

A CHINESE WEEKLY OF NEWS AND VIEWS

Beijing Review

北京周報

Vol. 31, No. 36 September 5-11, 1988

Who Will Win China's First Gold Medal?



**JIANGSU PROMOTES ECONOMIC
& TECHNICAL CO-OPERATION**



Miao Village Life

Women of a Miao nationality village in Guizhou Province wearing traditional head dress.



Miao youth playing and dancing to the *Lusheng* (a reed-pipe wind instrument).

A Miao girl in national dress.

Photos by Han Guojian

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COVER: Changzhou Dongfeng Printing and Dyeing Workshop in Jiangsu Province, 40 percent of its products are sold to Europe, America, Oceania and Southeast Asia.

HIGHLIGHTS OF THE WEEK

Zhao Sets Forth Position on Kampuchean Issue

■ Chinese leader Zhao Ziyang calls on the international community to remain on the alert regarding Viet Nam's attempts to legalize the puppet regime in Kampuchea by delaying its troop withdrawal. He says China seeks no interests of its own in Kampuchea (p. 5).

Japanese Leader Visits to Strengthen Ties

■ On the 10th anniversary of the signing of the Sino-Japanese Treaty of Peace and Friendship, Japanese Prime Minister Noboru Takeshita visited China. On his six-day trip from August 25-30, he said he regarded the occasion as a starting point for further expansion of bilateral relations and lasting friendship between the two countries. Senior Chinese leader Deng Xiaoping hoped that the two sides could establish a relationship which is at least as strong as that forged when Kakuei Tanaka and Masayoshi Ohira were the Japanese prime ministers (p. 5).

Taiwan Should Stop Dragging Its Feet

■ The way how Taiwan handled things in connection with two forthcoming international events—the Olympic Games in Seoul and the ICSU general assembly in Beijing—reveals the dilemma of the Kuomintang authorities. *Beijing Review's* editor expresses the hope that they abandon their anachronistic policy and make up their minds to swim with the tide (p. 4).

South Jiangsu Orients Its Economy to Export

■ In recent years, Jiangsu Province has made great progress in its economic co-operation with foreign countries. With its huge potential, the province now aims to forge stronger economic and technical bonds with overseas companies (p. 14). A separate report on the Suzhou-Wuxi-Changzhou area describes how far it has gone since 1985 when it was declared an open economic zone (p. 17).

Taiwan Should Stop Dragging Its Feet

by An Zhiguo

Before going to Seoul for the Olympic Games, athletes from Taiwan were instructed to follow a "three no's" policy in dealing with their counterparts from the Chinese mainland: "No retreat, no evasion, no warmth."

According to *China Times*, a major Taiwanese newspaper, Chinese residents in Seoul considered the slogan "very unwise and unnatural." The paper ridiculed it by asking: How could athletes retreat from or evade each other at a sports meet? What are the criteria for judging "warmth?" Do they include smiles and handshakes?

Stating that the Kuomintang (KMT) policy goes against the Olympic spirit of promoting understanding and friendship, the paper went on to say that blood is thicker than water and called for "more contact, more understanding, and more affection" between the Taiwanese athletes and their mainland peers. "Give Li Ning A Big Hug" was the headline of the paper's special report. (Li Ning is one of the athletic stars from the mainland who are admired worldwide.)

Unfortunately, an equally if not more "unwise and unnatural" policy is being repeated by the KMT authorities in many other fields.

Since Taiwan's "Academia Sinica" is a member of the International Council of Scientific Unions, the KMT authorities were nonplussed when the council decided to hold its 22nd general assembly in Beijing this September.

Pressured by scientists and public opinion on the island, Taipei finally decided to send a 3-

member delegation, but insisted on changing its name to avoid giving the impression of having official contact with Beijing.

To obtain the desired unofficial tag, representatives from 35 scientific institutions were hurriedly summoned to a meeting to announce the establishment of the Taipei Science Federation. Ta-you Wu, president of Taiwan's "Academia Sinica," which actually sends the delegation, angrily denounced this move as "self-deceptive."

It seems there will be no end to such stupidities and follies so long as the KMT refuses to abandon its anachronistic policy of "three no's"—no talks, no compromise, no contact.

Since the lifting of the ban on mainland visits in late 1987, more than 170,000 Taiwan residents have come to see their relatives or travelled in different parts of the country.

But there are still too many restrictions on the Taiwanese side. For example, people on this side of the Taiwan Strait, with only a few exceptions, are not allowed to visit their relatives on the island. Doing direct business with the mainland remains a crime for which the offender will be punished according to anti-rebellion regulations.

The Taiwan authorities, moreover, continue to refuse direct mail, flight or shipping arrangements between the two sides.

This state of affairs, however, will not last long. The rapidly increasing investment by Taiwanese in coastal cities and regions indicates that just as families want reunions and scientists want exchanges, busi-

ness people want to do business, and there is no way to stop them.

In Xiamen (Amoy), a south China port city only a few hundred miles from Taiwan, funding from the island for 55 projects has reached US\$80 million during the last few months, surpassing the amount invested by Chinese from Singapore and becoming the second biggest overseas investor after Hong Kong.

According to a recent survey by an association of export-oriented enterprises in Taiwan, over 80 percent of the 2,300 members surveyed want direct trade with the mainland.

It is known to all that visitors from Taiwan have many complaints about having to travel or communicate via Hong Kong. Apart from its great inconvenience, it is a waste of time and money.

Prompted by the potential heavy demand, a Taiwanese airline has already applied to the Taipei authorities to open direct flights between Taipei and Beijing, Shanghai and four other mainland cities.

Just how fast things will change, no one can predict. But the trend towards direct trade, communication and free exchange is irresistible.

Once realized, these will bring tremendous benefits to people on both sides of the strait and do no harm to anyone.

The Taiwan authorities had better stop dragging their feet and make up their minds to swim with the tide. This will not only help them out of their dilemmas, but will win them support and respect as well as material gains.

Zhao on Kampuchean Issue

Chinese leader Zhao Ziyang said that China is in support of a call to send peace-keeping forces and an international supervisory committee to Kampuchea to ensure the establishment of a four-party coalition government headed by Samdech Norodom Sihanouk. Speaking at a meeting on August 26 with visiting Japanese Prime Minister Noboru Takeshita, Zhao, general secretary of the Chinese Communist Party Central Committee, said the Kampuchean conflict was created by the invasion of Vietnamese troops and the solution hinges primarily on the complete withdrawal of Vietnamese troops from Kampuchea as soon as possible.

"This is the key for the restoration of and guarantee for Kampuchea's independence, neutrality and non-alignment," he said.

Zhao said that Viet Nam has now shown some flexibility in its troop withdrawals but this problem has not yet been solved. "Since Viet Nam lacks sincerity and is inventing excuses to delay its troop withdrawals," he said, "the international community should remain vigilant about it."

Zhao said that the international community is understandably concerned about how to prevent the Khmer Rouge from returning to power in Kampuchea after Viet Nam pulls out its troops.

"But the more immediate danger is that Viet Nam is trying by every possible means to legalize the puppet regime in Kampuchea, allowing the Heng Samrin-hun Sen regime to assume exclusive power," he said.

He said that judging from the present condition of the Kampuchean armed forces of the four

parties, the Heng Samrin-hun Sen party is the strongest both in terms of military personnel and armaments. Zhao said that neither China nor the international community wants to see a monopolization of power by the Khmer Rouge. But neither do they want to see exclusive exercise of power by the Heng Samrin-hun Sen Party. This would imply recognition of the Vietnamese invasion of Kampuchea.

"This is an important principle," Zhao stressed. "We have always stood for the establishment of a four-party provisional coalition government, the real leader of which should be Samdech Sihanouk. To make this come about, the Chinese government supports the call for sending peace-keeping forces and an international supervisory committee to Kampuchea."

Zhao proposed that all the original armed forces should be disbanded to establish a unified national defense army composed in equal measure by forces of the four parties, and that a unified headquarters be set up. This, Zhao said, would help to prevent conflicts and ensure peace and the smooth holding of general election.

Zhao said that China supports Democratic Kampuchea retaining its seat in the UN, pending the complete withdrawal of Vietnamese troops from that country.

After the withdrawal of Vietnamese troops, he continued, "China will support a four-party coalition government taking the seat in the UN and will oppose any two-party or three-party government taking it."

Zhao reaffirmed that China seeks no interests of its own in

Kampuchea and will never seek to establish any sphere of influence there.

"China seeks only to uphold justice, oppose aggression and adhere to the norms of international relations and the UN Charter. China has joined other countries to support Kampuchea's just struggle against Vietnamese aggression," he said.

After the withdrawal of all Vietnamese troops, Kampuchea should be run by the Kampuchians free from all outside interference, and China is willing to take part in international guarantees in this regard, he said.

China has all along supported efforts and attempts for a settlement of the Kampuchea question, Zhao said.

In issuing its four-point statement by the Chinese Foreign Ministry on July 1, China has put forward very reasonable and practical proposals. This has shown the positive attitude of the Chinese government and its top leaders in seeking a political settlement of the Kampuchea question, Zhao said. ■

China & Japan Deepen Relations

The flags of China and Japan were fluttering together at the east end of the Great Hall of the People, Beijing. There a ceremony was being held to welcome Japanese Prime Minister Noboru Takeshita. "Don't fear that sun flag," a Chinese onlooker said to his friends. "It's not the 1930s now, and they are our friends, not our foes."

Neither were the Japanese visitors afraid of the Chinese national anthem *March of the Volunteers*. Played by a Chinese military band at the ceremony, it was originally composed to arouse resistance to the Japanese several decades ago.



Li Peng welcomes Japanese Prime Minister Noboru Takeshita.

WANG JINGDE

Times have changed. Takeshita was making his first official trip as a prime minister. "I hope my visit marks a new beginning in the further development of our relations," he told Chinese leaders, including Li Peng, Yang Shangkun, Deng Xiaoping and Zhao Ziyang.

Senior leader Deng, looking well-tanned after staying in Beidaihe, described himself as "a person who is enthusiastic in promoting Sino-Japanese friendship."

"I extend a warm welcome to you," he told Takeshita, "I want it to express the aspiration that Chinese and Japanese leaders should establish a new type of relationship, no lower than that forged during the period when Kakuei Tanaka and Masayoshi Ohira were prime ministers." Deng said relations had then been good because the two sides trusted each other, and the further relations should continue this tradition.

Takeshita said he was honoured to visit China on the 10th anniversary of the signing of the Peace and Friendship Treaty between the two countries. He said

he was deeply impressed by the decision Chinese leaders had made to continue the current reform and open policies. "We know you have met some difficulties and problems." He said, adding that it was natural to strengthen the economic co-operation between the two nations.

Both Chinese Premier Li Peng and Japanese Prime Minister Takeshita stressed that their governments regard the expansion of Sino-Japanese friendship as integral to their foreign policies.

Takeshita said that the Japanese government would provide China with new loans of 810 billion Japanese yen for the period of 1990-96.

Li expressed thanks for Japan's financial co-operation. This would not only benefit China, he said, but also Japan in the long term. Li welcomed Japanese industrial investment in China, and said the Chinese government was working hard to improve the investment climate.

There have been complaint about the unwillingness of Japanese companies to expand investment in China because of inefficiency, bureaucracy and poor infrastructure. At a press

conference on August 27, Takeshita said he hoped the Chinese government would contribute to the improvement of the investment environment after the signing of Sino-Japanese investment protection agreement, one of the fruits on his six-day visit.

Takeshita suggested that cultural exchanges between the two countries should be expanded. To put this suggestion into practice, the Japanese visitors made a special visit to Dunhang in Gansu Province, well-known for its caves containing Buddhist statues, frescoes and valuable manuscripts. Takeshita called the place a "birthplace of Japanese culture."

Takeshita expounded his views on Japan-China relations and put forward proposals on Japan-China cultural and academic exchanges on August 29 when he visited Xian.

"I have given top policy priority to building a 'Japan that contributes to the world'," Takeshita said in his speech entitled "in quest of a new leap" delivered at the city's People's Mansion.

Discussing Japan-China relations, Takeshita expressed his belief that with the 2,000-year experience of exchange, it is high time for the two countries to take "a new and bold leap towards the 21st century."

Kakorio case. On the Kokorio case, involving the ownership of a student dormitory in Japan, Takeshita said his government attached great importance to the issue and would handle it according to the principle of "one China."

Li said the problem involved basic principles of the two countries' relations. He hoped the problem would be resolved reasonably and properly in the light of the Sino-Japanese Joint Statement, the Sino-Japanese Treaty of Peace and Friendship and the norms of international law. **by Li Haibo**

Bank Official Calls For Tightening

Liu Hongru, deputy governor of the People's Bank of China (central bank), has called for tightening the controls on currency and credit, *People's Daily* reported on August 21.

At a meeting in Beijing of the heads of People's Bank branches, Liu said this year's outstanding economic problem is sustained price rises and excessive increases in money and credit.

Figures released at the meeting show that from August 1 to 15, about 7.314 billion yuan were put into circulation, 2.675 billion yuan more than in the same period last year.

In the first seven months this year, total bank loans increased by 69.64 billion yuan, 44.85 billion yuan more than in the year earlier period.

