.

July 13

■ The seven-day 13th Congress of the Chinese Kuomintang closes in Taipei, according to Taipei news reports received in Hong Kong. A 180-member central committee with 90 alternative members was elected on July 12. The Congress revised its mainland policy. Mainland compatriots will be allowed to "visit ailing directly-related relatives and spouses in Taiwan or to attend their funerals on the island and such cases will be treated according to the particular circumstances."

July 14

■ Zhao Ziyang, general secretary of the Party Central Committee tells a forum on handling letters from the general public that greater attention should be paid to such letters, especially when they concern the honesty of Party and government officials.

ECONOMIC

July 12

■ Speaking at a national meeting on taxation, Chinese State Councillor Wang Bingqian asks that localities not make up their own taxation policies nor offer their own preferential terms to try to attract foreign investment.

Wang says the key to attracting foreign investment is improvement to the investment environ-

ment, adding that Chinese taxes are acceptable to foreign businessmen as long as they can earn profits.

July 13

■ The municipal government of Shenyang in northeast China has decided to levy an additional charge on banqueting and some controlled commodities such as fireworks, motorcycles and sedan cars to moderately adjust the social distribution of income. Mayor Wu Disheng says. All income from the charges will go towards the city's educational undertakings.

CULTURAL

July 13

■ Li Menghua says in an interview with Xinhua that he welcomes Chinese Taipei's decision to participate in the 11th Asian Games to be held in Beijing in 1990. The announcement of the decision was made by Zhang Fengxu, president of the Chinese Taipei Olympic Committee on July 12.

Li, president of the Chinese Olympic Committee and executive chairman for the 1990 Beijing Asian Games Organizing Committee, also expresses his hope that Chinese Taipei athletes will visit the mainland for other international competitions.

SOCIAL

July 14

■ A Japanese butterfly enthusiast who illegally collected rare insect and plant samples from Yunnan Province has been banned from China for five years, Xinhua reports.

Hiroyuki Wakahara, a former research fellow in butterfly studies at Tokyo University in Japan, bribed locals to catch the rare species by offering rewards during his four visits to Dali, Yangbi and Lijiang between April 1986 and April 1988.

POLAND-SOVIET UNION

Visit Strengthens Bilateral Ties

During his first official visit to Poland, Soviet leader Mikhail Gorbachev offered a new proposal on conventional arms reduction between the Warsaw Pact and NATO.

Soviet leader Mikhail Gorbachev paid a visit to Poland from July 11 to 14, the first to the country by a Soviet Communist Party general secretary in 15 years.

Relations between the two countries have undergone significant changes since Gorbachev came to power in 1985. Poland, which began its reforms in January 1982 amidst the most serious economic and political crises it had ever faced, was criticized as deviating from the then Soviet pattern. The reforms were described by the Soviet press in 1983 as "preaching views incompatible with socialism." But in 1985, Gorbachev put forward his "new thinking," initiated *perestroika* (restructuring) and proposed that each socialist country be allowed to build a socialism with its own characteristics. As a result, the strained relations between the two countries improved.

Polish authorities spoke highly of the changes in the Soviet Union's domestic and foreign policies, which they said have contributed to improved Soviet-US ties and a better world atmosphere.

During the visit, the two sides released a joint statement reaffirming that "each country is free to independently decide ways and forms of socialist construction, the speed of social and political reforms and the approach to solving problems."

Economic and trade relations between the two countries have also improved in the past few years. Trade with the Soviet

Union, Poland's largest trade partner, accounts for about one third of total Polish foreign trade.

The Soviet Union is increasing its loans to Poland. During his visit, Gorbachev announced that his country would allow Poland to postpone repayments of debts to the Soviet Union for 10 years at reduced interest rates. The debts involved stood at US\$1.6 billion and 5.2 billion roubles (US\$8.8 billion).

The most interesting feature of the visit, however, concerned a proposal made by Gorbachev in his address to the Polish parliament. Gorbachev said his country would be prepared to withdraw part of its air force from

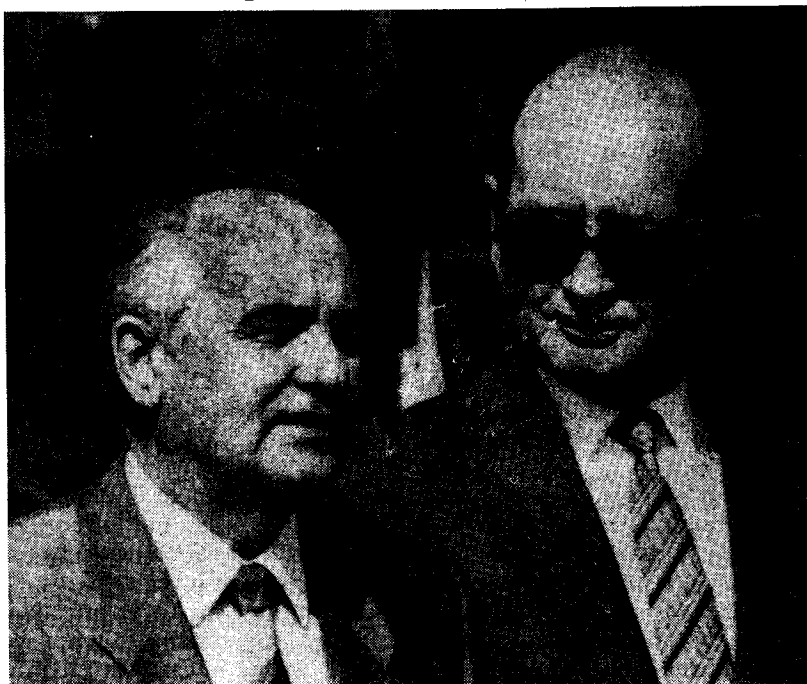
Eastern Europe if the North Atlantic Treaty Organization (NATO) drops its plan to deploy 72 F-16 fighter-bombers in Italy. He also suggested that a pan-European centre for reducing the threat of war be set up to co-ordinate between the Warsaw Pact and NATO, and that a pan-European summit meeting be convened to concentrate on the problem of reducing conventional weapons on the continent.

The proposals drew mixed response. Many countries, including China and East European nations, voiced their support for any efforts or suggestions conducive to the maintenance of peace and the relaxation of tensions in Europe.

Erich Honecker, leader of the German Democratic Republic, made a statement that his country welcomes Gorbachev's proposal, which he said comes at a good time and will help strengthen trust and security in Europe and the disarmament process.

President Francois Mitterrand of France referred to Gorbachev's

Polish leader Jaruzelski greets Gorbachev at Warsaw Airport.



initiative as "interesting," adding that certain political conditions would have to be met before he would consider commenting further on the proposal.

NATO Secretary General Manfred Woerner, who assumed office on July 1, said, "The alliance is prepared to give serious consideration to any proposal that will serve the goal of enhancing stability in Europe." However, he continued, "withdrawing Soviet aircraft several hundred miles is obviously not the same as withdrawing US aircraft several thousand miles across the ocean." He said that focusing on aircraft alone would not satisfy all the requirements for stability in Europe. "On their own," Woerner said, "aircraft cannot capture and hold territory, a threat which particularly concerns NATO."

The NATO chief commented that balanced low-level conventional forces in Europe would be possible only through an emphasis on the deployment of Soviet ground forces, which far exceed legitimate defence needs and have the capacity to launch surprise attacks and initiate large-scale offensive actions. "We need asymmetrical reductions, particularly in tanks and artillery," he said.

According to reports, the United States also officially rejected the proposal. "We see little utility in proposing a new, different forum since discussion on conventional arms is already underway in Vienna," State Department spokeswoman Phyllis Oakley said. She said that if the Soviet Union is sincere in its pursuit of conventional reductions, it should work to achieve a mutually acceptable mandate and a balanced outcome on security and co-operation in Europe at the Vienna conference. She declared that the main security problem in Europe is posed "by the vast conventional superiority of the

Warsaw Pact."

Public opinion in Western Europe saw Gorbachev's overture

as yet another media victory in his propaganda drive.

by Xiong Changyi

AFGHAN ISSUE

Another Effort for Peace

United Nations mediator on Afghanistan Diego Cordovez concluded his latest round of shuttle diplomacy, offering a suggestion which is still to be discussed by all parties concerned.

United Nations mediator on Afghanistan Diego Cordovez concluded an 11-day shuttle trip to Iran, Pakistan and Afghanistan on July 10. The aim of the trip was to review the implementation of the Geneva accord and meet with all parties concerned to seek ways to set up a broad-based government in Afghanistan.

Cordovez met with some Iran-based Afghan resistance leaders in Tehran and addressed an Afghan refugee gathering in Pashawar, a frontier town in Pakistan, but he did not meet with leaders of the seven-party Afghan resistance alliance.

During his stay in both Islamabad and Kabul, the UN mediator held detailed discussions with senior officials of the Pakistan government and the Kabul regime. The two sides reportedly assured him of their commitment to carry out their obligations under the Geneva accord, and Cordovez expressed his views on resolving the Afghan problem.

On July 9, Cordovez released a written suggestion during a press conference in Islamabad, saying it was not an official suggestion but simply some ideas he had after meetings with many Afghans.

According to Cordovez, the road to peace in Afghanistan should follow two steps. First, the various political parties and

groups should call a ceasefire, which requires not only that resistance forces stop fighting but also that the Najibullah regime be dissolved; then, after consultations with all parties, attempts should be made to establish a broad-based interim national government on September 1 this year. Such a government could exercise executive authority over the country and command armed forces and police. Refugees would be free to return safely and honourably to their homes and receive international humanitarian assistance. The interim government's main task would be to prepare a "Loya Jirga" (Grand National Assembly) after various forces return to the country.

Second, the Grand National Assembly should be held no later than March 1, 1989 and should aim to establish a real government before March 15. Leaders of the interim government should give their assurance that they will not hold government posts produced by the Grand National Assembly.

Responses to the suggestion were mixed. Some refugee representatives and frontline Afghan commanders expressed their support for the Grand National Assembly. Cordovez gave no answer when questioned as to whether or not Mohammad Najibullah approved of the suggestion,

saying only that he had explained it to Najibullah. Leaders of the seven-party Afghan resistance alliance indicated that they had not yet officially received the suggestion, but that they would discuss it if it was received. However, observers feel certain most alliance leaders will reject the suggestion.

Before returning to New York, Cordovez again met Pakistani President Zia ul-Haq. He told reporters at the airport that the president totally supported his efforts to help set up a broad-based government. He also

indicated that the suggestion could be modified and improved, and that its aim was to promote peace in the country.

Eyes are now being focused on the real significance of Cordovez's suggestion. Diplomatic observers hold that since Afghan resistance forces and the Kabul regime strongly differ over the future establishment in Afghanistan, the materialization of the UN mediator's plan to form a national government may break the present impasse in Afghan internal situation.

by Ren Yujun

MEXICO

New President Faces Grave Challenges

Carlos Salinas de Gortari, candidate for the ruling Revolutionary Institutional Party, was elected Mexico's new president. But he is now facing the challenges of a long-time economic crisis.