If the sharp increases in currency and credit continue unchecked, they will cause added difficulties for China's reform next year and it will be hard for the economy to stabilize, Liu said.

He stressed that the scale of credit must be controlled and its structure adjusted.

To weaken the lending capacity of specialized banks and other financial institutions, the reserves against deposit of specialized banks will be increased to 13 percent and new deposit requirements will be introduced in financial trust and investment institutions. The central bank will not allocate funds to make up for the reduction in the credit offered by these institutions.

Banks should extend credit for the purchase of farm and sideline produce and export products, the production of manufactured goods that are geared to market needs and for major state capital construction projects, Liu said.

But he added that general investment in fixed assets and credit for enterprises with poor economic results should be reduced, and loans to companies that sell goods by illegal means or buy up commodities and hoard them for speculation should be stopped.

All banks must strengthen their cash management and improve their methods of accounting, Liu said. ■

Extension Courses Key to Progress

China is suffering from a shortage of trained specialists. Non-university education may help to alleviate the problem.

While the country has long been in need of various specialists, the need has grown particularly acute in the era of reform. Although many graduates and postgraduates from colleges and universities are assigned to grass-roots work units every year, far more specialists are required. It is like putting a spoon of sugar into a pool of water—the water will never be sweet.

In Xiaoshan County, Zhejiang Province, for example, 20,000 specialists will be needed by 1990 while only about 100 college graduates can be assigned there each year. In Yantai, Shandong Province, township enterprises need 520,000 college graduates but they can only have one each. If one county needs 20,000 specialists, it is easy to calculate how many the country's 2,000 counties need. It is impossible for colleges and universities—what we call traditional education—to satisfy this need.

Moreover, every year there are many senior and junior secondary school graduates who cannot continue their studies for various reasons, and society is unable to offer all of them jobs. Without job

opportunities or the chance to enter institutes of higher learning, these young people have become a heavy burden to both society and their families.

Grass-roots work units are facing a lack of trained specialists that has reached crisis proportions, and society is facing a glut of labour. Resolving the two interrelated problems has become an urgent task for educators.

Xiaoshan County has achieved some success in finding its way out of the problems. Eight years ago the local government set up a TV university. The government raised some of the money for the project and took some from its educational funds. The TV university conducts courses according to the needs of the local work units. To date, it has provided more than 3,000 specialists in various fields, partly alleviating the contradiction between supply and demand.

Changchun, a city in northeast China, has had similar success. In 1985, Changchun launched 24 televised technical secondary courses, which took in 2,200 students. In 1987, these students graduated—1,950 got jobs while some of the top students went on to further training.

These examples show that extension courses, with television as their mainstay, are a practical way to resolve the specialist shortage. Such courses have some advantages over traditional education:

— They are much more flexible. Courses can be launched according to requirements and the number of students can also be adjusted on this basis.

— Extension courses can cover a much larger geographical area. This makes them more convenient for people, especially those in remote places where trained specialists are lacking. Thus, such courses can reach much more people than traditional education.

— Extension courses cost less

than traditional education. A survey done in Changchun shows that it costs 2.5 million yuan to set up a televised technical secondary school and 12 million yuan to set up a regular technical secondary school of the same scale.

The rise of extension education is an important step in China's educational reform. Despite unavoidable problems, it has alleviated the shortage of specialists and has demonstrated its advantages as a bridge between society and traditional education. It probably will be one of the main trends in educational development. ■

Minister Promises Satellite Security

China does not intend to seek any technical knowledge of satellites and related equipment when it launches foreign satellites, says Lin Zongtang, minister of the Aeronautics and Astronautics Industry.

He also said the Chinese government gives no financial subsidies to its sole launching service company—China Great Wall Industry Corp.

Lin made the remarks in Beijing on August 20 in response to concerns expressed by some Western companies and governments over the technical security of satellites to be launched in China. Some Westerners have said that high government subsidies permit China to offer its launching service at cut-rate prices, thus posing a threat to Western rocket companies.

"When foreign satellites are brought into China for launching, it is a matter of transit rather than export or transfer of technology to China," Lin said, adding that the satellites are exempt from customs examination.

Satellites and related equipment to be launched by Long March

vehicles remain under the exclusive control and supervision of the customer during transport, storage, testing and launch. China's low launch prices are determined by low labour costs, domestically made materials and components, practical and reliable rocket design and a highly successful launch record, as well as the service company's principle of not pursuing high profits, the minister said.

"Great Wall Corp. is a foreign trade enterprise under the Ministry of the Aeronautics and Astronautics Industry and an economic entity responsible for its own profits and losses. It obtains no subsidy from the government. On the contrary, it has to pay taxes to the government."

Launch service prices will not remain unchanged and might be adjusted, he said. "But China's launch service price will still be favourable."

China is a developing country with a limited capacity to manufacture launch vehicles, Lin said. It can offer only four communication satellite launches for foreign clients each year. The service poses no threat or competition to US and European launch service organizations.

Meanwhile, China is speeding up the development of a new launch vehicle—the Long March CZ-2E—which will be available to foreign satellites. The new vehicle has four booster rockets and can send a 2.5-ton satellite into a space orbit. ■

Learning a Lesson From Rural Firms

The China Industrial Economic Association recently conducted a survey of enterprises in Beijing and Tianjin, and Hebei, Zhejiang, Jiangsu and Liaoning provinces. The results prompted association chairman Lu Dong to

call on state-owned enterprises to adopt the management methods of township enterprises and joint ventures.

In a signed article in the *People's Daily* of August 12, Lu said the survey indicated that township-enterprise and joint-venture management methods are far superior to those of state-owned enterprises. He said this is mainly reflected in their clear sense of competition, their relative freedom from government interference, their system of internal management, their independence in employing workers, the implementation of the principle of distribution according to work, and a pursuit of technical advancement.

Lu said township enterprises and joint ventures have, as a result, become truly independent commodity producers and managers with sole responsibility for their profits and losses, and management decisions.

These enterprises, he said, buy raw materials according to their needs, select customers freely, and independently set product prices.

The state, moreover, has created preferential conditions for their development by offering favourable tax rates and provisions for tax reductions or exemptions.

He said state-owned enterprises, by comparison, usually lack a sense of competition, have little decision-making autonomy, and are dogged by problems of bureaucracy, subsequent low efficiency, egalitarian distribution and an overly large labour force. "About 20 to 30 percent of state-owned enterprise employees are not needed," he said.

Unlike township enterprises and joint ventures, state-owned enterprises must pay much higher taxes—a difference in policy which in fact means a difference in profit. As a result, much of the potential of these enterprises

cannot be fully tapped.

Measures adopted by the state in the past few years to stimulate these enterprises have not seen many real results. Lu said what is needed is encouragement to adopt management methods of township enterprises and joint ventures which have proved successful.

Management personnel from township enterprises and joint ventures could be invited to teach in state-owned enterprises, he suggested. Unprofitable or poorly run state-owned enterprises could place their workshops under the management of township-enterprise personnel. This method of "two systems in one enterprise" could prove useful as a way to stimulate efficiency. ■

210m Fewer Babies Born 1970-87

Over 210 million fewer babies than expected were born in China between 1970 and 1987, Xinhua learned recently.

That saved the government and the families a total of 1.1 trillion yuan during the period, according to experts at the National Population Information Centre.

An average of 18,700 yuan is needed to feed, clothe, house and educate an urban person in his or her first 16 years. The figure is 6,690 yuan for a rural person.

The experts attributed the success to China's one-child-family policy, noting that the number of births given by the Chinese woman throughout her life was calculated at 2.3 in 1978, compared to 5.82 in 1970.

But the experts said it still will be hard for China to bring its population growth under control in the next decade.

Another baby boom is foreseeable, they warned. ■

Weekly Chronicle (August 22-28)

POLITICAL

August 23

■ At a meeting with a visiting delegation from the US Republican and Democratic parties, Zhao Ziyang, general secretary of the Chinese Communist Party Central Committee, says both parties have contributed to the development of Sino-US relations.

The bipartisan delegation's visit to China in a US election year indicates that both parties take a friendly attitude towards China, Zhao says.

August 25

■ Yang Shangkun, China's president and a member of the Political Bureau of the Chinese Communist Party Central Committee, will head a Party and government delegation on a visit to the Democratic People's Republic of Korea (DPRK) in early September, a Foreign Ministry spokesman says.

The delegation is to attend the DPRK's 40th anniversary celebrations.

ECONOMIC

August 23

■ China received US\$29.5 billion in foreign loans from 1979 to the end of this June, within the acceptable limit, says Zheng Tuobin, minister of Foreign Economic Relations and Trade.

In recent years, the country has been paying back the principal plus interest while expanding its use of foreign funds. The country's scale of borrowing is based on its liquidity and financial conditions, Zheng says.

August 25

■ At a weekly news briefing, a Chinese Foreign Ministry spokes-

man comments on the US trade reform bill signed by US President Ronald Reagan on August 23. He says the bill contradicts the US government's stated policy of free trade and goes against the fundamental principles embodied in the General Agreement on Tariffs and Trade. It will, if implemented, adversely affect the further development of trade and economic co-operation between China and the United States.

August 25

■ Hainan Province will open several special investment areas for Taiwan investors, says Liang Xiang, Hainan's newly elected governor.

The province will offer preferential treatment to investors from Taiwan to promote economic ties between China's two largest islands.

CULTURAL

August 22

■ Guo Xiaogang, a 39-year-old Beijing engineer, will become the first Chinese to join an international group of explorers to travel the entire width of the Antarctic.

The six-member group plans to travel from west to east and hopes to reach the South Pole by December 1989 and their destination by March 1, 1990, Guo says.

August 25

■ A Chinese Foreign Ministry spokesman says China will send a scientific research expedition team to southeastern Antarctica in November to set up China's second Antarctic research station.

The post will be named after Dr. Sun Yat-sen, a pioneer of China's revolution.

SOCIAL

August 24

■ A 31-year-old woman who gave birth to quintuplets in Inner Mongolia on July 26 is in good health, *China Population Journal* reports. ■

IRAN-IRAQ

Outlook Good at Geneva Talks

After eight years of war and 1 million lives, Iran and Iraq have sat down at the negotiating table.

The Iranian and Iraqi foreign ministers started their first official face-to-face talks in Geneva on August 25 under the sponsorship and supervision of UN Secretary-General Javier Perez de Cuellar.

The talks are aimed at the comprehensive implementation of UN Security Council Resolution 598, passed on July 20, 1987, and the realization of a stable peace settlement.

The Iran-Iraq war lasted eight

years and claimed 1 million lives. Faced with a stalemate, the two countries accepted Resolution 598 and came to a formal ceasefire on August 20.

Now they are negotiating a 10-point UN peace plan which includes troop withdrawals to internationally recognized boundaries, exchanges of prisoners of war, an impartial inquiry into who was responsible for starting the conflict and post-war reconstruction.

Although there were neither handshakes nor greetings between the two countries' delegations when the talks began, both sides had said earlier they wanted a comprehensive, just and lasting settlement. Defining the border and determining who was responsible for starting the war seem to be the most difficult problems to tackle.

Iran insists that the frontier be settled under a 1975 Algiers accord which Iraq tore up at the outbreak of war in September 1980. The 1975 treaty, signed by the late Shah of Iran and Iraqi President Saddam Hussein, stipulated that the border ran through the middle of the Shatt al-Arab's deepest channel and that the two nations shared the channel. The

Chronology of the Iran-Iraq War

September 1980, war breaks out.

November, Iraq captures nearly 20,000 square kilometres of Iranian territory. Troops battle over Khorramshahr and other cities and towns along the border.

May 1981, Iran counterattacks and recaptures most of its lost land.

June 1982, Iraq declares a unilateral ceasefire and withdraws its troops from Iranian territory.

July, Iran launches the Ramadan Operation and penetrates Iraqi territory.

April-October 1983, Iran launches four successive offensives codenamed "Dawn Operation."

March 1984, Iraq destroys seven oil tankers off Kharg Island, beginning the tanker war.

March 1984, Iran and Iraq attack each other's capitals for the first time.

February 1986, Iran occupies

the Iraqi port of Faw.

January 1987, Iran launches another large-scale offensive aimed at Basra.

April, two Soviet destroyers enter the Gulf.

May, a Soviet oil tanker strikes a mine in Kuwaiti waters. An Iraqi missile fired in error hits the American destroyer US Stark—the first US warship attacked in the Gulf.

July 20, the United Nations Security Council passes Resolution 598, calling for an immediate ceasefire.

July 22, Iraq declares that it will accept the UN resolution. The United States begins its escort of 11 Kuwaiti oil tankers flying US flags.

July 24, the Kuwaiti oil tanker Bridgeton under US escort hits a mine.

October 8, US helicopters sink or damage three Iranian patrol boats. Iran declares that in these actions, the United States has proclaimed war against Iran.

October 19, four US warships destroy two Iranian oil rigs in the Gulf.

April 17, 1988, Iraq launches its Ramadan Operation and recaptures the sea port of Faw the next day.

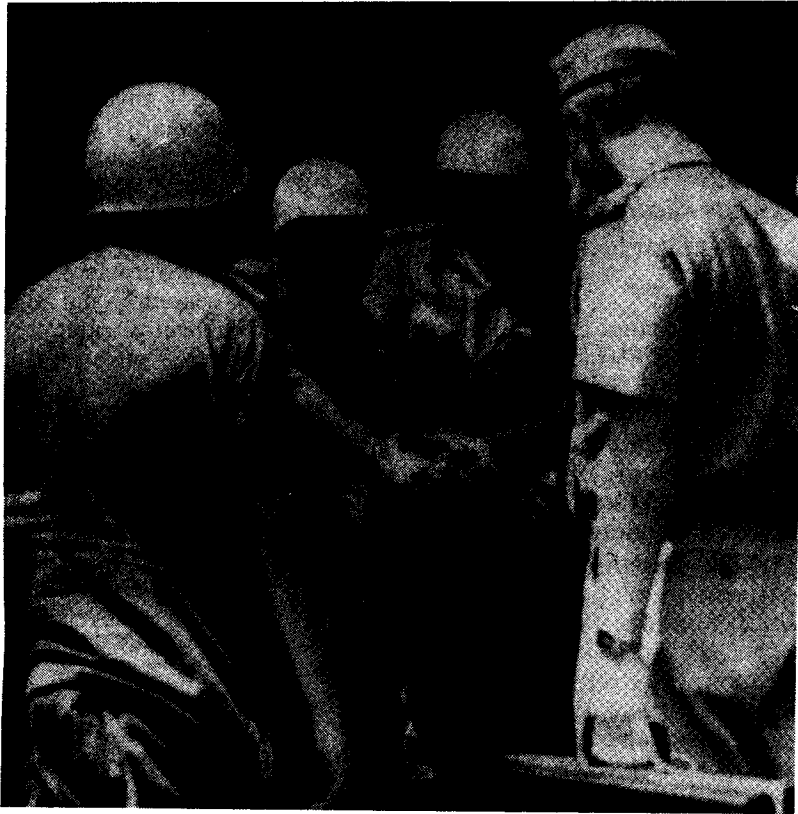
April 18, the United States dispatches six warships and helicopters to destroy two Iranian offshore drilling platforms, and sinks and damages six Iranian gunboats.

July 3, the US Vincennes shoots down an Iranian passenger plane, killing 290 of its passengers and crew.

July 18, Iran declares its official acceptance of UN Security Council Resolution 598.

August 8, UN Secretary-General Javier Perez de Cuellar announces Iran and Iraq will observe a ceasefire from August 20.

by Ming He



Members of the United Nations Iran-Iraq Military Observers Group being greeted on arrival at Tehran airport.

Shatt al-Arab River is the only outlet to the sea for almost landlocked Iraq.

There are many other poorly defined lines of demarcation along the 1,200-kilometre border between the two countries. Military commanders on both sides have ordered their frontline troops to remain alert following the ceasefire and not to be the first to retreat.

No deadline for troop withdrawals can easily be predicted, and final agreement on the international boundary will only come after long and hard bargaining, observers have said.

Iran had made the acceptance of Iraq as the aggressor a fundamental pre-condition for the implementation of Resolution 598 when it was passed by UN a year ago.

Although Iran has now unconditionally accepted the ceasefire

resolution, its leaders have repeatedly insisted on forming an investigation committee to determine responsibility for starting the war.

The fourth article of Resolution 598, demanding that Iran and Iraq

co-operate with the UN Secretary-General Perez de Cuellar to reach a just and decent settlement acceptable to both sides, has also dominated the negotiations.

Perez de Cuellar has been cautious about the outcome in Geneva, saying he did not believe the problems could be resolved in a matter of months.

"But one must not be pessimistic. I hope that if there is a true political will to resolve the problem, we will be able to proceed at a rather fast rate," he said.

Some observers have maintained that the need of a peaceful and stable environment for economic reconstruction would force Iran and Iraq to be patient and make common efforts to realize peace in the Gulf area.

The Gulf has been calm ever since the 350-member United Nations Iran-Iraq Military Observers Group headed by Yugoslav Major-General Slavko Jovic arrived in the two countries' capitals to supervise the ceasefire. All news from the Gulf has been encouraging—Iraqi oil tankers can now safely pass the Strait of Hormuz, and Iran's Kharg Island has resumed its pivotal role as an oil transfer station.

by Xin Xing

Iraqi youths taking to the streets and celebrating the ceasefire between Iran and Iraq with symbolic pigeons.



AFGHANISTAN

Fighting Intensifies as Soviet Troops Withdraw

As the Soviet troops withdraw from Afghanistan, the struggle between the opposing Afghan forces has become even sharper than before.

Although half of the Soviet troops in Afghanistan left for home by August 14—the first deadline set by the Geneva accords—the situation in the country remains tense. The opposing parties are still trading accusations and fierce fighting continues.

The Soviet Union has officially announced that 57,000 soldiers have left nine Afghan provinces bordering Pakistan and Iran. It has also removed some 1,000 of the 22,000 soldiers stationed in Kabul, signalling the beginning of a withdrawal from the Afghan capital.

The Soviet troops in Afghanistan totalled 100,300 by an official account when the Geneva accords were signed on April 14. Moscow has said it will withdraw all its forces from Afghanistan by next February 15 in accordance with the Geneva agreement.

People are waiting to see what will happen, but one thing is certain. If the Soviet Union does not fulfil its obligations, the consequences will be grave. If it shirks its responsibility, international condemnation will be great, domestic dissatisfaction will increase and it will have a hard time maintaining morale among its soldiers. Most seriously, the set of internal and foreign policies which the Kremlin has just worked out will be thrown into disarray.

In the course of the Soviet troop withdrawal, military conflicts between the opposing Afghan forces have intensified. The Kabul regime is trying to maintain

control over cities and important positions from which the Soviet troops have withdrawn, while the resistance forces have taken the opportunity to try to seize them. This is the nature of the military conflict since the Soviet troops started to withdraw.

In the past three months the resistance forces have reportedly seized more than 100 strongholds and 25 cities, and gained temporary control of two provincial capitals. According to the Soviet commander, the Afghan resistance forces launched nearly 3,000 armed attacks against the Kabul troops between May 15 and July 15.

The military conflict is currently concentrated in two areas. One is southern Kandahar—Afghanistan's second largest city. Some 10,000 soldiers of the resistance forces have encircled the city and are set to seize it. The second centre of conflict is Kunduz, the capital of Kunduz Province which is adjacent to the Soviet Union.

The fighting is bound to continue for a while. Tensions are high and there is no basis for reconciliation between the hostile parties. Each side wants to overwhelm or destroy other. Each has sufficient military strength for the fight and each is backed by a superpower.

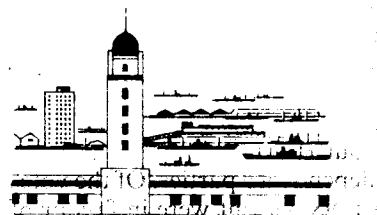
The United Nations has put forward a two-pronged proposal for peace in Afghanistan. The proposal calls for setting up an interim coalition government as the Soviet troops withdraw. But in

the past three months there has been no progress towards organizing the coalition government. In June and July UN envoy Diego Cordovez made shuttle visits to Pakistan, Iran and Afghanistan in a bid to promote reconciliation among the political forces in Afghanistan and set up a broad-based coalition government. He called for a ceasefire and the formation of a neutral caretaker administration to replace the Kabul regime on September 1. He also called for the holding of a grand tribal assembly prior to next March 15 to decide on a new government. His proposal won support from most of the Afghan people he met. But the most powerful fundamentalist leaders in the seven-party alliance rejected the plan, which they said could not ensure peace and tranquility in the country.

The hardline guerrilla leaders do not want the ruling People's Democratic Party of Afghanistan to be part of the coalition government. They have vowed to continue fighting until an Islamic fundamentalist government is set up.

Despite the completion of the first stage of the Soviet troop withdrawal, fighting continues and the settlement of the Afghan issue is still far off. Constrained by various domestic and international factors, the peace process will be extremely slow and difficult. The various parties which signed the Geneva accords and the Afghan factions must make joint efforts to push this process.

by Ai Ping



NEW CALEDONIA

Accord Marks Step Towards Settlement

Pro- and anti-independence New Caledonians recently reached an accord on the future of the French Pacific territory. The pact is a major move towards regional peace.

The Union for Defending New Caledonia and the Kanak Socialist National Liberation Front signed an accord in Paris on August 20. French newspapers call the pact—reached after a marathon round of talks—“a historic agreement” and “a new and important step” in the settlement process.

Agence France-Presse described the development as an “almost unbelievable event.” The political situation in New Caledonia had been worsening since the territory was racked by violence earlier this year.

The agreement was signed by separatist leader Jean-Marie Tjibaou and Loyalist representative Dick Ukeiwe after three days of talks which began on August 17.

New Caledonia consists of five islands with a total area of 19,103 square kilometres. The archipelago, which lies south and slightly west of Vanuatu, became a French possession in 1853 and an overseas territory in 1946.

Since the 1970s, Melanesians, who account for more than 42 percent of New Caledonia's total population of about 150,000, have been intensifying their demands for independence.

In 1985, the French Socialist government of President Francois Mitterrand put forward a new independence plan for the territory. A referendum on independence was held last September 3, but it was boycotted by pro-independence parties. Of the votes cast, 98 percent were in favour of

New Caledonia's remaining part of France. Another round of clashes broke out between Melanesians and the local police in April this year.

After French President Mitterrand was re-elected in May, his new Prime Minister Michel Rocard gave priority to the settlement of the New Caledonian question. And on June 26 representatives of pro-independence Melanesians and anti-independence European settlers gathered to negotiate in Paris. In a spirit of reconciliation, they reached an initial agreement to hold a referendum on self-determination in 1998 and to create a new set of institutions for the territory.

According to the recent pact, New Caledonia will come under the direct leadership of the French central government for the next 12 months and reforms will be introduced in the areas of administration, justice and the economy, involving a shift towards the federal system.

The archipelago is to be divided into three separate provinces—Northern, Southern and the Iles Loyaute. Agreement was reached on who will be allowed to vote in the 1998 referendum and on a general amnesty for imprisoned separatists who have not committed murder.

Rocard said that this autumn he will propose to President Mitterrand the calling of a national referendum on the introduction of federalism. The 1998 referendum

would decide the question of independence.

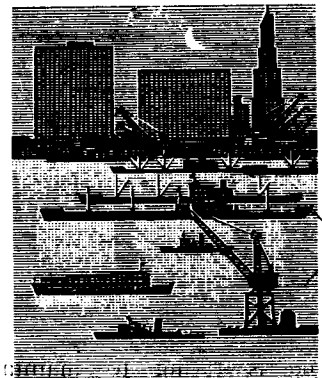
The agreement, a compromise on both sides, is a major supplement to the June accord and thus paves the way for an end to the lengthy conflict between the factions.

Rocard visited New Caledonia on August 26-28 to convey the concern about the territory's future. As part of the government's effort to retain its influence in the strategically important archipelago, France plans to increase its aid to New Caledonia by 300 million francs next year, bringing the total to 2 billion francs.

Newspapers in Paris said the agreement and the prospect of a final settlement of the New Caledonia issue will have a positive influence on the peace and security of the South Pacific region.

Australia and New Zealand have long expressed dissatisfaction over the French stance towards New Caledonia and the nuclear tests conducted in the vicinity by France. At the request of South Pacific countries last year, the independence of New Caledonia was placed on the agenda of the United Nations Committee on Decolonization. The recent accord provides an opportunity for France to improve its relations with the South Pacific countries, as well as a chance for peace in the region.

by Chen Xiaoquan



Jiangsu Expands Its Economic Horizons

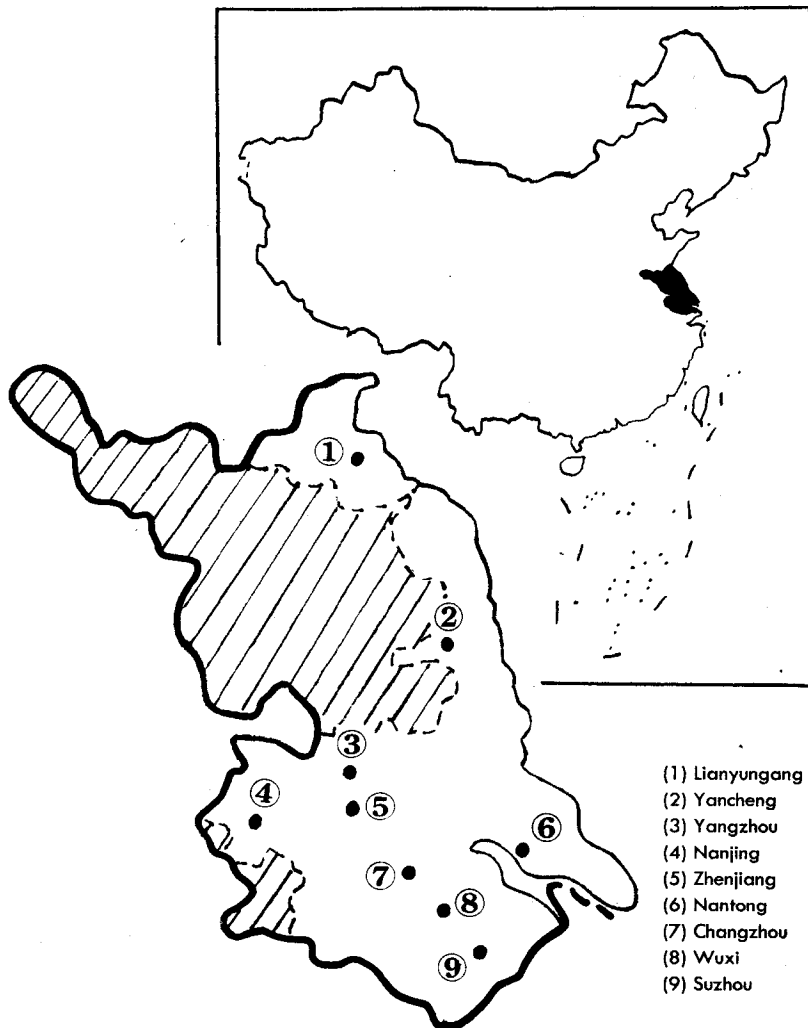
by Chen Huanyou, deputy governor of Jiangsu Province

Jiangsu Province lies mid-way up China's coastline, straddling the lower reaches of the Changjiang (Yangtze) and Huaihe rivers. Its population of 63.48 million is spread across 102,600 square kilometres, living in 11 municipalities, 11 county towns, and 53 counties. Nanjing, the provincial capital, is one of China's most famous ancient cities.