The Mexican presidential election on July 6 proceeded smoothly as polling booths in all residential areas received a steady flow of voters. To avoid fraud and the casting of more than one vote per person, all voters, including the president, were painted with a yellow mark on the thumb after casting their votes. Each political party sent representatives to supervise polling booths.

The mood at the polls varied between voters. One cabinet minister hoped that the election would indicate to the world that Mexico was developing new stability and political maturity.

A housewife said she cast her vote with a view to a better life, but she was reluctant to disclose which candidate she supported. A worker openly said he voted for Salinas because Salinas promised Mexicans that they would not have to make any further sacrifices.

An apartment building door-

man said he cast an abstention vote because he could not see the point of such boring games.

It is widely known that Mexico still faces economic difficulties and that the country needs major reforms or political innovation to make a comeback. Salinas is more than aware of this and he built his campaign on promises to build a modern and more efficient nation. He sees the most urgent tasks as the improvement of Mexico's

financial position, the mobilization of private enterprises and the curbing of inflation. Mexico's main aim in foreign policy is the renegotiation for the removal of the country's heavy debt burden of US\$106 billion.

Such challenges offered all opposition parties ample opportunity for competition. The presidential election, which presented the Revolutionary Institutional Party (PRI) with its most serious challenges, was regarded as the most competitive one in over 60 years. The party's main rival has always been the right-wing, pro-American National Action Party which represents the wealthy entrepreneurial class. The PRI follows a nationalistic policy and claims to stand for the interests of the working people, so it has always won an overwhelming majority in every general election. However, in the recent election, the National Action Party changed its tone and attacked the ruling party for "corruption" and "fraud" in an attempt to gain public support.

Although Salinas won the election with 50.36 percent of the total votes, he is now confronted with the arduous task of ending a long-standing economic crisis, and restoring Mexico's economic growth as soon as possible. Failure to do so may make it difficult for the PRI to consolidate its position.

by Guo Weicheng

UNITED STATES

Pentagon Scandal Shakes Nation

Investigation has revealed the biggest and most important Pentagon scandal in US history.

Reports of a secret probe involving a dozen US military suppliers and many Pentagon officials have shocked people across the United States.

On June 14 the US Federal

Bureau of Investigation and Naval Investigative Service conducted an unprecedented search of selected defence companies in 12 states, the offices and homes of some military industrial consult-

ants who once served in the Pentagon, and some Pentagon officials. On June 15 and 16, federal grand juries issued 350 subpoenas to companies and people who had been searched demanding specific records or personal appearances. The offices of three members of the House of Representatives were also examined.

Most surprising, the investigation of what has been called the most serious scandal in the history of the Defence Department had been going on secretly for two years, and top US officials—including President Ronald Reagan, Defence Secretary Frank Carlucci and Attorney-General Edwin Meese—were all kept in the dark.

Reports say the sweep was triggered by a telephone call two years ago. A former US Navy

employee, who was then working for a munitions company, received a call from a defence industrial consultant, who is usually a former high-ranking military officer or Defence Department official. The consultant offered to sell inside information from the Defence Department. The former Navy employee reported the call to the Naval Investigative Service. After acquiring evidence that the consultant was selling information, the Naval Investigative Service forced the consultant to co-operate and recorded a discussion between him and the Defence Department official who had provided the information. Agents followed up leads obtained through the recorded discussion and uncovered a web of military consultants who sell inside information collected from the Defence Department.

by Zhang Yunwen

CHAD-LIBYA

Settlement Through Dialogue

Warring Chad and Libya sent their foreign ministers to Libreville, capital of Gabon, to discuss their long-standing border disputes, opening a new page in bilateral relations.

From July 7 to 9 Chad's Foreign Minister Gocara Lassou and his Libyan counterpart Jadallah Azzouzz Al-Talhi held talks to solve the dispute over the sovereignty of the 110,000-square-kilometre Aouzou Strip. The two north African neighbours have been locked in a 15-year conflict over the ownership of the strip of desert land which is believed to be rich in minerals.

Through the mediation efforts of Gabon, which chairs a special committee mandated by the Organization of African Unity (OAU) to try to settle the Chad-Libya dispute, the foreign ministers were able to sit face to face in the Gabonese capital, displaying a

mutual desire to resolve their problems through dialogue.

Although Gabon failed to arrange a Chad-Libya summit meeting as expected, the discussions marked the first meeting between senior officials from the two countries since clashes over Aouzou broke out in 1973.

With Gabonese foreign minister Martin Bongo acting as chairman, the meeting proceeded in an "atmosphere of brotherhood, frankness and mutual understanding," according to a communique issued at the end of the meeting.

The communique reaffirmed the countries' determination to make all necessary efforts to solve

all the issues at hand in a spirit of brotherhood.

Bongo hailed the meeting as "historic." The Libyan foreign secretary said the results of the meeting were not "negligible," and his Chadian counterpart described the atmosphere as "very good."

However, the two sides failed to reach agreement on the resumption of diplomatic ties and to set a date and place for further talks. This hardly came as a surprise since it would be difficult if not impossible for the two countries to settle all their disputes in only one meeting.

Reliable sources said Libya demanded that the normalization of relations and the repatriation of Libyan prisoners of war be discussed first. But Chad hoped to first tackle the issues of Aouzou and border security.

Libya has been occupying Aouzou since 1973. In August 1987, Chadian troops recaptured the territory but failed to keep it in the face of fierce Libyan counterattacks.

The protracted conflict has been a big drain on both Chad and Libya in terms of manpower and financial resources. Recognizing that neither side could easily overturn the other, the two countries accepted a truce mediated by the OAU.

The recent discussions between Chad and Libya are a good start towards ending their conflict and the outlook is hopeful for further progress.

by Sun Xinwen



Wuxi: Combining Agriculture & Industry

by Our Correspondent Jing Wei

Wuxi County is a prime example of the development of a collective economy and rural industries which has won fame for southern Jiangsu Province.

Located near Taihu Lake which flanks Wuxi city, the county has a population of 1.04 million. Each of the county's villages and towns has at least a few factories; motor vehicles roll incessantly on the rural highways; lush crops grow in the fertile fields; and one-storey farmers' cottages have been replaced by two- or three-storey buildings which save precious land.

In 1987, the net income for every farmer in the county increased from 124 yuan in 1978 to 932 yuan, more than double the national average for farmers. In the same year, the county's total industrial and agricultural output value reached 7.48 billion yuan as against 990 million yuan in 1978, which represented more than a seven-fold increase and topped the performances of the more than 2,000 counties in the country.

Industrialization

Of all factors, industrialization is the most important reason behind the rapid development of Wuxi's rural economy.

"Rural areas can only become prosperous through industry," said Tang Yongxiang, manager of the Xitang Village Industrial Corp. in Qianzhou Town. With 7,000 farmer households, the village was very poor a decade ago. Using a 160-yuan loan to buy some second-hand tools and set up an "agricultural machinery maintenance and building factory" in a three-room cottage, the villagers

had their first taste of running an industry and were able to earn higher incomes than neighbouring villagers.

Since 1979, flexible policies, including the encouragement of a diversified economy, have been introduced and applied in rural areas. The villagers grabbed the opportunity to set up ten enterprises, including a dyed-yarn textile mill, an automatic meter and instrument factory, a forging workshop and a factory making aluminium alloy bicycle rims. It was thus possible for more profits to be earned. Now, the village's fixed assets are valued at more than 35 million yuan, its annual industrial and agricultural output value has topped 100 million yuan, and it is exporting some of its knitwear output.

Wang Zhengjun, deputy director of the Economic Study Centre under the county government, said that the rapid economic development in Wuxi County can be attributed to several factors.

First, the county has a large surplus of rural labour. But it has limited areas of cultivated land (only one hectare for every 17 people). Under the people's commune system, most farmers were tied to crop cultivation. Despite the fairly high output, low grain prices meant limited incomes for the farmers. The more profitable industrial production understandably looked very attractive to them.

In the early 1970s, some villages had already set up a few small factories. They did so secretly because such endeavours were not allowed by state policies and were regarded as taking the "capitalist road" and running counter to the principle of "making grain the key link." It was not until 1978 when the ban was lifted that rural industries in the county were able to truly develop.

The county also has conditions favourable for the development of rural industry, with a good geographical location and a well-

Farm fields and factory buildings in Wuxi County.



qualified farmer population. With the Beijing-Shanghai Railway and the Beijing-Hangzhou Grand Canal running across it, the county has a convenient transport network. It is close to Shanghai, Nanjing, Suzhou and other major cities and has forged economic ties with these cities. In the countryside, there are large numbers of retired workers and technicians, and the farmers have a high cultural level and a good sense of commodity economy. The development of rural industry is not only demanded by the farmers, but also has the support of the cities' technology, equipment and markets.

Wuxi County's Economic Development From 1970 to 1987

Year	1970	1978	1983	1987
Population (thousand)	927	1,007	1,025	1,047
Labour Force (thousand)	435	504	528	548
Population Engaged In Agricultural Work (thousand)	390	349	241	121
Grain Crop Land (Hectares)	61,800	61,000	60,560	56,800
Total Output Value (million yuan)	321	993	2,055	7,487
Industrial Output Value (million yuan)	113	478	1,731	7,067
Agricultural Output Value (million yuan)	208	515	324	411
Grain Output (thousand tons)	434	615	563	489
Farmers' Annual Per-Capita Net Income (yuan)	89.5	124.4	412.7	932

Profound Changes

The rapid development of rural industry over the past ten years has brought about profound changes to the county's rural economy.

In terms of production, industry has replaced agriculture as the main sector. At present, 80 percent of the rural labour force is employed in township- and village-run factories and other non-agricultural industries, with only 20 percent left to handle crop cultivation. The output value for industry now accounts for 94.5 percent of the county's total industrial and agricultural output value, with agricultural and sideline production making up only 5.5 percent of the total. Most farmers have thus been emancipated from the land, and industry has become the major power in the county's rural economy, breaking the traditional concentration of industry in the cities (see table).

■ The collective economy has developed at a rapid pace. In the 22 years between 1956 when agricultural co-operatives were set up and 1978, the county's rural areas had only amassed 186

million yuan in collectively-owned productive fixed assets, but the figure jumped to 1.655 billion yuan by the end of 1987. This laid solid economic foundations on which the county's farmers could build up common prosperity.

Of the 5,000-odd enterprises now operating in the county, the output value of those collectively owned at the county, township and village levels accounts for 89 percent of the total; that of enterprises run by individual households in co-operation ac-

counts for 8 percent; and that of private enterprises set up by individual farmers makes up the remaining 3 percent. In terms of agricultural production, some households undertake to till several or even a dozen hectares and others contract to cultivate only small pieces of land.

■ The isolated natural economy has been replaced by an open commodity economy. More than 90 percent of products turned out by industry, agriculture and sideline enterprises are sold as

A street in Qianzhou Town, which generated more than 540 million yuan through industrial and agricultural production last year.



commodities. Over 1,500 township- and village-run enterprises have entered economic co-operation with enterprises in other parts of the country or even in other countries to turn out over 1,800 kinds of products. Their output value accounts for 40 percent of the county's total.