The province is one of the most economically developed regions of China (see table below).

Since the implementation of China's reform programme, Jiangsu has witnessed sustained and even development. Eight of its eleven cities have an annual industrial and agricultural output of more than 10 billion yuan. Suzhou leads the table with 32.25 billion yuan, followed by Wuxi with 27.69 billion, which ranks them nationally in fourth and fifth place after Shanghai, Beijing and Tianjin.

The province has forged economic and trade ties with 130 countries and regions worldwide. In 1987, the provincial authorities approved contracts for 1,002 projects involving foreign capital. An additional US\$545 million was



- (1) Lianyungang
- (2) Yancheng
- (3) Yangzhou
- (4) Nanjing
- (5) Zhenjiang
- (6) Nantong
- (7) Changzhou
- (8) Wuxi
- (9) Suzhou

Annual Economic Earnings

	Jiangsu (billion yuan)	Percentage of national total
Gross product	82.6	8.1
Net income	75.3	8.5
Industrial and agricultural output	177.5	10.7
Volume of retail sales	41.8	7.3
Foreign exchange earnings from exports	US\$2.1 bn	6.1

used to set up 194 joint ventures and co-operative enterprises, of which US\$220 million came from abroad.

Eighty percent of these joint ventures are based in manufacturing and processing, 60 percent use sophisticated modern equipment to produce export goods, and most of them have already yielded tangible economic returns.



Deputy Governor Chen Huanyou (second right on the front) accompanies foreign guests on a visit to the Nanjing Ship Auxiliary Machinery Plant.

By the end of 1987, Jiangsu had imported US\$1.2 billion worth of advanced technologies to modernize its traditional industries and develop new ones. The province had also begun to export its own technology, taking on projects abroad and providing labour services for foreign countries.

Although Jiangsu has made much headway in developing economic co-operation in recent years, its great potential has yet to be tapped. To promote provincial development, particular emphasis has been laid on fostering four areas: expanding ties with the rest of the world, building on Jiangsu's already strong agriculture, extending its industrial base, and utilizing its strong scientific and research force to generate new products.

Opening the Doors. In 1984, two coastal cities, Nantong and Lianyungang, became the first ports of Jiangsu to be opened to the world. Now, nine other cities and 40 counties have joined them. The area open to foreign investment covers 60,000 square kilometres (60 percent of Jiangsu) and embraces 40 million people (64 percent of the population). It

forms a belt running down the coastline from north to south, and along the Changjiang River.

The province plans to fully exploit state policies for coastal open economic zones, and intends to offer a wide range of preferential terms to foreign investors.

Agricultural Expansion. With its temperate climate and abundant rainfall, Jiangsu is one of China's key agricultural areas. Its numerous lakes and rivers form an extensive transport and irrigation network, facilitating its long history of exporting farm produce to other parts of China and the world. The province's major products are rice, cotton, oil-bearing crops, fish, pigs and silkworm cocoons. Efforts are being made to exploit the 10 million *mu* (15 *mu* equals one hectare) of beaches that lie along the coast and up the old course of the Huanghe (Yellow) River. Reclaimed land is being built into grain, cotton and animal husbandry production centres or used to raise aquatic products and grow fruit.

The province is striving to introduce advanced horticultural

techniques to develop stronger, more productive strains of crops and simultaneously promote the region's food processing industry.

Expanding the Industrial Base.

Jiangsu has a long industrial history. Most of its 90,000 factories are small or medium-sized, but in recent years a number of larger ones have been constructed. Textiles, machine-building, electronics, petrochemicals, building materials and foodstuffs form the province's industrial backbone, accounting for 80 percent of its industrial output.

More sulphur-based products, cement, chemical pesticides, yarn, cloth and synthetic detergents are produced in Jiangsu than any other province in China. And it is the second largest producer of television sets, bulbs, synthetic fibres, small tractors, machine tools, chemical fertilizer and synthetic ammonia.

Alongside the rapid progress of its traditional industries in the last few years, Jiangsu has become one of China's key electronics centres and developed a co-ordinated network of small and medium-sized chemicals companies. It has also established manufacturing bases for precision machinery and synthetic fibres.

The province now plans to exploit its large labour supply and superfluous factories to develop a labour- and technology-intensive processing and assembling industry. Other businesses earmarked for expansion include electronics, shoes, toys, bags, building materials, plastics and knitting.

Township enterprises offer great potential for foreign trade. Their 7.2 million-strong workforce accounts for 35 percent of Jiangsu's rural labour. Already, companies operating in the counties have an annual industrial output value of 1 billion yuan; those in the small cities of Changshu, Jiangyin, Zhang-

jiagang and Wujing county generate 3 billion yuan; but Wuxi County heads the list at over 6 billion yuan.

Last year, one quarter of Jiangsu's foreign trade was undertaken by township enterprises: 1,200 kinds of products were sold to 100 countries and regions worldwide. Because of their ability to react fast to changing markets, township enterprises should play a vital role in boosting Jiangsu's foreign exchange earnings.

Research & Development. Jiangsu has 600,000 scientists and technicians working in more than 400 institutions. Supplemented by the province's 71 universities and colleges and 200 natural science research centres, its potential for scientific and technological development is enormous.

At the moment, efforts are being directed towards the technical transformation of existing enterprises, developing new industries, and expanding the micro-electronic, biological engineering, new materials, and heavy chemicals industries. The aim is the export of high-tech goods. Co-operation from overseas business is warmly welcomed.

To encourage investors, the provincial authorities are striving to improve Jiangsu's infrastructure. With the Grand Canal, the Changjiang River, its railways and highways, it has a combined transport network of 20,000 kilometres. Every week, 104 regular flights leave Nanjing for destinations in China, seven other cities operate domestic airports, and international flights link the province with Hong Kong, Japan, Western Europe and Africa. Eight of Jiangsu's ports ship goods to and from 100 countries and regions around the world.

Telecommunications facilities have been improved with the introduction of new long-distance lines and switchboards. It is now possible to dial directly to other

parts of China from eight of the province's cities, and from some of them the rest of the world can be reached.

To meet industry's growing demand, several new power stations have come on stream in the last few years, and more are presently under construction. And to cope with the increasing

Jiangsu Province has made great achievements in its economic co-operation with foreign countries. To encourage investment, the provincial authorities are striving to improve the province's infrastructure, telecommunications facilities with the introduction of new long-distance lines and switchboards while simplifying project examination and approval procedures, and improving work efficiency.

number of travellers in the province, guesthouses have been built or expanded.

Jiangsu has long been attractive to tourists. Nanjing is a former capital of China. Suzhou has its classical parks. There is the scenery around Taihu Lake in Wuxi, the mountains, forests and temples of Zhenjiang, the ancient cities of Yangzhou, and the port at Lianyungang. Now, various experiments at reforming the tourist trade are under way.

Future infrastructural emphasis will be placed on power, transport and telecommunications projects. It is hoped that by 1990, power shortages will largely have been alleviated, a highway network

radiating from Nanjing will be fully completed, the Shanghai-Nanjing Railway will have been modernized, the Xuzhou-Lianyungang Railway will be double-tracked, and Nanjing will have a new airport. By the end of the decade, all cities should be linked into a direct dialling telephone network, with 80 percent of the counties following by 1995.

To attract further foreign investment, Jiangsu has plans to simplify examination and approval procedures, increase work efficiency and rationalize its regulations concerning overseas companies. The right to approve ventures involving overseas companies, formerly held at the provincial level, has been delegated to Nanjing, Suzhou, Wuxi, Changzhou, Nantong, and Lianyungang. Other cities have also been given greater powers of approval, while the counties can pass processing and assembling projects.

A consultancy service is planned to introduce clients, carry out feasibility studies, organize business meetings and negotiate contracts. The local authorities have been given the task of establishing procedures to ensure that all enterprises with a foreign stake will run according to international practices.

Jiangsu has issued an open invitation to all overseas businessmen interested in trading with or in China. They can buy shares or join the management teams of large and medium-sized enterprises, while small and medium-sized firms have land, factories and equipment to sell or lease.

Business talks can be held directly with foreign companies by Jiangsu's Commission of Foreign Economic Relations and Trade, Economic Planning Commission, and Office for the Expansion of Overseas Business, and various other provincial government departments. ■

Export-Oriented Economy in South Jiangsu

Over the past 10 years, the Suzhou-Wuxi-Changzhou economic area on the Changjiang (Yangtze) River Delta has developed at a remarkable pace. Yet, it still lags behind Zhujiang (Pearl) River Delta in terms of its export-oriented economy. The area was opened up as an economic zone in 1985, and this year, it has begun enjoying the right to handle foreign trade independently which will make things increasingly favourable for the development of an export-oriented economy. But the investment environment still has much room for improvement.

by Our Correspondent Yue Haitao

Located in the Changjiang Delta, China's richest eastern coastal area, the three cities of Suzhou, Wuxi and Changzhou and the 12 counties under them were designated an open economic zone, which covers an area of 17,513 square kilometres (about 17 percent of the total area of Jiangsu) and has a population of 12.6 million (19.9 percent of Jiangsu's total population).

The total industrial output value for the zone in 1987 came to 70.1 billion yuan, 46.7 percent of Jiangsu's total and the revenue from the three cities was almost half that of the province. The total industrial and agricultural output value for Suzhou and Wuxi last year ranked fourth and fifth in China, after the major cities of Shanghai, Beijing and Tianjin. Changzhou took 14th place. The zone has a long way to go before it will catch up with the Zhujiang River Delta but it is rising to the challenge.

Why Export-Oriented?

Suzhou, Wuxi and Changzhou are not far from Shanghai, the largest industrial city in China. The cities are linked by the Shanghai-Nanjing Railway, and the Changjiang, Beijing-Hangzhou Grand Canal and

Taihu Lake facilitate transport by water.

The cities have long been economic and cultural centres. Over the past 10 years, their economies developed rapidly as collectively owned and rural enterprises thrived.

The area is well-known for its industrial strength, high productivity, well-trained workers, relatively high level of science and technology and low labour and service costs. These advantages were previously unknown to the outside world and only in the past two years have foreign investors and businessmen shown an

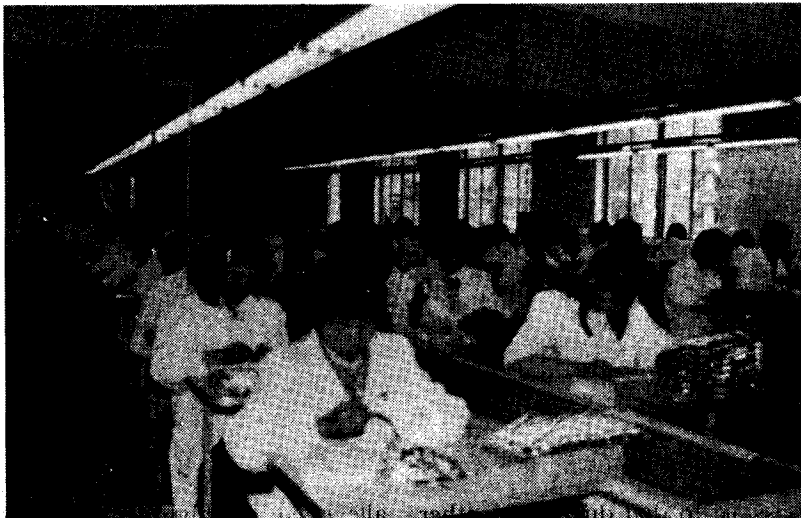
interest in the area.

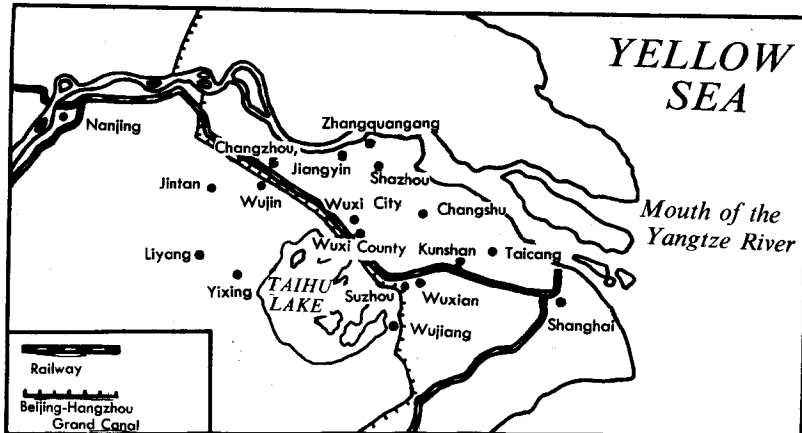
The Moon-Star Chemical Corporation, Japan's largest manufacturer of rubber overshoes, for many years placed its orders with factories in Taiwan, Hong Kong and South Korea for the processing of materials. Rising labour costs and revaluation of currency prompted the corporation to shift its processing business to Fushun, Dalian, Wuxi, Nantong and Guangzhou, and more recently to Suzhou.

Like three blood brothers, Suzhou, Wuxi and Changzhou have many things in common. Local industrial structures have

Part of the production line in the Yinyan Electronic Flash (Changzhou) Co., Ltd.

YUE HAITAO





two distinguishing features: First, processing industries dominate the cities which purchase 80 percent of raw materials from outside and sell 80 percent of their products outside; second, medium-sized and small enterprises owned by collectives, especially rural enterprises, play a leading role. These enterprises are flexible in management and easily adapt to market demand. Their products are generally competitive on domestic markets because of low production costs and high quality. Even in the past when foreign trade was put under the state's unified management, many products from local enterprises were exported, but they had to go through state foreign trade companies. So, local enterprises could not independently do business with foreign countries and economic co-operation with them was minimal. By the end of 1987 there were 74 joint ventures and co-operative enterprises in the economic zone, with a total investment of US\$253.74 million far below the investment absorbed by south China's coastal areas.

From 1987, raw materials were in short supply on the domestic market, and prices soared. The zone still faces raw material shortages. Many enterprises are operating below capacity, and circulating funds are insufficient.

Industrial development in the zone was beginning to stagnate, with the profit rate of 10 percent sliding to 2-4 percent, and enterprise managers started

looking to international markets to remedy the situation.

Early this year, the governments of Suzhou, Wuxi, Changzhou and other places suggested

Workers of the Changzhou Changli Enterprise Co. Ltd. producing relays.

CHEN ZONGLIE



that more raw materials be imported and exports expanded. The suggestion drew the attention of state leaders and was addressed by Party General Secretary Zhao Ziyang in his speech on coastal area development strategies (see issue No.6, 1988).

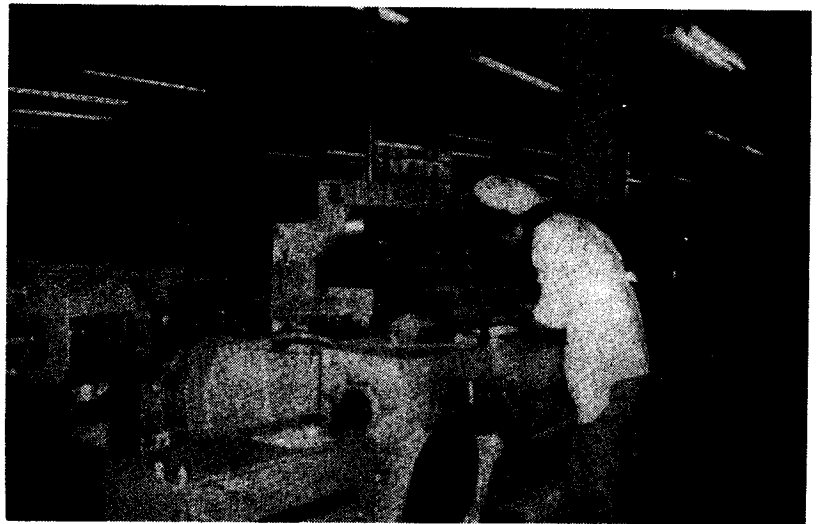
Better Investment Climate

Changzhou. "If you want to make a fortune, come to Changzhou," Hong Kong businessman Mr Zheng declared at the opening ceremony for the Changzhou Yinyan Electronic Flash Company. The Changzhou branch, which is jointly managed with local farmers, is one of the six technically advanced enterprises in Changzhou granted preferential treatment. Their officially approved products can be sold on domestic markets, reducing the need for similar import goods. The company has imported middle- and low-grade flash production lines, with annual outputs of 400,000. With another factory in Beijing also invested in by Zheng, total flash output can reach as much as half the domestic sales volume.

The level of investment in the enterprise was small, about 1 million yuan. After a six-month trial period, the company recouped all initial capital outlays.

Changzhou has 21 joint ventures, all industrial, apart from one interior decorating firm. The total foreign investment in these businesses comes to only US\$9.24 million, but the firms all perform well. By June of this year, ten enterprises showed profits, and maintained a favourable balance of foreign exchange. Of these, four enterprises recouped their initial capital outlays.

In the early stages of economic reform, Changzhou starred for its remarkable economic achievements. Its textile and light



The Xinmin Silk Knit Factory in Wujiang County, Jiangsu Province, expands its production by installing imported equipment.

YUE HAITAO

industries are very important and the city is known throughout the country for its first-class technology for finishing, printing and dyeing cloths.

Each year Changzhou provides 400 million metres of fabrics to Chinese and foreign markets. Its corduroy output accounts for 40 percent of the world's total. Changzhou's 12-hp diesel and walking tractors also enjoy brisk sales on the markets of Southeast Asia, and khaki and rubber shoes are recognized the world over for their high quality. Medium- and low-grade cameras and bicycles are popular on domestic markets.

Unlike Suzhou and Wuxi, Changzhou has rich deposits of nonmetallic ores, making it self-sufficient in raw materials for its industries. The city has a superior labour force, level of productivity and investment profit rate. It is also the site of the economic zone's only civil airport.

Changzhou has 61,000 scientists and technicians engaged in developing new technology and new products. In 1983, a local plastics plant imported from Austria a set of 2MCPP machine units which produce ordinary

plastic packaging film. After much experimentation by factory technicians, the improved machines can now produce high-grade plastic film for packing candies. The new technical data, procedure improvements and directions for producing the material have now been bought by the machines' original manufacturer.

Changzhou's excellent investment environment has attracted foreign investors. The local government firmly carries out stipulated preferential policies and supports foreign business.

The city's foreign investment committee undertakes all services from receiving joint venture applications to ensuring their smooth operation. Simplified procedures for setting up joint ventures mean that foreign businessmen need only have their applications approved by the city investment committee.

Suzhou. Suzhou is a city known for its beautiful gardens, but it is also one of China's main textile and light industrial bases. Excluding state-owned enterprises, Suzhou now has 14,000 rural enterprises.

The silk industry is particularly

strong with many reeling and weaving mills, dyeing and printing works, and more than 120 silk machinery manufacturers. Every year, Suzhou turns out 230 million metres of silk fabrics, the highest output in China. The city also houses 542 textile enterprises, which produce 53,000 tons of cotton yarn, 275 million metres of cotton cloth, and 77 million metres of woollen fabric.

Suzhou's wide-ranging light industries include 204 large and medium-sized enterprises producing up to 7,000 different products. Its four main enterprise groups are well known for their "Peacock" brand TV sets, "Xiang Xue Hai" refrigerators, "Great Wall" electric fans and "Spring Flower" dust catchers.

Suzhou is only starting to introduce foreign investment. The 31 joint ventures in the city are all industrial enterprises except for one hotel. About 10 of them are export-oriented enterprises, four with advanced technology. The total investment involved here is US\$124.29 million, of which more than 80 million US dollars were directly invested by foreign business people.

Many of Suzhou's foreign-

invested enterprises are small, and most investors are business people from Hong Kong and Macao. To date, about 13 enterprises have started operations, nine of them in the last six months. Only four have made profits, totalling 3.475 million yuan; five suffered losses of 2.053 million yuan.

Almost all Suzhou's joint ventures were set up through middle-men either from the same city, foreign trade companies in Shanghai, or related foreign business people. To date, there is no authoritative administrative organ for foreign-invested enterprises. Foreign business people thus find it difficult to solve any problems which may arise in their production and management.

Many joint ventures cannot recruit employees or choose from applicants, who fulfill their requirements. The status of enterprise boards of directors as authoritative bodies is not recognized. Chinese partners in some joint enterprises transfer high-level Chinese employees without the consent of the board of directors. The state's relevant regulations that joint ventures, like state-owned enterprises, enjoy preferential treatment for water,

electricity and raw materials also need to put into effect.

Wuxi, situated between Suzhou and Changzhou, is one of China's 15 main economic centres and a larger industrial production base than Suzhou and Changzhou. It is an important economic base for Chinese textile and light industries and the flour processing industry. Wuxi's rural areas are also prosperous.

In 1987, the city's gross industrial output value reached 26.3 billion yuan and rural industry accounted for more than 60 percent of the total. Of the rural industrial output value, Wuxi County brought in 7.076 billion yuan, the highest among China's 2,000 counties.

Wuxi County has one of China's two large small-diesel-engine manufacturers with an annual capacity of 90,000 12-hp diesel engines. But Wuxi's textile industry has the leading role. Six large reeling factories each produce 1,500 tons of white silk annually. Light industry products and linens, cotton yarn, gunny and cotton cloth are also traditional products.

The newly established electronic industry is now starting to attract people's attention. Wuxi's United Micro-Electronics Company is China's strongest scientific research and production unit for large-scale integrated circuits.

By the end of this April, Wuxi had 28 joint ventures with an agreed value of foreign investments of US\$33.4 million, and four co-operative enterprises with US\$13.15 million investments.

Although the city established a foreign investment managerial committee, the committee has no real power and is rather inefficient when it comes to getting things done. Countless procedures and endless signatures frustrated investors. Four approved joint enterprises refuse to pay share

A businessman from the Federal Republic of Germany in a business talk with representatives from the Suzhou Foreign Trade Company.

YUE HAITAO



capital, and two others are hesitating.

City officials thought the problem resulted from inaccurate investigations into foreign investor credit. But the problems did not receive proper attention from local authorities. Some officials believed that simply the preferential treatment they offered would attract foreign business people. "At the moment, it is rather risky to invest in Wuxi," said a foreign businessman who is not willing to disclose his name. "To put money here is like having enough pluck to swim the Mississippi River."

Trade Opportunities

In recent years, economic zones have made rapid progress in opening up international markets. For example, the annual purchasing volume of foreign trade in Suzhou increased at an annual rate of 50 percent from 1985-87 and is expected to reach 3 billion yuan this year. But before this year, Suzhou, Wuxi and Changzhou had no power over foreign trade. All business was monopolized by the Beijing Foreign Trade Corporation and the province branch.

Suzhou and Wuxi and their districts and counties now have more control over foreign trade. The provincial government has set quotas of foreign exchange for Suzhou and Wuxi and stipulated that 80 percent of the foreign exchange earned can be retained by local enterprises. This has greatly stimulated their enthusiasm for export. But problems continue to crop up.

Because the localities never engaged in import and export business previously, they have no marketing networks and know nothing about international markets. They also lack personnel for dealing with deliveries, foreign

exchange accounts and insurance, and business discussions. Handling its own exports from January to April this year, Wuxi saw a drop in its volume of purchases for export to 19.9 percent from the same period last year.

Southern Jiangsu, centring on the Suzhou-Wuxi-Changzhou area, has developed rapidly since it was declared an open economic zone in 1985. To attract foreign funds for the development of an export-oriented economy, the area will provide investors with a complete range of services and offer every possible convenience to business people.

Until recently, foreigners knew little about the open economic areas. The city of Wuxi held foreign investment and business talks at the end of last year but only 12 people attended. The situation in Changzhou was worse. To date, Changzhou still has control over foreign trade: all businesses fall under the general foreign trade corporation and its provincial branch. Business people wishing to purchase goods produced in Changzhou must go to Nanjing or Beijing for negotiations after seeing samples.

Another example is Wuxi County's General Straw-Woven Arts and Crafts Factory which exports goods to Japan through an export company in Shanghai. The factory has an export volume of more than half the country's

total, but its managers have no knowledge of the export price charged by the Japanese businessman.

The situation is rapidly improving. More and more businessmen have their eyes on this "treasure house." On May 28 of this year, a representative of Japan's Moon-Star Chemical Corporation Yoshichi Fujita signed an agreement with the Suzhou No. 2 Rubber Factory to process 350,000 pairs of high rubber overshoes a year. Mr. Yoshichi commented, "This is a good industrial base and the employees are clever and deft. Also the factory is near the industrial centre of Shanghai and close to a harbour. The city is quiet and life here is comfortable. Labour service costs are obviously lower than in Taiwan, Hong Kong and South Korea. The product quality and delivery dates can be up to international standards if efforts are made."