■ Economic efficiency has improved significantly. The labour productivity per capita in the rural areas has increased from more than 5,600 yuan in 1978 to about 15,000 yuan.

■ The county's 35 township government sites have been built into rural economic and cultural centres with electric power and water supplies, telephone links and highways. Educational, scientific, cultural, public health and sports undertakings have been successfully developed and the living standards of the farmers have surpassed those of urban dwellers with middle incomes.

Supporting Agriculture

Has the rapid growth of rural industry resulted in the withering of agriculture? On the contrary. Judging from the above table, between 1970 and 1987 the county's cultivated land was reduced by 8 percent, and the labour force engaged in agricultural production by more than two-thirds. Grain output, however, increased by 12 percent. Although agriculture's contribution to the rural economy decreased by 5.5 percent, agricultural output value rose nearly 100 percent.

Wang Zhongjun said that in the early stage when rural factories were first established in the county, the principle was: Industry must be based on agriculture and effectively run to support agriculture. Now agriculture has taken a back seat, but it is still necessary to support agriculture to

develop the rural economy.

Wang went on to explain that rural industries grew out of agriculture. In the early stages all the funds, labour and land were provided by agriculture. So, he said, it is only natural that industry should support agriculture as it is still the material foundation for the rural economy. If agricultural production withers, industrial production will certainly be adversely affected.

Wuxi County has adopted the following measures through which industry can support agriculture:

— Funds for agricultural construction are collected. The county government stipulates that every profitable rural enterprise should hand in 120 yuan per worker each year to fund agricultural construction. This brings in 30-40 million yuan a year, which is used to build farmland irrigation systems, promote the technological upgrading of agriculture, develop mechanization and subsidize farmers engaged in agricultural production. The measure has played an important role in promoting the transformation from traditional to modern agriculture and in encouraging farmers to cultivate crops.

— Half the funds for public facilities go towards supporting agriculture. The funds are collected from individual incomes according to the following rates: 1-2 percent from farmers; 3-5 percent from workers; and 5-8 percent from private businessmen. The county thus collects more than 30 million yuan each year, half of which is used for capital construction in agriculture, the other half is used to build towns, roads and educational and cultural facilities.

— Voluntary labour is encouraged. The county stipulates that every farmer-turned worker must do 10-15 days of farming work without pay each year. During the busy summer sowing and autumn harvest seasons, rural

factories usually allow workers two weeks off to let them go home to work on the land.

— A network to serve agricultural production has been established. All the 35 townships in the county now have agricultural service companies and nearly all the 587 villages have set up agricultural service stations. While the township service companies are responsible for the overall planning for farmland construction and the buying and selling of goods for agricultural use, the village service stations provide farmers with means of production, promote the application of new technology and fine crop breeds, spray pesticides for the farmers and provide them with mechanized services for sowing, harvesting, irrigation, and draining water-logged fields. The farmers are thus free to concentrate on transplanting rice seedlings, applying fertilizers, handling field management and harvesting. As a result, the level of labour intensity has been greatly reduced.

In a small number of villages with developed industries, land formerly contracted out to the farmers has all been placed under the care of the service stations, and all farmers have become workers in the village-run factories. Tang Zhiqing, head of the agricultural service station in Qianzhou Village, said that of the more than 2,800 people in the village only 75 in the station performed agricultural duties. He himself earns 3,900 yuan a year and others in the station earn 2,100 yuan, slightly higher than the average income for workers in village-run factories.

— Land management has been gradually concentrated in the hands of skilled farmers. In 1983, Zhao Caixing, a farmer in Dongqun Village in the town of Dongjiang, contracted to till 1.6 hectares of land with the help of the village agricultural service station. The resulting output



Zhang Yucai sprays pesticide in his rapeseed field.

showed a big increase in that year. All land in the town now is tilled by 101 skilled farmers.

Zhang Yucai, a farmer who contracted to till 5.2 hectares of land in 1987, produced more than 50,000 kg of grain and reaped a net income of over 15,000 yuan in that year, winning the honour of model farmer in Jiangsu Province. Zhang has now built three two-storey buildings, covering a total floor space of more than 520 square metres. This year, he plans to call his two sons back from the village-run factories and contract to cultivate 7.5 hectares of land. "I have become rich growing grain crops," he said. "But I must give credit to the township and village agricultural service stations for their good, low-cost services, as well as the 7,000 yuan subsidies provided by the town and village, and the state subsidies for selling commercial grain. Without this help, I would not have been able to earn so much."

Dongjiang is a small town with a population of more than 19,000. Last year, the town's industrial output was valued at more than 380 million yuan, and its agricultural output, at more than 13 million yuan. The town head Qian Minyi, said, "More than 90

percent of farming labourers in our town have turned to industry. To maintain steady agricultural development, it is therefore imperative for us to properly manage the land to raise productivity."

Over the past nine years, factories run by the town and the villages under its jurisdiction gave more than 12 million yuan to aid agricultural development. All farming work, with the exception of rice transplanting and harvesting, can now be done by machine.

Potential Crisis

Tang Zhiqing, head of the Qianzhou Village Service Station, complained, "In our town, all young people prefer to drive trucks than tractors. The quality of the labour force engaged in agriculture has declined and soil quality has also deteriorated. Although people still see the agricultural work as a glorious job, I wonder who will take care of the land in the future."

Zhu Shirong, deputy head of Houzhai Township in charge of agricultural production, said, "Agriculture is an open factory and it involves hard work. Young people are reluctant to work in the field. Those who are left to do

farming are now mostly women over the age of 40 and men over 45. Stabilizing and strengthening the ranks of farmers is a real headache."

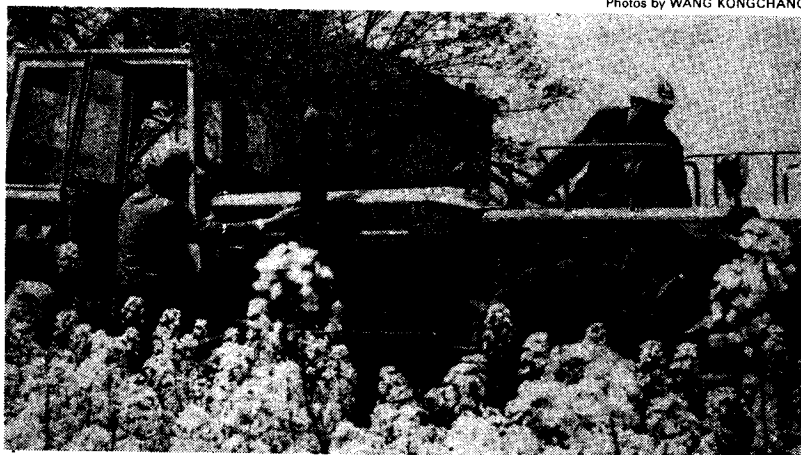
Manager Hua of the Qianzhou Agricultural Service Company said, "The state has invested very little in agriculture. The prices of chemical pesticides, fertilizers, plastic sheeting and diesel oil have gone up again and again. Even so, they are difficult to obtain. The prices of grain have not been raised at all. This makes agricultural enterprise unprofitable; no one wants to cultivate crops if no subsidies are provided."

Tang Shuqing, a research worker for the rural department under the county Party committee, commented, "Although agricultural production in our county has not shrunk, I think we face a potential crisis which needs to be dealt with in earnest." He cited low economic returns from agricultural production, the declining quality of the farming labour force and the low social status of farmers as factors adversely affecting the steady development of agriculture."

To ward off the crisis, Tang said that the state should first of all do something to change the unreasonably low prices for agricultural

Workers with the Houzhai Township Agricultural Service Station check tractors.

Photos by WANG KONGCHANG



products to increase farmers' income. In addition, investment in agriculture should be boosted and effective measures adopted to tackle the shortages of goods for agricultural use.

Considering Wuxi County in particular, Tang held that, apart from adopting measures to encourage industry to support agriculture, attention should be paid to the following areas:

(1) Stepping up the process of agricultural mechanization, and specifically tackling the problem of insufficient rice transplanters

and combine harvesters to reduce labour intensity and raise agricultural productivity.

(2) Further promoting land management and placing farmland in the hands of skilled farmers to raise the per-unit output and economic returns.

(3) Improving the quality of farmers to make them adapt to the needs of agricultural modernization and commercialization.

(4) Increasing input to agriculture. Aside from state investments, funds can be collected from rural enterprises and other

channels.

At the county's recent Party congress held in mid-April, much attention was focused on these measures. In his report, county Party Secretary Miao Genhao stressed the need to firmly establish agriculture as the foundation for future economic development and to increase input into agricultural production and modernize agriculture. In line with this approach, Wuxi County will concentrate on combining agriculture and industry to build a strong economy. ■

China Builds Marketable Grain Centres

by Our Correspondent Zhang Zhiping

To help feed China's 1 billion people and meet the needs of its developing foodstuff and fodder industries, the Chinese government has set up 170 marketable grain counties in areas where potential increases can be tapped. These centres, which grow, process and sell grain, aim at a high and stable yield through specialized production. Financially supported by the government, they are becoming an important source of marketable grain.

The establishment of marketable grain centres was an important measure in deepening the agricultural reform. Since 1985, the government has abolished the state monopoly in the purchase of grain. Although the grain price has been adjusted several times, it is still comparatively low in the market place.

Combined with grain's susceptibility to adverse weather, farmers have found it hard to fire their enthusiasm in pursuit of higher grain production.

Between 1983 and 1985, 60 marketable grain centres were established in China with 590 million yuan of investment jointly pooled by the central authorities

Initial Success

During the Sixth Five-Year Plan period (1981-85), 60 marketable grain centres were built across the major grain producing areas of northern Jiangsu and Anhui provinces, and the eastern part of Henan, as well as in Jilin, Hunan, Hubei, Jiangxi and Sichuan provinces. The 110 centres built since 1986 are distributed in the areas mentioned above and some areas in Inner Mongolia and Guangxi.

Xiong Benqi (third from left) and his family on the threshing ground.

ZHANG ZIPING



and local governments. Investigations conducted by a department concerned show that 50 centres produced a total of 83.35 million tons of grain over the three years, a

34 percent rise over the preceding period and 15 percent more than the average growth rate of the country in the same period. Grain output rose by an average of 900

kilogrammes for each hectare, or 285 kilogrammes more than the average for China as a whole. The amount of grain sold to the state by each farmer went up from 415 to 824 kilogrammes, a 98 percent increase, and 220 kilogrammes more than the national average.