From June 6 to 10, Suzhou held foreign investment and business talks. After sending out more than 300 invitations, some 578 business people from 22 countries came, and the city's trade volume reached US\$20 million in four days.

Deputy secretary-general of the Suzhou city government Su Hongbin said, "The city government has openly announced to its residents and the international community that all future work will be carried out around the export-oriented economy. The government will provide investors with a complete range of services, and offer every possible convenience to business people in Suzhou." ■



Developing the Medical Instrument Industry

by Our Correspondent Wang Jian

Although China manufactures enough pharmaceuticals not only to meet domestic needs but also for export to more than 100 countries and regions, it still lags far behind the West in production techniques and scientific research. So to promote international cooperation, a new magazine named *China Pharmaceuticals and Medical Instruments* has been started in Shanghai. Bilingual—Chinese and English—and Biannual, it is published by the State Pharmaceutical Administration.

It aims at supplying up-to-date information to clients at home and abroad and strengthening ties with foreign pharmaceutical companies. The first issue contains a detailed introduction to the development, management and services of China's pharmaceutical and medical instrument industry.

Traditional Medicine

According to traditional Chinese medical theory, not only the roots, leaves, branches, flowers and fruits of many kinds of plants, but also the bodies, organs, shells and secretins of many kinds of animals and insects, as well as many special minerals, can all be used as effective medicines. In the 16th century Chinese medical classic *Compendium of Materia Medica*, 1,892 kinds of crude drugs were described to which another 716 were added in a supplement compiled by Zhao Xuemin during the Qing Dynasty. But this is only about half the 5,767 varieties, listed in the *Chinese Medical Dictionary* published shortly after 1949 on the basis of a nationwide survey.

Chinese medicines are used to treat flu and cardio-vascular diseases. They also have strong recuperative powers. Compared with many artificial medicines, they have relatively few side effects. Therefore, even today, traditional medicines are preferred by many people. In Shanghai, China's biggest industrial city, their net sales have increased from 42.9 percent of all medicines in 1980 to 50.8 percent in 1986. The city now is one of the main export centres for traditional Chinese drugs.

China's 500 traditional medicine factories produce more than 4,000 kinds of drugs. Special production techniques developed over centuries have been maintained. Experienced practitioners are used to helping cultivate, collect, process and store the materials and medicines, and sometimes to experiment and develop new products.

In accordance with the regul-

ations of the State Pharmaceutical Administration, the Chinese medical authorities are urging enterprises to adopt the World Health Organization's Good Manufacturing Practice For Drugs to guarantee the quality of their products.

In the first issue of *China Pharmaceuticals and Medical Instruments*, some of these pharmaceutical manufacturers are introduced. Beijing's Tong Ren Tang Company is one of the oldest, with a history of 300 years. Formerly a supplier to the court pharmacies, it now produces 400 kinds of medicines.

The Hangzhou No.2 Chinese Medicine Plant became the first medical company in China to produce more than 100 million yuan's worth of goods annually. Its most famous products are *Shuang Bao Su*, capsules of royal jelly and ginseng from Changbai Mountain in Jilin Province, *Qing Chun Bao*, which is prepared

Students at a Chinese medicine school in Hunan Province learn how to recognize medicinal herbs.

NING GUANGQIAN





YU JIE

A Chinese medicine market in Bozhou City, Anhui Province, the hometown of the well-known Han Dynasty doctor Hua Tuo.

according to a 14th century imperial recipe for longevity, and a children's tonic called *Bao Er Jian*. The company has business relations with similar manufacturers in six countries and regions around the world.

Pharmaceutical Industry

Since Liberation, the Chinese pharmaceutical industry has developed rapidly. Before the founding of the People's Republic in 1949, most bulk pharmaceuticals were imported. Indeed, there was an old Chinese folk saying: "Gold is valuable but medicine is priceless," indicating how scarce and expensive medicines once were.

Now, however, 900 pharmaceutical factories across China produce 1,300 different varieties of bulk pharmaceuticals. Output not only meets domestic needs, but around one-third is exported. Foreign income is supplemented by selling various manufacturing processes to other countries.

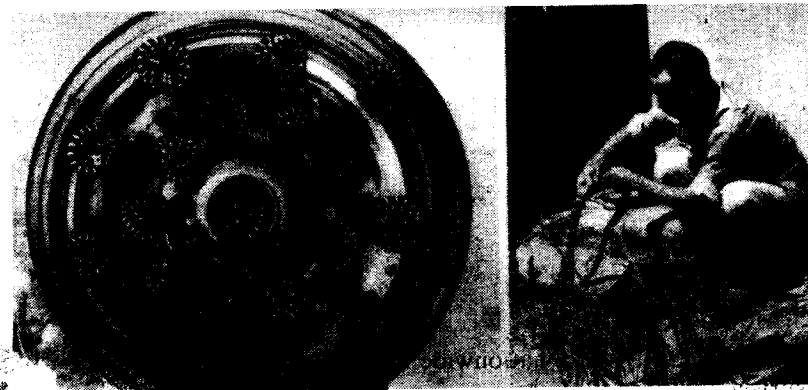
The expansion of the pharmaceutical industry over 30 years

has meant the average price of drugs in China has fallen by 82 percent compared with the 1950s. With the introduction of China's reform programme and its open policy, the last decade has seen development accelerate. For nine years, the average annual increase in output value has exceeded 10 percent. In 1987, China manufactured over 100,000 tons of 24 varieties of bulk pharmaceuticals, making it the second largest producer in the world.

One of China's largest phar-

Wang Guangsheng, a farmer from Hunan Province, sells more than 18,000 snakes to the state each year. The yellow and white snake is used to make medicines to treat diseases such as rheumatism, hemiplegia and sores. The picture on the right shows Wang catching a snake. On the left are the small snakes Wang had dried and processed.

WANG PING



WANG GUANGSHENG

WANG GUANGSHENG

WANG GUANGSHENG

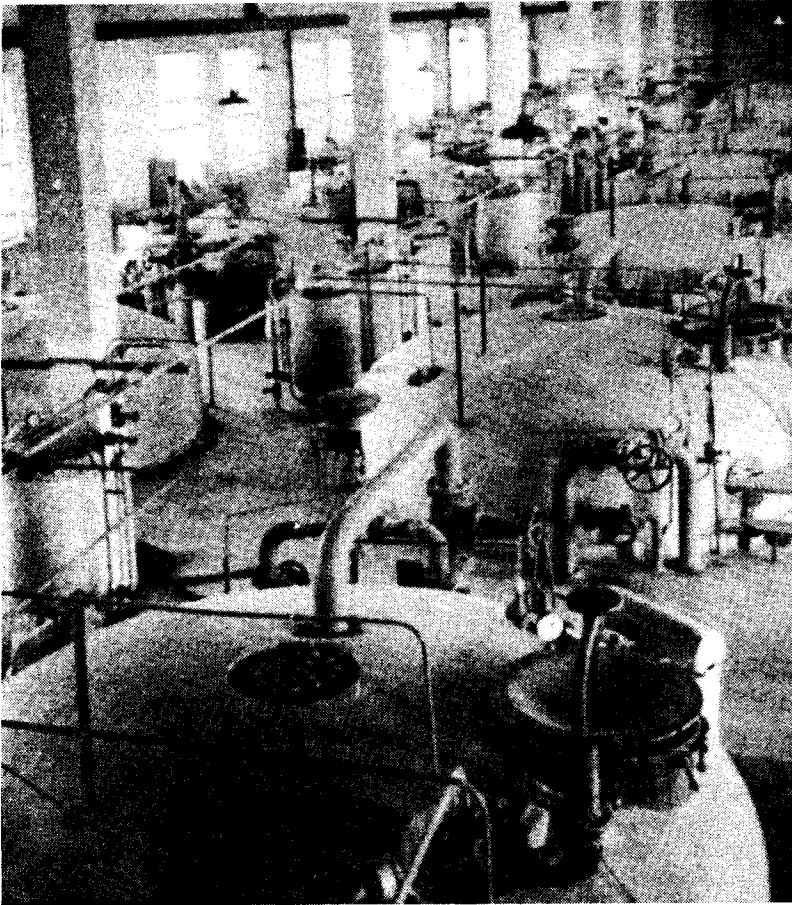
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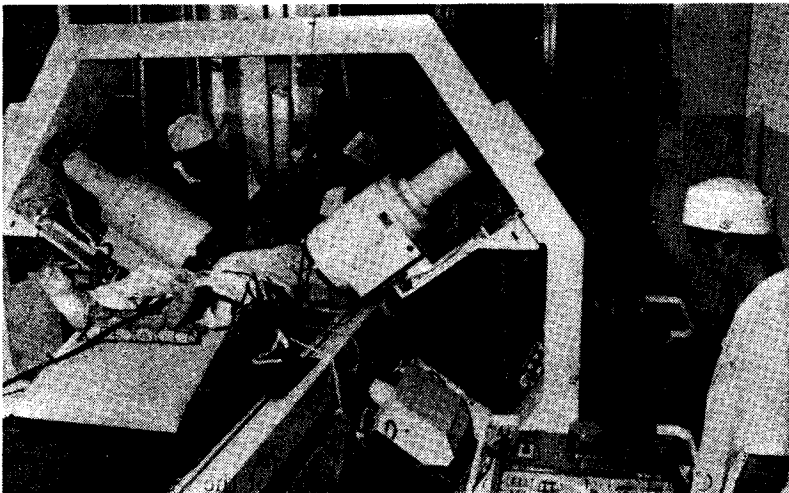


HUA YAO

The newly built penicillin fermenting workshop in the North China Pharmaceutical Factory.

This special machine invented by Wuhan General Hospital of the Guangzhou Military Area can break up kidney stones and thus do away with the need to operate.

LI YIFANG



pharmaceuticals annually, exporting 70 percent to countries in Asia, Africa, Latin America and Europe.

Recently China has set up 10 joint pharmaceutical ventures with foreign companies in Sweden, Japan, USA, Belgium, Switzerland and several other countries.

Medical Appliances

China's medical instrument industry has been developed to prevent and treat diseases, to help recuperation and to aid birth control. At present there are over 480 medical instrument factories and eight medical research institutes in the country.

China manufactures 43 kinds of radiation equipment, as well as electronic instruments, optical instruments, bio-chemical analysers and surgical instruments. Many products meet international standards, such as its optical endoscope, its ultra sonic diagnostic unit, its small and medium-sized X-ray units and its molybdenum surgical scissors. Other instruments invented by Chinese scientists have won high praise from their foreign counterparts, such as the CT Brain scanner and the medical standing wave accelerator.

The Shanghai Medical Instrument Factory is one of the largest in China. In the past 40 years, its productive capability has greatly increased, and it is now an important base for the production of modern medical equipment. Other factories such as the Beijing Medical X-ray Machine Factory, the Southwest Chemical Instrument Factory, the Shanghai Electronic Instrument Factory and the Qingdao Medical Electronic Instrument Factory are going all out to develop themselves into export-oriented firms which make contributions to the world health.

Mao Zedong & China's Atom Bombs

China developed atom bombs under the close care of the late Chairman Mao Zedong from the very beginning when uranium resources were first discovered in southwest China to the making of policies about atom bomb production and use.

by Yang Zenghe

In 1954, when Ministry of Geology personnel discovered sources of uranium in Guangxi, Mao Zedong greeted the news gleefully, saying, "We have rich mineral resources! Our country should also develop the atom bomb."

In January 1955, Mao Zedong chaired a CPC central meeting in Zhongnanhai to discuss questions related to the development of China's nuclear energy. Scientists Li Siguang and Qian Sanqiang attended the meeting, reporting on their work and demonstrating detector devices and techniques for handling uranium ore. After listening to the report, Mao Zedong said cheerfully, "Our country has confirmed uranium ore resources, further exploration will bring out more uranium ore. Since liberation, we have trained people, laid a good foundation and created the necessary conditions for scientific research. In the past few years, because we were occupied with many other tasks, we did not have the time and energy to attend to this matter. Now the time is ripe." He stressed: "As long as we have the people and the resources, we can make

any miracle happen!"

During the mid-1950s, China's decision to develop the nuclear energy industry was locked into the grim international situation prevailing at that time.

The United States was the first country to use the atom bomb. In the late 1940s and mid-1950s, US leaders and "Cold War" policy-makers were working for all they were worth to develop and monopolize atomic weaponry, threatening all the people of the world. In October 1945, US President Harry Truman declared bluntly that keeping the atom bomb, the new destructive force, in American hands was a sacred commitment. After the outbreak of the Korean war in 1950, Truman admitted he had been considering using the atom bomb. In 1953, after Dwight David Eisenhower became president, the US Joint Chiefs of Staff also proposed the timely use of atom bomb. In the face of US blackmail and threats to use atom weaponry, Mao Zedong explained to an enlarged CPC Central Committee Political Bureau conference in April 1956: "In the world today, we cannot be without this thing if we do not want to be bullied by others."