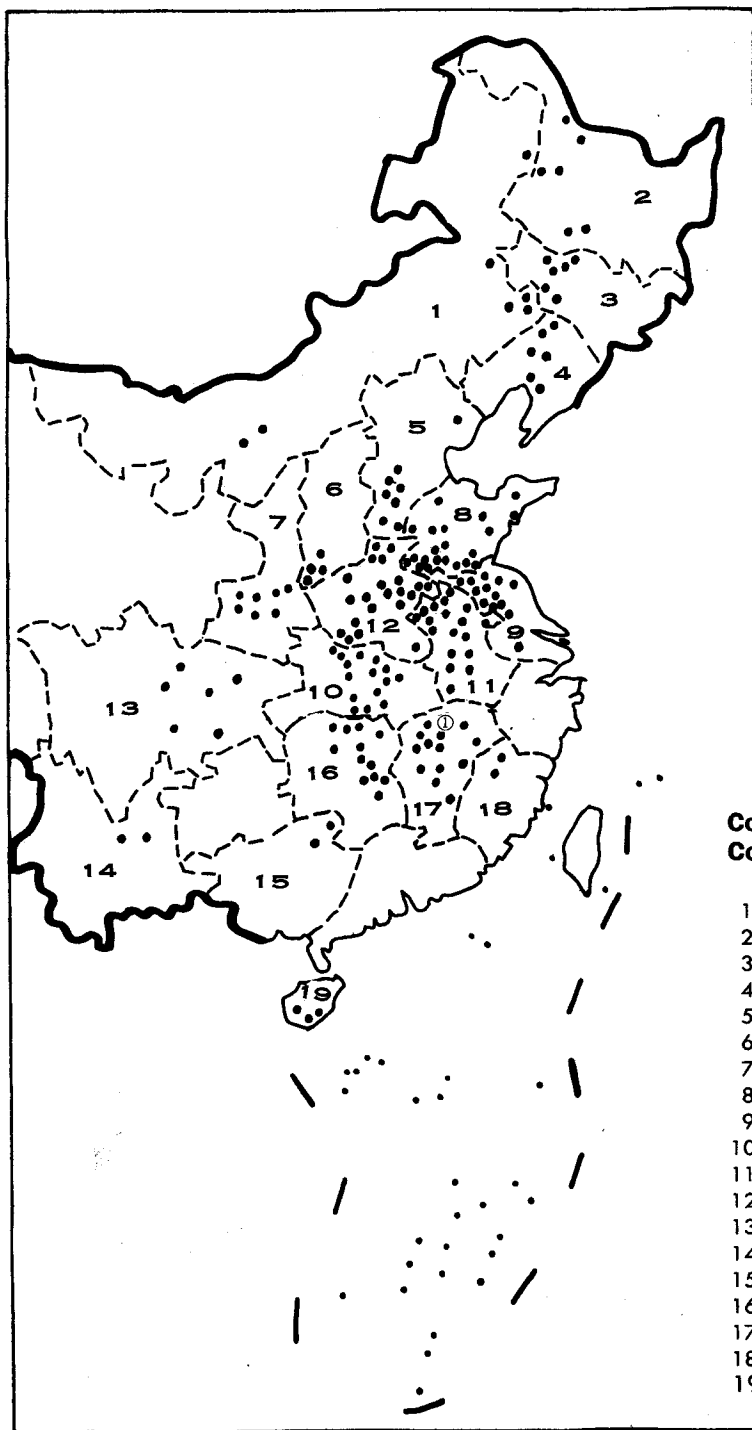
Increased Input

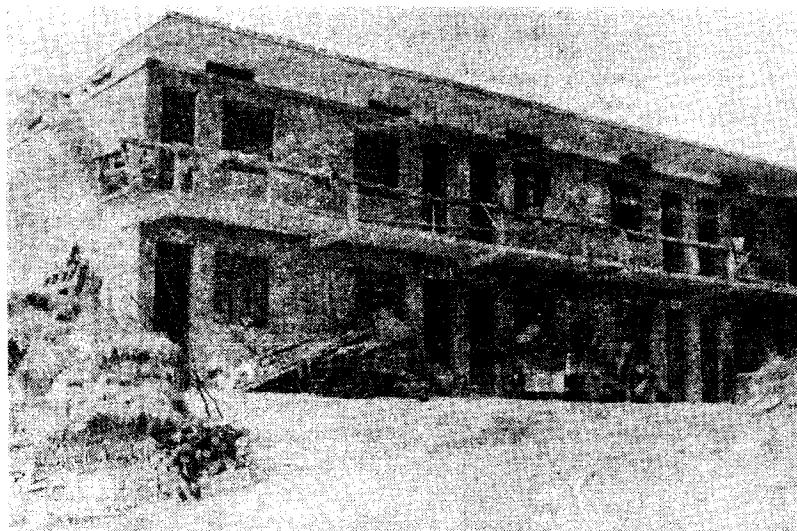
In Jiangxi Province investment in marketable grain centres is concentrated in two areas: 60 percent goes on constructing water conservancy works, and the rest is spent on establishing an agrotechnical popularization programme and breeding better strains.

The Boyang Lake area, located in the middle and lower reaches of the Changjiang (Yangtze) River, is blessed with the natural resources required for grain production. During the Sixth Five-Year Plan, the state invested 60 million yuan in the establishment of six marketable grain centres in Nanchang, Fengcheng, Gaoan, Yugan, Taihe and Anfu counties.

Commodity Grain Centres in the Country

1. Inner Mongolia
2. Heilongjiang
3. Jilin
4. Liaoning
5. Hebei
6. Shanxi
7. Shaanxi
8. Shandong
9. Jiangsu
10. Hubei
11. Anhui
12. Henan
13. Sichuan
14. Yunnan
15. Guangxi
16. Hunan
17. Jiangxi ((1) Nanchang)
18. Fujian
19. Hainan





Xiong Benqi's newly constructed home.

ZHANG ZIPING

In accordance with the investment agreements, for each yuan the grain producer got, he had to increase production and sell 12.5 kilogrammes of grain to the state. For instance, Nanchang County erected buildings for production purposes with state investment and got additional equipment and instruments for scientific research. Agrotechnical popularization stations were set up in 23 townships in the county. Manned by agrotechnicians, each station is responsible for repairing farm machinery, cultivating improved varieties of crops and giving scientific and technical guidance to farmers in grain production. At the same time, they have to build some large irrigation and drainage stations to combat drought and prevent waterlogging.

The results were impressive: In 1987, the six marketable grain centres, which are all in Jiangxi Province, covered 581,000 hectares, with a total grain output of 2.584 million tons. At an average of 4,417 kilogrammes per hectare—an increase of 7.8 percent and 7.9 percent over the previous year—the amount was high than the average growth rate of the province.

Preferential Measures

Given the irrational current price ratio of commodities in China, economic returns gained from grain production are lower than those from cultivating cash crops. Therefore, the government, apart from raising the purchasing prices of grain, has provided the marketable grain centres with chemical fertilizer, pesticides and plastic film at subsidized prices. For instance, for every 50 kilogrammes of rice the state buys, it has offered the farmer five kilogrammes of chemical fertilizer at cost price.

Xiong Benqi, 65, a farmer of Nanxin township in Nanchang County, is one of the biggest grain producers in Jiangxi Province. In 1982, his family (13 strong with eight labourers) contracted six hectares of paddy field and enjoyed the preferential terms mentioned above. The provincial agricultural bureau assigned special personnel for two years in succession to solve technical problems. Since then, Xiong's family has produced more than 50 tons of paddy annually, peaking at 85 tons in 1984. Xiong sold 75 tons

of it to the state and was cited as a model worker across the country. Although his cultivated land was reduced to five hectares in 1987, he still produced 75 tons of grain.

Xiong Benqi has now become the richest farmer in his township. Since 1983, his annual income has been 20,000 yuan. He has built a two-storey building with 24 rooms. There are five televisions in his house, and he has several tape-recorders, electric fans and other household electric appliances.

This year, the county grain purchasing department has signed a five-year purchasing contract with Xiong Benqi. Speaking of it, the old man said cheerfully: "I am quite secure now." He added that he plans to raise 20 pigs, 20 chickens and 300 geese this year.

Prospects

According to the provincial agricultural department, a number of new marketable grain centres will be set up in Jiangxi Province over the next 12 years, making a total of 60 by the turn of the century. While nationally, 500 new centres are being planned.

Some experts have made forecasts that China's grain output can be only pushed from the 400 million tons at present to 500 million tons by 2000 when the national total output goes up by more than 8 million tons each year. If the marketable grain centres prove successful, this aim can be reached. But it will be a herculean task needing continuous reform through experience. ■



The EC and China as Trade Partners

by Our Correspondent Zhang Zeyu

At the invitation of the EC General Direction of External Relations a Chinese economic and trade journalists delegation visited five EC member states — Belgium, Federal Germany, the Netherlands, France and Italy — between April 10 and 22. The tour, including a visit to the EC headquarters and a number of world-known enterprises, helped the journalists gain an understanding of the rapid progress made in the last decade in Sino-EC trade and economic co-operation, as well as future potential and problems in bilateral trade.

Good Relations

Trade between EC member states and China began immediately after the founding of the EC in the 1950s. The development of good relations was marked by the establishment of diplomatic relations between the two in September 1975.

In 1978 the first trade agreement was signed, according to the two parties most-favoured-nation treatment; the EC was to increasingly liberalize and gradually raise the limited quotas of its imports from China; China would give favourable consideration to EC exports and offer European enterprises competitive opportunities in Chinese markets. In line with the agreement, a joint committee was founded which holds annual meetings in turn in Beijing and Brussels to discuss and solve bilateral trade problems.

Since the conclusion of the trade

agreement, however, Sino-EC co-operation has not been confined to trade but has extended to other areas, such as energy, science, technology, assistance to underdeveloped areas, and the training of skilled people. To facilitate the further development of Sino-EC co-operation, the two sides signed another trade and economic co-operation agreement on May 21, 1985.

To expand bilateral trade and increase its imports from China, the EC signed a textiles trade agreement with China in July 1979 and decided to grant China general preferential treatment on January 1, 1980. The agreement grants tax exemptions for industrial products exported in certain quantities by China to the EC and tax exemptions or reductions for some processed agricultural products.

Friendly relations have also promoted personnel exchange, which have extended to mutual visits at the parliamentary level. In addition, the EC has established a political consultation system with China's Ministry of Foreign Affairs and a regular ministerial meeting system to discuss economic and trade affairs with China's Ministry of Foreign Economic Relations and Trade.

Trade and Co-operation

Deil Guggenbuhl of the EC General Direction of External Relations, who handles trade with China, said that since China introduced the open policy in 1978, bilateral trade between the

EC and China has developed steadily. Last year, the volume of bilateral trade quadrupled that of 1978. Bilateral trade in 1987 was valued at US\$11.049 billion, making the EC China's third largest trade partner after Hong Kong-Macao region and Japan.

Economic and technological co-operation between EC member states and China has extended to energy, aviation, ship-building, construction, telecommunications and food processing, and auto, textile and light industries. A number of agreements have already been concluded.

The combined investment in China by EC member state enterprises totalled US\$1.75 billion between 1979 and 1987, still less than US and Hong Kong investment. Deil Guggenbuhl noted: "We are not satisfied with the current level of investment in China. It should be increased."