In the mid-1950s, relations between China and the Soviet

Union were comparatively good. In February 1956, Nikita Khrushchov sent a letter to Chairman Mao Zedong, offering support to China's atomic energy industry. Mao Zedong immediately sent a reply expressing his thanks and presenting a proposal for implementation. Later, the two governments signed an agreement. Under the terms of which the Soviet Union provided equipment and sent a group of experts to China.

After their arrival in China, the Soviet experts were enthusiastic and diligent. Through their cooperation with experts, Chinese scientific and technological personnel learnt with an open mind and at the same time acquainted the experts with the situation in China so that they could give more effective help and guidance. Mao Zedong was satisfied with this.

But as China's atomic energy industry continued to move ahead, Khrushchov raised great-power chauvinistic claims in an attempt to place China under his control. When his attempt failed, he perfidiously tore up the agreement.

In its letter of June 20, 1959 to the CPC Central Committee, the CPSU Central Committee refused to provide China with atom bomb samples and technical data on the production of the weapon.

* The author is a staff member with the Party Literature Research Centre of the CPC Central Committee.

On July 16, 1960, the Soviet government addressed a note to the Chinese government withdrawing all Soviet experts in China from July 28 to September 1, 1960.

At that time, Khrushchov threatened he would turn the equipment already supplied to China into a heap of scrap iron, charging that some people did not want to join the nuclear umbrella; they simply wanted to develop nuclear power on their own. He said China not only cannot get an atom bomb, but in the end they cannot even afford a pair of trousers to put on.

Listening to a work report presented on July 18, 1960, Mao Zedong pointed out: "We should make up our minds to develop sophisticated technology. Khrushchov will not give us such technology; that is very good. If he did, it would be very hard for us to repay him."

To overcome the difficulties caused by the withdrawal of Soviet experts, the Ministry of the Second Machine-Building Industry, with the approval of the central government, gathered together a large group of experts from various central departments, regions, universities and colleges and scientific research institutes to strengthen the technical force in charge of the research and development of atomic energy. They co-operated in tackling key problems concerning basic atom bomb theory from theoretical, and neutron and solid physics standpoints.

Mao Zedong agreed to establish a special organization under the leadership of the central authorities to strengthen the leadership in the atomic energy industry, check and oversee the implementation of the plan, solve any problems encountered in research, design, production and construction, and arrange the necessary human and material resources.

After the establishment of the special central organization in November 1962 under the direction of Zhou Enlai, China's first atom bomb was successfully exploded on October 16, 1964.

After the successful nuclear test, again under Zhou Enlai's direction, China successfully exploded its first hydrogen bomb in June 1967, meeting Mao Zedong's demand that the hydrogen bomb also be quickly produced.

US nuclear weaponry developments took seven years and four months from the explosion of the first atom bomb to the successful testing of the first hydrogen bomb; the Soviet Union took four years; Britain four years and seven months; France eight years and six months; and China only two years and eight months.

Commenting on China's progress in this field, Mao Zedong said during a talk in July 1967, "This achievement is the result of Khrushchov's help: his withdrawal of Soviet experts forced us to follow our own road. We should award him a one-ton medal."

China's development of only a limited number of atom and hydrogen bombs is aimed at breaking the imperialist nuclear monopoly and opposing imperialist nuclear blackmail.

In December 1963, on the eve of the explosion of China's first atom bomb, Mao Zedong pointed out, "We follow a strategic defensive policy; we will in no way develop more atom and hydrogen bombs than others."

In October 1964 when China succeeded in exploding its first atom bomb, a government declaration approved by Mao Zedong solemnly proclaimed: At no time and under no circumstances will China be the first to use nuclear weapons. At the same time, it solemnly proposed to governments of various countries around the world that a world

summit conference be held to discuss questions concerning the complete prohibition and thorough destruction of nuclear weapons.

Later, the Chinese government on many occasions expounded China's position on nuclear weapons and nuclear disarmament. It is summarized in the following points:

- As the nuclear arms race poses a general, grave threat to world peace and security, nuclear disarmament should be given top priority in the reduction of all types of armaments;

- The ultimate goal of nuclear disarmament is the complete prohibition and thorough destruction of all nuclear weapons;

- The two superpowers, which should shoulder a special responsibility, should take the lead to put an end to the testing, manufacturing and deploying of all types of nuclear weapons and reduce and eliminate all the nuclear weapons they have deployed in any region at home and abroad. Then a broadly represented international conference on nuclear disarmament can be convened with the participation of all nuclear states to discuss what steps and measures should be taken for the thorough destruction of nuclear armaments;

- Pending the realization of the goal of total elimination of nuclear weapons, China hopes to see all nuclear states undertake not to initiate the use of nuclear weapons and not to use nuclear weapons against non-nuclear states or nuclear-free zones;

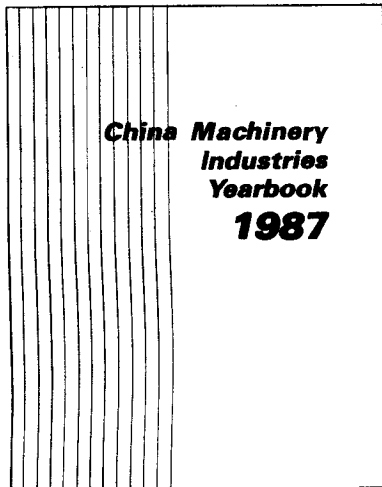
- An international agreement on the complete prohibition of space weapons should be concluded at an early date.

It is on the basis of this stand that China welcomes the recent conclusion of the US-Soviet INF Treaty and hopes that the two countries will further advance towards the prohibition of nuclear weapons.

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Pawn Broking: Revival in Wenzhou

"JINRONG SHIBAO"

(Financial Times)

Pawn broking made its return to China after an absence of more than 30 years. To date five such institutions have started business in Wenzhou, Zhejiang Province.

With the rapid development of the commodity economy in recent years, there has been a growing sense of awareness of commodity, marketing, competition and information in the town. Some managers and businessmen, realizing that the biggest problem for production managers is obtaining enough funding to develop individual businesses, thought pawnshops might offer a profitable solution.

Wenzhou's pawnshops are collective enterprises under a share system in which the manager of a shop assumes full responsibility for the business under the leadership of the board of directors.

Funds are raised by selling shares and each pawnshop has about 300,000 yuan of registered funds. They take in articles of everyday use, domestic electric appliances, gold and silver ornaments, household property, and enterprises' surplus stock, equipment or raw materials. The security put up must be worth more than 100 yuan. The pawner may borrow 50 to 80 percent of the value on security according to market prices.

Each month the pawnshop draws service charges of 2 to 3 percent on each pawn plus storage charges of 0.6 to 1 percent. The term is generally one to three months. In exceptional cases pawners may demand to defer redemption; in such a situation they should consult the pawnshop and go through formalities three days before the term expires.

Pawn goods which are not redeemed within the term will be sold or auctioned. But, such goods as gold and silver ornaments, according to government policy and regulations, must be sold to the relevant state departments. Eighty percent of the revenue will go to the owners of the pawned goods.

Following the principle of fair dealing the pawnshops in Wenzhou provide good service. There is no cheating or exploitation involved.

Since opening for business, the five pawnshops have done brisk trade. The Jincheng Pawn Trading Company closed 143 transactions in its first 20 days of operation. The total volume of business was worth 810,000 yuan. The Lucheng Pawn Firm's total volume of business reached about 2.27 million yuan in its first 35 days.

Of the many visitors to the pawnshops, Manager Sun of the Lucheng Pawn Firm said, 97 percent are people in temporary financial difficulties after establishing enterprises or entering some business deal. The other 3 percent resort to the pawnshop to solve particular problems they may face.

Wenzhou's pawnshops have proved a useful backup for individual businessmen and medium-sized and small enterprises. The Wenzhou Antirot Engineering Equipment Company, for instance, badly needed 120,000 yuan to pay for a batch of stainless steel plate. The company went to banks and credit co-operatives for help with no result. It finally put up its building as security to a pawnshop. After 10 days the mortgage was repaid.

The Wenzhou Navigation Instruments Plant urgently needed to buy materials but was short of money. It put up the certificate for a 200-square-meter building to a

pawnshop for 50,000 yuan and was finally able to extricate itself from the difficulties arising from a lack of materials.

Pawn broking has also played a part in bringing some relief to people in need. For example, the daughter of an overseas Chinese preparing to go abroad had not received money remitted from abroad for her plane ticket. She knew she had to leave Wenzhou for Beijing that night to catch her flight. She took the property deeds for her house and ran to the Lucheng Pawn Firm to mortgage it. The firm went through all the necessary procedures in two hours, allowing her to have the money she needed to leave Wenzhou on time.

(May 16, 1988)

Jinuos Lifted Out of Poverty

"RENMIN RIBAO"

(People's Daily)

Stepping straight into socialism from the last stage of the development of primitive society, the Jinuo Nationality inhabiting Xishuangbanna in Yunnan Province has been lifted out of poverty and is now on the road to prosperity.

Take Manpiao Village for example. Before 1979, each year brought suffering to the village in the shape of grain shortages. Only since 1979, and especially after the implementation of the contract responsibility system based on households in 1983, did the situation take a turn for the better. Now, half of the village's 43 households own television sets and 1987 incomes for some of them exceeded 8,000 yuan.

Che Qie, now more than 60 years old, is the head of a special household which grows fructus

amomi (a Chinese medicinal herb) and tea. His family's income has come to more than 10,000 yuan for the past three years running. He now has a television set, a sewing machine, a radio-cassette recorder and a walking tractor.

Although people's living conditions have changed, there are still some problems which need to be solved as quickly as possible. Some village leaders explained that it is very popular among the masses to raise chickens, pigs and oxen. But the death rate among livestock from various kinds of pestilences is very high each year. The veterinary station has often inoculated animals after the outbreak of an epidemic—a bit like mending the fold after a sheep has already been lost.

Li Fu, head of Situ Township, worries that the structure of people's consumption is unreasonable. Heavy drinking has become a way of life in the local area, taking a heavy toll on people's health. Many men can drink 0.5 to 1 kg of liquor a day. Some families expend one-third of their annual income on alcohol.

One primary school teacher complained that letters and newspapers never arrived on time because postmen came to the area only once a month.

Bai Lazhe, head of the Jinuo Autonomous District, said that the low technological level is a big problem for his people. His district has now become the second largest fructus amomi-producing area in China, but it has no special technicians. The output of fructus amomi and tea is very low because of incorrect growing techniques and poor management. Big losses were also suffered each year as a result of lack of technology in the processing stage.

The Jinuo Nationality has a tremendous wealth of folk songs. The melodies are simple and unsophisticated, with rich messages of life. But young people no

longer like to wear the clothes or sing the songs of their own nationality. They prefer popular

songs, ballroom dancing and disco.

(March 30, 1988)

Intellectuals' Potential to Be Tapped

"SHANGHAI GONGYE JINGJI BAO"

(Shanghai Industrial Economic News)

A recent survey of 1,000 young intellectuals in Shanghai shows that 9 percent have no work to do in office hours while 36 percent deal only with nonessentials in their work. About 88 percent of the respondents said their jobs give them no opportunity to give full play to their professional knowledge or skills.

Another survey among some 13,000 young intellectuals in one industrial bureau indicated that only 5 percent are permitted to use their initiative in their work.

Idleness among intellectuals is a serious problem. The reasons for it include:

1. Some enterprise managers or directors lack the courage to use new information and technology. For instance, several young computer specialists who have designed a programme to raise efficiency could not receive support from their leaders.

2. Many young intellectuals have been placed in posts where they are unable to use their specialized knowledge. Some directors said they do not need high-level intellectuals because of the backwardness of both the equipment and the educational level of workers in their enterprises. As a result, many young intellectuals lack scope for their abilities.

3. The current personnel system has drawbacks. For example, one young graduate from Shanghai's Tongji University was given a job

that is not suited to his special training. He asked to transfer to another work unit but his unit refused to let him go.

4. Some young people fear hardships and make some unreasonable demands, thus wasting their time in their jobs.

5. Influenced by old ideas, some units assign posts according to seniority. As a result, young people are left out in the cold.

(May 28, 1988)

Educational Level Rises in Beijing

"BEIJING QINGNIAN BAO"

(Beijing Youth News)

The educational level of Beijing people has risen in recent years. The number of people who are illiterate has dropped, while the average number of years of education has increased to 7.8.

Available statistics show that in 1987, 86.1 percent of the total population over 6 years of age had a primary school education, an increase of 1.3 percent over 1982. In the same period the proportion of people with a college education rose 2.5 percent to 7.8 percent. The number of college-educated people rose 45.6 percent, from 487 per 10,000 in 1982 to 709 per 10,000 in 1987, which is higher than the national level.

In 1987 illiterates accounted for 17.4 percent of the total population over 6 years of age, a drop of 1.1 percent from 1982.

(June 17, 1988)

Rocket Service Lifts Off

The Federal Republic of Germany has asked China for another satellite piggyback service.

Three Federal German firms put experimental devices on a Chinese satellite launched and recovered at the beginning of August which orbited space for eight days.