Many entrepreneurs from EC member states share Guggenbuhl's view. Deputy president of Philips Corp. of the Netherlands said his company follows the principle of "letting others live while fighting for their own survival." One can live better while others are living well, he explained. Developing countries need to import not only products, but more importantly advanced technology. Countries like China cannot rely totally on imports to solve their problems. While selling its products to China, the Philips Corp. has also transferred its technology, which helps raise its competitiveness in the Chinese market. As long as China

continues its policies of reform and openness, the deputy president said, in 10 to 15 years it is likely to become the largest market and producer of household electrical appliances in the world. In the long run, he said, Philips' policy will not only benefit China but also Philips itself.

To date, Philips has established eight joint ventures with China, including one producing highly advanced laser products. Technological transfers have been made with less restrictions. During his visit to China last November, the corporation's president signed a long-term co-operation agreement with representatives of the Ministry of Electronics Industry to the effect that Philips will help Chinese enterprises expand their international market and train Chinese technicians free of charge.

In Frankfurt, an official with the Siemens Co. in charge of business with China, told journalists: "We take long-term interests into consideration in our efforts to develop the market. Therefore our principle is to do all we can to produce and sell products in countries where our partners are located."

The Siemens Co., which has a history of business dealings with China extending over more than 100 years, has since 1979 signed more than 50 technology transfer agreements with China, including parts for large integrated circuits, programme-controlled exchanges, hydroelectric generators and medical equipment.

Alstom Co., a French producer of electric locomotives, is also active in transferring technology to China and has agreed to manufacture four electric locomotives in co-operation with the Zhuzhou Locomotive Factory in central China. Grand Moulin, the largest bakery in Europe, has opened a joint venture in Beijing.

The efforts of these EC member state enterprises have opened

broad vistas for trade with China. In contrast, to satisfy their immediate interests, the enterprises of some other countries persistently dump their products on Chinese market but do little about transferring useful technology. Such short-sighted practices will eventually adversely affect their trade with China and dry up their available markets.

Obstacles

EC headquarter officials and responsible members from many transnational corporations noted that despite the possibilities for the further expansion of trade and economic and technological co-operation with the outside world, China now also faces some problems; and some brought on by China itself. Deil Guggenbuhl's comments are quite representative of widespread views. They may be summed up as follows:

—Although China is a large nation, it is a developing country with limited funds and cannot possibly purchase more commodities from EC member states.

—China must gain an understanding of the needs of the European market. Sometimes Chinese goods do not suit the European market and just sit on the shelves of European supermarkets and large department stores.

—There are still some problems with the quality, packing and specifications of Chinese goods.

—Sometimes China fails to deliver its goods on time.

For their part, Chinese foreign economic relations and trade departments feel that the EC still shows some discrimination in its trade with China.

In its foreign trade policy, the EC does not regard China as a developing country. It divides its trade partners into five categories—countries of the European free trade area, Lome Convention countries, Mediter-

anean countries, General Agreement on Tariffs and Trade countries and state-controlled trade countries. China is listed as a state-controlled trade country. In its import trade, the EC either grants tax exemptions or reductions to, or sets no limit on imports (except farm produce and textiles) from countries other than state-controlled trade countries; imports from the latter are strictly limited. Customs duties are levied on all industrial and agricultural products imported from state-controlled trade countries and imports are restricted.

China has negotiated with the EC on the question on many occasions and through numerous channels. Already some progress has been made but, owing to differences within the EC, little has been done to relax EC controls over imports from China and improve treatment towards China. As a result, no substantial changes have been made in EC trade restrictions on China, which remains under strict control.

The EC has also adopted some discriminative and restrictive measures against products exported by China, which has prevented China from expanding its exports. This constitutes one of the main reasons for the long-standing trade imbalance between China and the EC. The restrictive measures which mainly include quantity controls, protective measures, high taxes, and anti-dumping measures have, to a certain extent, curbed the development of China's EC exports and made it difficult for China to eliminate its trade deficit with the EC (US\$3.6 billion in 1985 and US\$3.498 billion in 1987).

Nonetheless, both sides share a strong desire to further expand bilateral trade and economic co-operation. The prospects are optimistic as long as the two parties make concerted efforts to overcome the obstacles to advancement. ■

Beijing Hosts US Businessmen

At the first Sino-US Joint Session on Industry, Trade and Economic Development, which offered many opportunities for both sides to mingle and talk, over 600 letters of intent were signed between the two sides.

by Our Correspondents Han Baocheng, Wei Liming and Dai Gang

One thousand US businessmen descended on Beijing last month in pursuit of potential business partners. Figures available so far indicate that over 600 letters of intent were signed between Chinese and the Americans.

Hosted by the China State Centre for Scientific and Technical Session on Industry, Trade and Economic Development took place from June 20-23 at the Great Hall of the People, seat of China's National People's Congress. Most of the Americans were from small or medium-sized enterprises. They were met by delegations from across China led by provincial vice-governors and consisting of high-ranking decision-makers and enterprise managers.

During the session's four days, there were many opportunities for both sides to mingle and talk. From the first to the third floor, the hall's 20 meeting rooms were devoted to panel and project discussions, 110 temporary counters were piled high with samples and data, and tables were scattered around the place for more informal discussions. One Chinese co-ordinator said: "The great hall is just like a big fair these days."

Need for Information

In the past nine years since the two countries normalized their

relations, bilateral trade and economic co-operation have developed rapidly. As many of the participants knew little of China before they came, they expressed surprise at the number of commodities China has to export, the many projects waiting for foreign co-operation, and the size of China's market.

Zheng Zhaoqiao, director of the China Small and Medium-Sized Enterprises Foreign Co-operation and Co-ordination Centre, pointed out, most of the US businesses represented knew rather little about China's policies and domestic situation. Previously, many thought there was much risk in having dealings with China, which was why his centre was set up under the State Planning Commission in 1986.

China now has about 500,000 industrial factories, of which 99.5 percent are small or medium-sized. These produce 73 percent of China's total industrial output and employ 80 percent of its industrial workers. In addition, there are 630,000 township enterprises throughout the country.

Being flexible to manage, competition-conscious, and cost-efficient, they call for less investment. But most of them need to update both their machinery and products. Therefore, Zheng added, it is all the more necessary to develop economic and technical co-operation with foreign coun-

terparts, to import advanced technology and equipment and evolve new products and management techniques.

Potential Partners

During the four-day session, many of the Americans found potential partners. On arrival, Mr. Walter L. Ashbrook, chairman of the Hamilton Industrial Grinding Inc., Ohio, said he wanted to know about China's production of machine knives and hoped to buy some samples. By the closing ceremony, he had found a suitable partner for joint production in the Dalian delegation.

Mr. James L. Thompson already had experience of running factories in China. He established an artificial flower factory in Huidong County, Guangdong Province with support from the local government. He outlined some of the problems faced by joint ventures, such as transport to ports for export, personnel training and finding skilled workers.

He said all the managerial staff in his factory came from Hong Kong or Singapore, because no English-speaking Chinese were available. He believes that if he could hire some his factory would boom. After these problems were discussed at a group meeting, Xiao Yongding, vice-minister of Light Industry, and Zhang Gaoli,

deputy governor of Guangdong Province, promised to give him all the help they could.

Mr. Uday Koya from the Continental Products of Texas, a company specializing in chemical production, talked with representatives from five Chinese oil companies. This is the third time he has come to China. He said great changes had taken place, but added that China's reform and opening to the outside world were moving too slowly and efficiency was still very low. This meant lost opportunities, and opportunities meant money.

Success for Shenyang

Li Zhonglu, deputy mayor of Shenyang, said that representatives from his city talked with more than 100 US businessmen and signed more than 30 letters of intent on co-operation. He said the Americans were principally interested in Shenyang's machine-building, metallurgical, chemical, and consumer goods industries.

He found a potential partner in Mr. Robert C. Ruhaut, president of L. R. S. Associates, Inc., from New Jersey, who wanted to establish a representative office in Shenyang and expressed willingness to help set up an office in the United States to aid the export of Shenyang's mechanical products. After the session, Mr. Ruhaut was off to Shenyang to visit some machine tool factories for continuing talks. "I am deeply impressed by the Chinese people's determination, their ability and professional knowledge. They work not only for their companies, but also for their provinces and their country."

Deputy Mayor Li said that since it was the first time both sides had met and the time was so limited, it was hard to reach substantial agreements. But now his city plans to hold a large conference in Los Angeles towards the end of this

year followed by one in Shenyang next year.

Mr. K. Terry Dornbush, chairman and executive president of the Dixie Bag Co., found a possible partner for a joint venture in Shandong Province. Initial discussions have already occurred,

To expand co-operation between US and Chinese small and medium-sized enterprises, China will create more opportunities to enhance mutual understanding through information exchange, return visits and symposiums and to select co-operative projects according to both sides' wishes.

but he expressed a few worries he wanted allaying, such as whether he could transfer his earnings abroad, whether China would reverse its policies of reform and whether legal protection would be provided for foreign investment. But he added that China appeared a worthwhile investment risk and he was reassured by the guarantees of Chinese officials that the reform policies would not change.

Fruitful Book

Tang Shoukang, deputy director of the Shandong Provincial Economic Commission, said that his province benefited a lot from the session. His delegation talked with more than 360 businessmen from the United States about 260

projects, and signed more than 70 letters of intent and agreements principally involving consumer goods.

The province's city of Zibo has produced porcelain for more than 1,000 years, and has seen a rapid progress in other industries in recent years. For the session, the city authorities prepared a book about their projects and investment environment. The results were fruitful. They signed letters of intent with 23 US companies on co-operative production.

Tang said that the lack of information exchange between the two sides had proved to be the biggest barrier of all to developing bilateral trade and economic co-operation, and so the example of Zibo was one that should be emulated.

Zhang Zhaoqiao further emphasized this point. To encourage co-operation between American and Chinese small and medium-sized businesses, he suggested:

—Creating more opportunities to gain mutual understanding through information exchange, return visits and symposiums involving small and medium-sized enterprises from both countries.

—Developing co-operation for mutual benefit through all possible forms.

—Selecting co-operative projects through discussion and according to both sides' wishes.

But the greatest benefit of this large gathering may turn out to be the increased understanding between the two nations. As Peter Hughes, president of the Hughes Plastics Co., said: "I think the Chinese are very much like Americans in many respects. They're honest, open, and friendly. They want their business partners to succeed. We need each other, and we are going to do very well in partnership with each other. It's good for America and for China to expand these business relations. And possibly it will be good for the world." ■

Taxation and Advantageous Terms

by Our Correspondent Yue Haitao

China's tax system is composed mainly of circulation tax and income tax, and applies to foreign-funded enterprises too. It is characterized by lightness, advantageous terms and simplified procedures. The Swiss chief accountant of the China Schindler Elevator Co., a Sino-Swiss joint venture, says that the tax rates in China are lower than in most other countries. Foreign-funded enterprises in the four special economic zones and the 14 open coastal cities are exempted from taxes and offered other preferential terms. In 1987 the China Schindler gained 1.36 million yuan from reductions in its income tax and remitted profits tax, and from tax rebates on reinvested earnings in China. The company made a total profit of 4.18 million yuan that year.

Chinese laws and regulations stipulate that Sino-foreign joint ventures, co-operative and solely foreign-owned enterprises as well as the Sino-foreign off-shore oil projects, must pay the following taxes:

Industrial and commercial consolidated tax. Equivalent to business taxes in the West, China's industrial and commercial consolidated tax is a form of circulation tax which can be built into the production costs. Foreign-funded enterprises find that this tax and the enterprise income tax make up 80-90 percent of their total tax burden. The industrial and commercial consolidated tax com-

prises 104 items which are paid at 42 rates and follow the principle that the rate on production materials should be lower than on consumer goods, and that on necessities be lower than on non-necessities. For example, "the rate is 69 percent on cigarettes and 60 percent on spirits; it is 5 percent for manufactured goods, tourism and advertising; 3 percent for ordinary commerce; 2.5 percent for transport; 1.5 percent for cotton and grey cloth; and 15-20 percent for light industrial and textile products.

The industrial and commercial consolidated tax is based on sales and turnover and is levied quarterly.

Enterprise Income Tax. This tax item is the most important for foreign-funded enterprises. Based on profits, the tax is paid at progressive rates: 20 percent on an annual income not in excess of 250,000 yuan; 25 percent, 30 percent and 35 percent on annual incomes between 250,001 yuan and 1 million yuan; and 40 percent on annual incomes above 1 million yuan. In addition, a local tax of 10 percent of the assessed income is levied, settling the average income tax rate of foreign-funded enterprises at an average 33 percent. Productive enterprises with foreign investment, located in the old urban areas of the 14 open coastal cities, enjoy a 20 percent reduction in their income tax. For special foreign-funded enterprises — such

as enterprises in the 14 open coastal cities involved in energy, communications and harbour construction; enterprises which are technology- and knowledge-intensive; productive enterprises in the development zones of the 14 open coastal cities, the four special economic zones and Hainan Island; and enterprises operated with imported equipment — whose investment exceeds US\$30 million and which have a comparatively long investment recovery period, the enterprise income tax rate is cut to 15 percent.

A foreign enterprise scheduled to operate for a period of ten years or more is exempted from income tax in the first two profit-making years and allowed a 50 percent reduction of income tax in the third, fourth and fifth years. For joint ventures in farming, forestry and other low-profit operations as well as those located in underdeveloped areas, there will be a tax exemption or reduction in the first five profit-making years, and a 15-30 percent cut in the following ten years. Foreign investors will be given a 40 percent rebate on the income tax paid on profits reinvested for a period of no less than five years in China.

A reduction of 10 percent in the income tax rate will apply to all profits earned by investments in the form of new technology, techniques, advanced scientific and technological research results,

special technology for farming, forestry, animal husbandry and fisheries, scientific research in the development of energy production and saving energy, of communications and transport, against pollution, and for the development of major technologies. Those who provide China with really advanced technology and equipment on favourable terms may not be taxed at all.

Personal Income Tax. Any foreign investor or worker who is residing in China for one year or more must pay personal income tax on his/her income, whether it is earned within or outside China. Individual income tax shall be collected each month from wages or salaries of those whose continuous residence in China has exceeded 90 days. A monthly income of over 800 yuan is taxable at the following rates: 5 percent from 801 to 1,500 yuan; 10 percent from 1,501 to 3,000 yuan; 20 percent from 3,001 to 6,000 yuan; 30 percent from 6,001 to 9,000 yuan; 40 percent from 9,001 to 12,000 yuan; and 45 percent on 12,001 yuan and more. Income from remuneration for personal services, royalties or the lease of property is taxed at a rate of 20 percent.

The Chinese government stipulated that beginning on August 1, 1987 foreign investors and foreign workers in China shall enjoy a 50 percent reduction in their personal income. This is meant to improve China's foreign investment environment and attract more foreign talent.

Profit-remittance Tax. When sending profits out of China, foreign investors and foreign employees must pay a 10 percent tax on the amount. But those who work in the special economic zones and the development zones of the 14 open coastal cities will be exempt from this tax.

Real Estate Tax. This tax is built into the cost of taxable real estate.

The property owners are required to pay the yearly property tax at a rate of 1.2 percent when the tax is computed according to the construction cost or at 16 percent when computed according to the rents. When levied according to the geographical location, the real estate tax is levied at the rate of 1.8 percent by year or at different agreed times. If a land use fee is paid in accordance with the Chinese law, the real estate tax will be waived.

Vehicle Licence Tax. This tax is built into the production cost of vehicles. For heavy-duty vehicles and ships, the tax rate is figured on the basis of the tonnage of these vehicles. For buses and cars and other motor vehicles, the rate is figured on the basis of the number of vehicles.

Customs Duties. This tax is built into the production costs of taxable goods. The tax is classified into 996 items, in 99 groups and 21 categories. The tax rates are composed of ordinary tax rate and a base rate, with cost Insurance and Freight as the taxable price. Goods imported from countries which have established trade agreements with China on the principle of mutual benefit are taxed according to the base rates (5-200 percent in 21 rates); goods imported from other countries are taxed in accordance with the ordinary tax rates (7.5-400 percent in 26 rates). Export goods (except those whose export is prohibited by the state) are exempted from export duties.

There are other preferential terms provided by the Chinese government for foreign investors. State enterprises pay construction tax at a rate of 10 percent of the investment involved; foreign-funded enterprises are exempt from construction tax; foreign-funded enterprises who have difficulties paying the industrial and commercial consolidated tax may apply for tax reductions or

exemptions.

The terms in the special economic zones are a little better than those in the development zones in the open coastal cities; those in the development zones of the open coastal cities are a little better than in the old city districts; those in the old city districts a little better than in China's interior. Investments in China's key construction projects such as energy and communications have better tax terms than investments in other fields; and investments of over US\$30 million or in export-oriented and technologically advanced enterprises enjoy better tax terms than investments in smaller projects or projects which are not export-oriented and technologically advanced.

A single investment project is allowed only one form of preferential treatment at a time.

By August 1987, the Chinese government has signed agreements to avoid dual taxation with 19 countries. Such agreements are already in force with Japan, the United States, France, Federal Germany, Britain, Canada, New Zealand, Denmark, Sweden, Norway, Singapore, Malaysia and Thailand.

Many foreign businesspeople complained in 1987 about additional local taxes. The state tax department responded by saying that the opportunities for local governments to levy extra taxes are few, but that they were trying to charge extra expenses, such as for energy, transport, urban maintenance and education. These charges come under the administrative decree of the local governments and could not be called taxes. Foreign-funded enterprises may refuse to pay these. In fact, the promulgation of the State Council's Provisions on Encouraging Foreign Investment (see *Beijing Review* No.43, 1986) in October 1986 means the abolition of these unreasonable charges. ■

Expanding Foreign Tourist Contacts

In September this year, China will send a delegation to the International Conference to Promote Tourism in Chicago. Since 1981, China has attended or held 60 international tourism fairs or exhibitions in 35 cities across 17 countries, and come into contact with people of tourist organizations from more than 140 countries and regions.

In recent years, China's tourist organizations have expanded contacts with other countries through attending fairs, holding exhibitions, establishing representative offices abroad and inviting representatives from foreign travel companies to China.

As a member state of the World Tourism Organization, China attends its annual meeting held in Madrid each year, and frequently participates in international conferences relevant to tourism.

Liu An, director of the Exhibition Department of the State Travel Service, said that in 1988, China would hold 20 exhibitions abroad—equal to the number held altogether from 1981 to 1985. He added that due to China's isolation in the past people outside knew little about the country, and so China's exhibitions always attracted many visitors.

China now has eight tourism offices in New York, London, Paris, Sydney, Frankfurt, Hong Kong, Los Angeles and Tokyo. Yin Zhuoru, former director of the Frankfurt office said in his four years' work there, he answered on average 35 phone calls and received 50 letters each day from travel agents and people who wanted to travel in China.

The office became an introductory window to China, with lectures, small exhibitions, and reference materials.

In recent years the number of foreign journalists who have been invited to visit China free of charge has been growing. In 1987 there were more than 50 and this year there will be about 80, mainly from the United States, Japan, West Germany, France and Italy.

As tourism is still new in China, Chinese tourist agents know that foreign experience is needed. Former vice-premier of Singapore has been invited to become an adviser to China's tourist industry.

by Han Guojian

Garden Hotel Attracts Scholars

Han Suyin, the famous British writer of novels on China, said that the Beijing Changchun Garden Hotel was like home when she spent her 70th birthday there last August.

The hotel, located on the remains of the imperial Changchun Garden of the Qing Dynasty, has received more than 4,000 tourists from 30 countries since it was opened a year ago. An occupancy of 71 percent of its rooms has earned 800,000 yuan in foreign currency for the state.

Nobel Prize winner Tsung-dao lee twice ate here, and was so impressed he wrote a poem in praise of the hotel's good service. When the Japanese Tita Jima Ballet Troupe stayed at the hotel,

they organized a "Let the world be filled with love" gathering with the workers and staff of the hotel to express their thanks and appreciation for the excellent service. Yan Jici, Vice-Chairman of the Standing Committee of the National People's Congress, was invited to write the hotel's name in Chinese calligraphy.

The hotel was appointed a designated hotel by the Beijing Travel and Tourism Administration. They have established long-term business contacts with 130 Chinese Academy of Sciences research institutes, 54 universities and colleges, the Chinese Federation of Literary and Art Circles and the Chinese Writers' Association. The hotel attracts many experts, scholars and writers, has been dubbed a "Hotel for Scholars."

Located in the high-tech development and experimental centre in Zhongguancun in Beijing's west suburbs, the hotel is ready to welcome foreign businessmen and tourists during the Beijing International Tourist Year.

by Wei Liming

News in Brief

■ The *Wushu* (Martial Arts) Gymnasium of Shaolin Temple in Songshan Mountain, Henan Province, has been completed. It is now open to the public, and has already hosted the first *wushu*-learning travel group from the United States. Apart from *wushu*, students from abroad can study Buddhism, Chinese, and Chinese history here.

The *Wushu* Gymnasium stands just to the east of Shaolin Temple and covers an area of 29,000 square metres. It has a drill hall, a stand for more than 500 people, and a special dormitory and dining hall for foreign students.

by Han Guojian

Monkey Series — A Joy for Readers

Monkey Series

(Available in English, French, German, Spanish, Japanese, Bengali, Thai, Hindi and Arabic)

Editors and Painters: Xu Li, Lu Xinsen and others

Price: About 8.00 yuan (*de luxe*)
About 5.00 yuan (paperback)

Published by: Foreign Languages Press, Beijing

Distributed by: China International Book Trading Corporation (Guoji Shudian), P.O. Box 399, Beijing, China

The 34-volume *Monkey Series* has finally been published after five years of joint efforts by more than 60 editors and artists invited by Foreign Languages Press. The picture book series is available in English, French, German, Spanish, Japanese, Bengali, Thai, Hindi and Arabic. Soon after the publication, the series won the appreciation of readers for its presentation of fantasy tales and its vibrant illustrations. It was listed among some of the best sellers at the Indian International Book Exhibition held not long ago.

The *Monkey Series* is adapted from the Ming Dynasty (1368-1644) mythic novel *Journey to the West*, which was based on the true story of Xuan Zang, a learned monk in the Tang Dynasty (618-907) who went to India (called Tian Zhu by ancient Chinese) in search of Buddhist scriptures.

Xuan Zang (602-664), also called Tang Priest, was a native of Luoyang, Henan Province. When he was young, he and his elder brothers became monks. He read all the translated Buddhist scriptures in China, and visited famous Buddhist masters

throughout the country. But he was not content with what he had learned and determined to go to India in search of true Buddhist scriptures.

In 629, Xuan Zang set out on his difficult trip to India. After 17 years, he successfully returned to China, bringing back with him 657 volumes of Buddhist scriptures. He then spent 20 years, translating the books. Xuan Zang was held in high esteem and even regarded as a legendary figure by the Chinese people. Fascinating stories about him spread from generation to generation.

In the Ming Dynasty in the 16th century, Wu Chengen wrote the famous novel *Journey to the West*, drawing from stories about Tang Priest in folklore, story-telling scripts and *zaju* (poetic dramas set to music). The novel does not truly reflect Xuan Zang's experiences in his search for Buddhist scriptures; it is rather a fantasy tale rich in romance, and abounding in mythic episodes about demons and monsters trying to prevent Xuan Zang from succeeding in his mission. The real hero of the novel is not Xuan Zang, the learned monk who contributed to cultural exchange between China and India, but the resourceful, brave and humorous Monkey King — one of the monk's disciples.

The *Monkey Series* relates many interesting mythic episodes, such as "Monkey Makes Havoc in Heaven"; "The Coming of Pig" (another disciple of the Tang Priest); and "Friar San Joins the Pilgrims," (Friar San is the third disciple of the Tang Priest). Fierce battles in which immortals and monsters fly or ride on clouds and fight with magic powers, and intriguing plots turn the book into

an absorbing journey into the realm of fantasy.

Of course, fantasy is based to some extent on real life. For example, Monkey, the hero of the series, is a supernatural being, but he still has much of human nature in him. He was born from a magic stone on top of the Mountain of Flowers and Fruit. Soon, he became a disciple of Immortal Patriarch Subhuti, and after many years of practice, he learned the miracle of immortality, the skill of seventy-two transformations, and the art of flying and somersaulting on a cloud. In just one somersault Monkey could cover 60,000 miles. He also possessed the magic power to change one of his hairs into thousands of monkeys.

Though he has great magical power and skills in martial art, he never uses his strength to bully the weak. Nor does he ever lay blame on others. He dares to do and dares to take responsibility for what he does. For example, one day, the Tang Priest and his companions arrived at the Five-Village Temple. Monkey and Pig stole and ate the magic fruit of immortality. When this was discovered the Tang Priest and his disciples were captured by the Great Immortal Zhen Yuan who ordered that Tang Priest be given a flogging first. Monkey immediately spoke out "You're mistaken, Great Immortal. It was I who stole the fruit and knocked the tree over. Flog me first." So, the Great Immortal gave him 30 lashes. After Monkey had been flogged, the Great Immortal ordered, "Flog the Tang Priest, for he failed to train his disciples strictly and allowed the insolent ape to run wild."

"You're wrong again, Great Immortal," said Monkey. "The

Teaching Pupils Practical Skills

"ZHONGGUO JIAOYU BAO"

(Chinese Education)

Eighty percent of the pupils at Changchun No. 1 Experimental Primary School come from "one child" families. Lazy and finicky, most of them used to lack the capacity to take care of themselves. Some fourth and fifth grade students wanted their parents to take them to school in the morning and pick them up after classes. Finding suitable class leaders proved impossible. So, recently the school devoted attention to developing pupils' practical skills in order to train

these "little emperors" to become masters of life.

In 1986, the school started a programme to let the pupils learn practical skills. They visited factories and shops to understand how workers and saleswomen did their jobs, and often model workers were invited to give lectures.

In a special class held once a week, new skills were practised. First and second grade students learned to wash red scarves and handkerchiefs and sweep the floor, third and fourth grade students sewed buttons on to bags and made book covers, while fifth and sixth grade students made dumplings and assorted cold dishes. Other techniques were also taught. For instance, many fifth grade students could neither use chopsticks nor peel apples, so picking up soya beans with

chopsticks and paring fruit were turned into competitive races.

In summer, teachers took their pupils to work on farms. Through practice, the children quickly learned that each grain of rice comes from hard labour. During the vacation, each teacher distributed housework lists among their students. They registered what work they did each day and returned the lists to their teachers with their parents' signatures when school restarted.

This lively scheme has achieved good results. According to a survey earlier this year, most higher grade students help their parents with the housework. The lower grade pupils can dress and wash themselves, sweep the floor and tidy up. And now, most students go to school and return home independently.

(April 23, 1988)

master was somewhere else when we disciples stole the magic fruit. As his disciple, I ought to take the flogging for him. If there's to be any more flogging, flog me." So Monkey was given another 30 lashes.

Monkey is the hero of the book, always optimistic and active, fearing no hardship nor adventure, and daring to do everything. For centuries, Monkey King has been a favourite character in the hearts of Chinese children.

The series has many fantastic demons and monsters who are also endowed with human nature. They can speak, act, laugh and cry, and have the various emotions and senses of mortals. This makes the novel more amusing and absorbing.

The author's lively, humorous writing style describes Pig with his big mouth and big ears as always happy-go-lucky, unconventional, naive and innocent. Though Pig has become a monk, he still cherishes the dreams of living a

mortal life and taking a wife. He often backs out the moment he comes up against difficulties, and grumbles behind Tang Priest. But the most ridiculous thing is that Pig has private savings. On their way to India, the travellers were often presented with gold and silver by local people which Tang Priest and Monkey graciously declined. But the selfish Pig secretly saved 5 *qian* (one *qian* equals about 5 grams) in silver little by little, which he asked a silver craftsman to melt into one piece. He then pressed the silver piece into one of his ears.

Pig presents the readers with an amusing image, often providing laughs. The author concentrated on portraying some human characteristics in Pig, not only to give a rich picture of the character but also to make the tale instructive and more human.

Many picture books on the stories of Monkey King have been published in the past, but the *Monkey Series* published by

Foreign Languages Press is distinctive in its presentation. The stories are true to the original novel. The 34 picture books in the series each contain one brilliant episode from *Journey to the West*. Moreover, the series is available in nine languages.

The books are full of colour and each of the many characters is different in appearance and spirit. The scenery is novel and colourful, resplendent with magnificent palaces, fairy lands enshrouded in mist, the jade East China Sea Dragon Palace inlaid with gold, picturesque gardens and famous Buddhist temples. The series is illustrated by many artists, but a unity of style is maintained throughout. Infused with the rich flavour of Chinese culture, the series takes on the quality of Chinese mural painting, marked by a lively style and vibrant colour. Once you begin reading the series, you will find it difficult to tear yourself away from it.

Cheng Wen

More Foreign Experts on the Working for China

Thanks to a retired German expert, the Yantai Brewery pumped out an extra 5,000 tons of beer last year and turned over 11.8 million yuan in profits and taxes to the state.

The German expert joined the company at the end of 1986, and slashed the breweries fermentation period from 60 days to 20, while simultaneously experimenting with replacing barley with wheat to make white beer.

Such stories are not uncommon in Chinese companies that take on foreign experts. So not surprisingly, ever more are being invited to China. Last year, more than 20,000 arrived, up 14.5 percent over 1986 and 42.3 percent over 1985.

Seven thousand of these experts invited to China in 1987 worked in key industrial projects. Most of them were invited by local governments to provide technological consultancy services for local enterprises.

These projects have included power plants in Inner Mongolia, Shanxi, Dalian Bay and Henan, Daqing, Qilu and Yangzi. ethylene works, aluminium and fertilizer factories across China, as well as the first phase in the construction of the Shanghai Baoshan Iron and Steel Works.

With the help of five Japanese experts, the Ningxia Wuzhong Meter Factory has mastered imported technology for manufacturing electronic regulators and now turns out advanced equipment of world standard.

Hiring experts has also proved fruitful for agriculture and forestry. "Jingxin" melon was bred at the Beijing Agricultural Scientific Research Institute with the help of Japanese expert Kinichi Morida, and has now been

nominated a high-quality product at the Beijing Melon awards for the past two years.

Morida has decided to remain in China to continue research into the early- and late-maturing "Jinxin" melon.

The institute has also received a loan from the United Nations and plans to set up a vegetable training centre for technical personnel from other Asian countries.

According to an official from the China National Foreign Expert Bureau, the economists and technological experts who came to China two years ago were mainly from 28 countries. Last year they came from 45.

The official said living and working conditions for foreign experts have greatly improved. They have their own offices and often take part in cultural and recreational activities.

He added that the Chinese government encourages Chinese to make friends with foreigners, and warmly welcomes retired technicians to come and work in China.

by Li Ning

Shenzhen Develops Processing Industry

In the past nine years, the Shenzhen Special Economic Zone has signed 8,020 contracts on projects processing imported materials, set up more than 4,000 enterprises and imported over 500,000 sets of advanced equipment, instruments and meters, and tools from abroad. Its earnings from processing now top US\$400 million.

As well as establishing Sino-

foreign ventures on a large scale, Shenzhen has taken full advantage of its location near Hong Kong and its preferential economic policies to develop processing industries with imported materials in its suburban towns and villages.

The major products are electronic goods (39 percent of output value) and textiles and garments (17 percent), with toys, handicrafts, and other consumer goods making up the rest.

Since 1987, its processing industry has witnessed particularly rapid development. This year, 2,486 contracts have been concluded with foreign businessmen on processing projects, a 70 percent increase over 1986, earning US\$120 million, up 81 percent.

In the first four months of this year, the number of signed contracts and amount of processing income rose by 54 percent and 65 percent respectively, as compared with the same period last year.

Over the last nine years, the processing industry has greatly promoted the development of the city's rural economy. For instance, in Baoan county the ratio of agricultural to industrial output value has been reversed from 3:1 in 1978 to 1:4 last year—a not untypical switch for many towns and villages in the county.

By Peng Haike

Chinese Textiles Get Exhibition Boost

Starting this year, China will hold a large and comprehensive international textile machinery exhibition every two years as proof that it has entered the world



Stands at CTME INT'L '88.

LI NING

textile market.

The first China Textile Machinery Exhibition International (CTME-INT'L '88) was held in Beijing from July 8-14. Covering 30,000 square metres of floor space, the exhibition was visited by more than 2,000 foreigners and 10,000 Chinese.

Over 500 firms from 19 countries and regions displayed their products. Apart from China (including Taiwan), representatives came from Western and Eastern Europe, Japan, the United States, Brazil, India and Hong Kong.

In 1987, China's textile machinery industry produced 470,000 tons of textile equipment.

Reinhard Patz from the Textile Machinery Manufacturer Association of the Federal Republic of Germany told reporters that China is one of the largest markets for his country's textile machinery. W. Schlafhorst & Co., for example, exhibited their automatic open-end spinning machines (Autocoro)—of which China has already bought more than 50.

by Li Ning

Japanese Yen For Dalian

Japanese investment in Dalian has surged dramatically in the

first six months of 1988. So far, 15 projects have received yen backing, compared with a previous average of one a year.

Japanese investors have been interested in the Dalian Development Zone since it was established in October 1984, but were reluctant at first to commit their money. However, three years have seen great progress in Dalian's infrastructure construction programme and economic efficiency.

When the State Council approved the opening of the Liaodong Peninsula in March, Japanese businesses decided the time was ripe to make a large scale investment.

The Japanese Motors Ltd. invested 500 million yen to set up a wholly Japanese-owned enterprise this March in the zone. The approval procedures took only three weeks.

Now, Dalian has 110 industrial and economic projects under way. One billion yuan has been invested, 670 million (70 percent) of which has come from foreign firms.

The total output value of these projects should amount to 1.4 billion yuan with foreign-funded enterprises making 1 billion yuan.

Compared with the development zones in Guangzhou and Tianjin, Dalian has fewer invest-

ment projects, but higher total investment. Four projects have received over 100 million yuan, and eleven over 10 million yuan. This year, a total of 40 projects are expected to get under way.

by Li Rongxia

News in Brief

■ China's Ministry of Geology and Mineral Resources signed a six-year agreement with a subsidiary of the US company EG&G on July 7 to sell helium-related technology and components. According to the agreement, the Chinese side will provide EG&G with information in return for commission from the American company's worldwide marketing of an advanced helium optical pump magnetometer based on the HC-85 magnetometer.

■ Chinese companies assembling fake Sharp radio cassette-tape recorders have been heavily punished. The Wuhuan Industry (Guangzhou) Co. Ltd. has had its business licence withdrawn and the Zhuhai Gaolian Co. was fined after they sold 38,000 tape recorders assembled with GF-800 components under the fake Sharp trademark with the help of a Hong Kong business.

■ A joint venture to manufacture and market triglycerides and other blood diagnosis pharmaceuticals was established on June 29. Run by Abbott Laboratories of the United States, the Shanghai Pharmaceutical Institute, the Ningbo Pharmaceutical Co. and the Ningbo Free Trade Zone, the venture is called Ningbo Abbott Biotechnology Ltd. Its first batch of products should hit the market in autumn 1989. Ownership of the company is split fifty-fifty between the US company and the Chinese side.

Young Musicians Display Their Talent

Since May, a series of concerts featuring graduating students of the Central Conservatory of Music and other young musicians have been held in Beijing. Co-sponsored by the performing arts committee of the Chinese Musicians' Association, they gave a platform to some of China's new musical talent.

A Master of Her Art. Liu Ying, 24, has just been awarded a MA degree after 12 years' study at the Central Conservatory of Music. She began at its affiliated middle school, and then enrolled at the conservatory to major in stringed instruments. Later she continued her studies as a postgraduate for two years.

Her principal instrument is the *er hu*, a two-stringed fiddle, and the most important of China's stringed instruments. Its role in modern Chinese orchestral music is as important as the violin in the West. Its clear, elegant sound and wide range of tone make it a major

solo instrument.

Liu Ying's repertoire includes many classical and modern works written for the *er hu*.

There are pieces by the outstanding *er hu* artist Liu Tianhua (1895-1932): *Birds Singing on the Empty Mountain* has an optimistic feeling while *Sad Melody* naturally shows an opposite conception.

Liu plays several works of the blind folk musician Huan Yanjun (Ah Bing, 1893-1950.) These include the famous *Moon Over a Fountain*, *Listening to the Sound of Pine Trees*, *Water in River and Sea* (which is reputed to have moved many people to tears) and *Caprice With a Theme From Qingjiang*.

Her modern repertoire includes *Palace Watchtowers*, with dulcimer accompaniment, and *Darkness*, played with dulcimer and wind instruments, both written by the young composers Tan Dun and Tang Jianping. These feature modern techniques, and differ greatly from traditional *er hu* music.

Another piece composed recently for the *er hu* is the concerto *Caprice on the Theme of the Great Wall* played with orchestral backing. Written by Liu Wenjin, it has a complex structure and demands great technique. Since it was written six years ago, few people, apart from China's most accomplished *er hu* player Min Huifen have performed it. At Liu Ying's concert, she gave a thirty minute rendition that demonstrated both her consummate skill and fine timbre.

Liu Ying has indeed been favoured by fortune. At the Central Conservatory of Music,

the highest music institute in China, only a few people get the opportunity to receive the training she has, although there are hundreds of students whose instrument is the *er hu*.

Winner of the first-class award in 1985 at the first (Beijing) National *Er Hu* Invitation Concert, her recent performance further showed her marvellous skill and talent.

Many Strings to Her Bow. Jiang Kemei, from the northeast industrial city Shenyang, is a 1988 graduate who majored on the *ban hu*. This instrument belongs to the *hu qin* family, otherwise known as Chinese violins. Used to accompany operas and other musical arts in northern China, it has a loud, unconstrained sound, and is played with a long, thick bow. Its history as a solo instrument barely goes back three or four decades, and it only became a possible subject for study recently.

At her concert, Jiang played three pieces of contrasting style on the *ban hu*. First, she took a bold, loud theme from a Henan *hang zi* opera and soloed enthusiastically,

Liu Ying.



Jiang Kemei.



weaving many local musical features into the work. This was followed by two concertos: *The Ballad*, an evocation of the difficulties and hardships encountered on life's road, and *Visit to the Western Part of Shaanxi* which draws its inspiration from the scenery of Western Shaanxi and the spirit of its people. This latter piece has a complex and tightly knit structure, but Jiang's deft and graceful performance made it appear direct and straightforward.

For *Travelling in the Suburbs* Jiang switched to the *jing hu*, an instrument normally used to accompany Beijing opera. Also inspired by a landscape, the piece portrayed China's northern countryside. This was followed by *Rain Rattle on Banana leaves*, a work with the clear, spright rhythms of southern Guangdong Province. She then used the *er hu* to play *Moon Over the Han Palace*, a traditional folk tune about the sorrow of women locked away in an imperial palace.

Inspired by contemplation of the Inner Mongolian grasslands, Jiang's final piece, *Thinking Outside the Village*, was played on the *zhong hu*, a slightly larger version of the *er hu*.

Taken as a whole, Jiang's concert demonstrated her complete mastery of the entire *hu qin* family. Its wide variety displayed an ability to capture both the grand strokes of China's music and a minute attention to regional detail. Clearly this young musician has great potential for the future.

Percussive Role. The *yang qin* (Chinese dulcimer) is indispensable to Chinese orchestral music. Located in the middle of the front row, it often plays a guiding role but seldom used as a solo instrument. Huang He's virtuosity on the *yang qin*, however, truly justifies its position at the centre of the stage.

Its trapezoid body spread with steel strings looks not dissimilar to

a table. And in the hands of a skilled musician it is capable of a wide range of sound, from a thunderous roar to the gentle

murmurings of a light breeze. Even when played softly, however, the *yang qin* still possesses a firm tone, suggesting power yet to be



Professor Zhou Guangren (second from right) and her children students.

Piano Prodigies

Forty children aged from under 5 to 14 gave piano concerts at the auditorium of the Central Conservatory of Music on two Sundays last June.

Trained in her spare time by woman pianist and teacher Professor Zhou Guangren and her colleagues, the children performed classical works such as Liszt's *Hungarian Rhapsody* and Chopin's *Polonaise* as well as famous Chinese music and some compositions of their own.

The concerts were arranged to celebrate the fifth anniversary of the founding of the Xian Xinghai after class piano school, named after one of China's pre-eminent 20th century musicians who lived from 1905 to 1945.

Zhou Guangren was born in

Germany and became famous during the late 1940s in Shanghai. After the founding of the People's Republic she performed at Spring of Prague, the World Youth Festival and the First Schumann International Piano Competition, winning great prestige for China in world music circles.

Since the late 1970s, in addition to teaching, she has lectured, performed and served as an adjudicator in China, Europe and America. But her favourite task has been the children's spare-time piano school she initiated and now sponsors. Several hundred children have been trained there in its five years of existence, and almost every year, one or two have entered middle schools affiliated to musical institutes.

Professor Zhou spares no effort in running the school. Every Sunday, she goes from west to east Beijing regardless of the weather.



Huang He.

released.

Huang began his performance with *A Music Painting From Chuanjiang*, based on folk songs of southwest Sichuan Province. He then performed two famous classical pieces, *Yangguan Sandie* and *Shepherd Su Wu*. In the prelude and towards the end of the former, Huang imitated the timbre of the *qi xuan qin*, a seven-stringed guitar which is one of China's oldest known instruments. While *Shepherd Su Wu* tells the 2,000-year-old story of an envoy to the north who became a shepherd in order not to lose his dignity.

Huang then went on to play a piece of music adopted by himself. Titled *January and April*, it depicted the contrast and relations between the *yang qin* and two accompanying stringed instruments, the *pi pa* (a four-stringed Chinese lute) and the *liu qin*.

For his finale, Huang chose *Wandering*, a classical melody composed for violinists to show their skill and capacity of expression. After being rearranged for the *yang qin* it maintained its original style, mixing a slow tune with its strong expression of feeling and a soul-stirring faster

section.

Conductors' skill. Liu Zhipei, 24, and Yu Hai, 32, were bandsmen in a PLA military orchestra before they came to the Central Conservatory of Music for further study three years ago. A special symphony concert was arranged at the Beijing Music Hall for them to demonstrate their skills.

To open the performance they chose Tchaikovsky's *Symphony No.5* and Beethoven's *Symphony No.4* — a work which recently has been well received by Chinese listeners. More familiar pieces followed: The overture from Johann Strauss's *Die Fledermaus* and, featuring Lu Siqing, aged under 20, as soloist, the Chinese violin concerto *Liang Shanbo and Zhu Yingtai*, which won first place in a Paganini international violin competition several months ago. The two conductors were congratulated with long, hearty applause and the presentation of bunches of flowers. ■



YANG FEI

Yu Hai of the PLA Military Band conducts at a special concert. Yu has met and been praised by Chinese leaders and leaders from dozens of countries.

Japanese Study Centre

An institute for Japanese language training, the first of its kind in China, was set up on July 11 in Beijing.

Sponsored by the Zhou Enlai Memorial Association of Japan, the institute is part of the association's programme to commemorate the great contribution of the late Chinese premier to the consolidation of friendly Sino-Japanese relations.

The establishment of the institute also demonstrates that Sino-Japanese friendship and exchanges are developing in depth, said Chikuzan Otani, president of the association which was set up last year.

The institute, which will start

enrolling students early next year, is also being sponsored by the Chinese Academy of Social Sciences and *Beijing Review*. The Nippon Bunri University will help improve the lectures and teaching work of the institute.

Yang Runshi, deputy secretary-general of the Chinese Academy of Social Sciences, said at the signing ceremony that the opening of the institute was one of the best ways of commemorating the beloved late Premier Zhou Enlai who had pushed Sino-Japanese relations to a new stage.

The Zhou Enlai Memorial Association will provide all the funds needed by the institute and the teaching work will be undertaken by the Journalism Department of the Post-Graduate Institute under the Chinese Academy of Social Sciences. ■