Carried into space by a Long March II rocket on August 5 from the Jiuquan Satellite Launching Centre in northwest China, the satellite carried 31 kg of experimental equipment.

Manufactured by German companies, including INTOSPACE and MBB, the devices are used to conduct a series of experiments, including the experiment on protein growth under the near-weightless conditions of earth orbit.

German engineers and technicians, who had worked at the Chinese rocket centre in the run-up to the launch, expressed complete satisfaction with China's service following the retrieval and

return of the satellite and the devices.

This is the second time China has provided satellite launching facilities for foreign clients. The first piggyback service was for the Matra Company of France in August last year.

Fourteen representatives from Sweden, France, the Federal Republic of Germany and Hong Kong were invited to watch the launching on August 5.

The second piggyback service for the Federal Republic of Germany will be conducted some time next year, and a greater amount of scientific equipment will be carried into space. A French company has also raised similar request. ■

State Council Sinks Agency Monopoly

Since July, foreign ship owners has been able to choose their own shipping agency in

Chinese ports. Previously, the only authorized agency was the China Foreign Shipping Agency under the Ministry of Communications.

The State Council made the decision to inject competition and provide foreign ships with a better service.

One Chinese company that is likely to move into the business is the China Marine Shipping Agency, a subsidiary of the China National Foreign Trade Transportation Corp. Founded in 1985 to offer services to the corporation's own and co-operatively managed ships, it now has plans to offer a complete range of port services, from arranging paperwork, pilots, berths and repairs through to contract orders, cargo handling and warehouse storage.

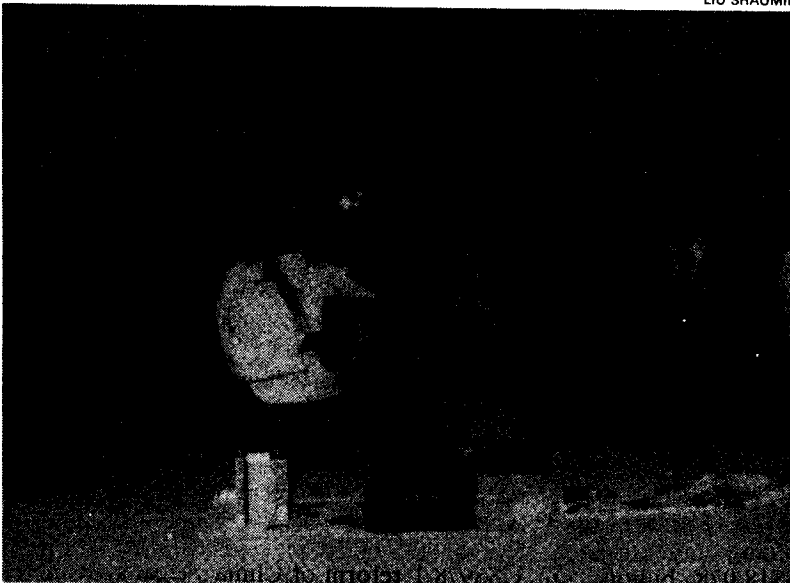
The company, which already has 37 branches, is looking to expand further in the second half of 1988.

Several provinces and coastal cities plan to take advantage of the State Council's decision to open up the shipping agency business by founding their own agencies.

by Yao JIanguo

Chinese officials hand over experimental equipment safely retrieved from space to German space experts.

LIU SHAOMIN



New Chamber of Commerce Set Up

China's second chamber of commerce—the China Light Industry and Handicraft Import and Export Chamber of Commerce—was set up by the end of August in Beijing. It follows the successful establishment of the China Machinery and Electrical Products Import and Export Chamber of Commerce.

Composed of companies, enterprises and other groups empowered to import and export light industrial products and handicraft articles, the new chamber of commerce has 160

members.

Its main tasks are to study import and export policies and plans for the development of new products, regulate prices, supervise quotas and licences, organize trade fairs, exhibitions and technical exchanges at home and abroad, and offer consultancy services.

Plans for other chambers of commerce are being drawn up.

by Zhang Zhiping

Beijing Holds An Invention Show

More than 1,000 inventions will be on show at the 1988 Beijing International Invention Exhibition from October 5-13.

Organized by the China National Invention Commission, the show will offer an opportunity for trade and business organizations to discover new products and negotiate technological exchanges and transfer licences.

The World Intellectual Property Organization of the United Nations has decided to award three gold medals at the fair. More gold, silver and bronze medals will be handed out by a panel of Chinese experts.

The China Inventions Association has issued an open invitation for companies from all parts of the world to display their wares. Any technologically advanced products bought by China at the show will be granted exemption from tax.

Exhibitors with ten or more items will be given a 15 percent discount in exhibition fees. Those with 20 or more will get a 20 percent discount.

During the show, the World Intellectual Property Organization will hold a symposium on creativity and the promotion of invention in conjunction with the International Federation of In-

ventors Association, who will also hold their annual meeting.

by Wei Liming

China Buys Stake in US Oil Company

China plans to buy 50 percent shares from the Pacific Oil Refining Co. in the west coast of the United States later this year, Chen Haoran, deputy general manager of China National Chemical Import and Export Corp. (CNCIEC) said recently.

Early this month, the corporation signed a memorandum of agreement on the project with the Coastal Co. of the United States. The full contract is now being drafted by lawyers from the two countries.

The deal is for a refinery with an annual capacity of 2.5 million tons and marketing operations in Los Angeles, San Francisco and Coos Bay.

On completion, Chen said, CNCIEC will send its own staff experienced in both management and technology to joint the Pacific Refining Company's management team.

Chinese petroleum will be exported through the company, he added, marking a large step forward for the establishment of Chinese trans-national corporations. Having a stake in Pacific Refining will give China a foothold in the largest oil-consuming region in the world.

Chen refused to disclose the cost of the shares, but analysts believe this could be China's biggest investment in the United States.

by Yao JIanguo

News in Brief

■ According to statistics released by the People's Bank of China, at the end of June China's foreign exchange reserves totalled US\$18.078 billion, up US\$978

million on the first quarter of 1988. Its overseas borrowing amounted to US\$10.218 billion, up US\$1.039 billion. China's gold reserves remained at 12.67 million ounces.

■ This August, the Shanghai-based Bank of Transportation issued US\$100 million worth of five-year bonds in Singapore, the first time it had issued bonds abroad. The bonds, with an interest rate of 9.375 percent, were bought by 23 banks and securities companies from Asia, Europe and America. Money raised by the sale will be invested in construction projects and industrial modernization in Shanghai.

■ The Chinese government signed an economic and technological co-operation agreement with the government of Lesotho in Maseru, the country's capital, this August. Under the agreement, China will provide Lesotho with a loan to help build a 6,000-square-metre meeting centre.

■ Food processing has become big business in east China's Anhui Province, its annual output value increasing at an average rate of 12 percent over the past decade. Last year's value was 6.1 billion yuan. Twenty-six categories of foods and beverages are processed in the province. The Bengbu Distillery is the largest in China with an annual output of 26 million litres of high-grade spirits similar in taste to China's best liquor, "Maotai."

■ Beijing's first co-operative legal office opened on Friday. The Beijing Jingwei Lawyers Office has a staff of five young and middle-aged lawyers who have given up the security of other work units to launch the business on their own. Minister of Justice Cai Cheng attended the opening ceremony and said co-operative lawyers offices, which have sprung up in a dozen cities around the country, have become part of the reform of China's legal system.

Who'll Get China's First Gold This Olympics?

An article recently published in the Chinese newspaper *Sports News* (Tiyu Bao) predicted who might win the first gold medal for China in the coming Olympic Games.

In the 1984 Los Angeles Games, Xu Haifeng took the first Olympic medal for China. Now, four years later, all eyes are going to be on the possible contenders for the first gold for China.

September 18, the opening day, offers five opportunities for athletes. The first two events—the men's 100-km cycling and women's air pistol shooting—seem too difficult for Chinese athletes to conquer. The other three—women's platform diving, men's free pistol, and weightlifting—offer China more hope.

Women Dive in First

China is one of the four world powers in diving, particularly in the women's events. At the last Olympic Games, Zhou Jihong won the gold medal in women's platform diving and in the last four years, Chinese women divers have given excellent performances in international competitions. China boasts many world class women divers such as veteran Chen Xiaoxia, Zhou Jihong, Lu Wei, Chen Lin and Guan Xueqing, and two rising new stars Xu Yanmei and Chen Xiaodan.

The 16-year-old Xu Yanmei is a very promising diver. She won the gold medal for women's diving at the Fifth World Cup Diving Competition in April 1987. In August, she repeated her success at the Sixth Age-Group Competition and in November she took the diving championship in China's Sixth National Games. At

the end of last year, she was named the world's best diver for 1987 by an American swimming magazine.

If Xu fails to take the first gold, the task will fall to her team-mate Chen Xiaodan. Chen, although only 14 years old, has demonstrated her outstanding talent and potential in nine international diving competitions this year. Her style is bold but refined and her difficult movements outshine those of many world renowned divers. At the Swedish Cup International Diving Competition held in New Zealand last January, she met little challenge and took the title with a high score of 503.58. At a Chinese diving contest last April, she won the championship with no question of her superiority. Her forward three and a half somersaults won her a full score and her backward one and a half somersaults with three and a half swings form a highly difficult movement which is so far

beyond the reach of other world divers.

However, China's two diving stars will face a strong challenge from E. Miroshiwa, the 14-year-old diver from the Soviet Union. She made a successful debut by taking the championship at last year's Spring Swallow International Diving Competition held in her home country, and later outscored many world divers with a score of 588.9 points in a contest in GDR. In May, she won the championship at the United States International Diving Competition, and followed up with the European championship.

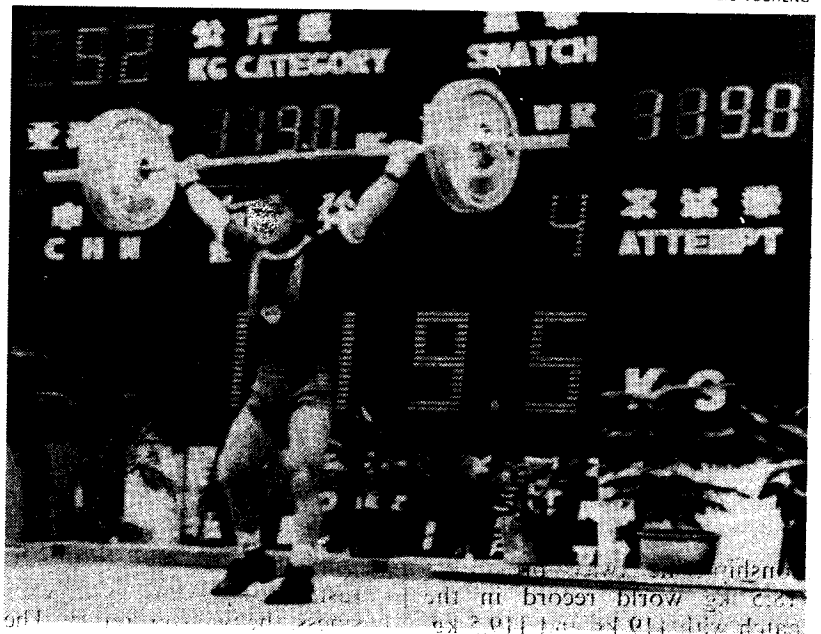
A Shot at Gold

If the women divers lose their battle for gold, the men's free pistol shooting event gives China another good chance.

Xu Haifeng is the most hopeful

He Zhuoqiang broke the world record for the snatch at the 20th Asian Weightlifting Championships.

LIU YUSHENG



contender. At the last Olympic Games, Xu made Chinese sport history when he won the first Olympic gold medal for China in shooting events. In the last four years he has won a gold medal at the Asian Games and taken the title in the 1987 Asian Shooting Championships. His strong points are his understanding of competition psychology and his capacity for self-control. These two points are extremely important in shooting where performances can be easily influenced by outside factors, such as the judges, reporters and the audience. But Xu can maintain an easy calm no matter how stiff his competition. His team-mate Wang Yifu is also a good shooter and another possibility for the gold medal. Their main competition will be A. Lentieb from the Soviet Union, and shooters from Hungary and the United States. But Xu and Wang have beat their rivals many times before, and their chances of taking a gold medal are good.

He Zhuoqiang Is Hopeful

The next potential gold medalist will be He Zhuoqiang, the renowned weightlifter.

At the last Olympic Games, China was the only Asian country to win gold medals in weightlifting events, taking all four gold medals from the 52kg to the 67.5kg classes. However, these victories were achieved in the absence of two world weightlifting powers: the Soviet Union and Bulgaria. This time, with these two also competing, China still has a chance of victory.

He Zhuoqiang in 1987 alone broke three world records, lifting 117.5 kg in the snatch, 153 kg in the clean and jerk and a total of 265 kg. In June this year, at the 20th Asian Weightlifting Championships, he twice broke the 118.5 kg world record in the snatch with 119 kg and 119.5 kg,

and also created a new world record, lifting a total weight of 267.5kg. If he can keep his former records he is certain of success.

But He will meet with a tough challenge from S. Marinob of Bulgaria, who successively took the titles for total scores in the World Championships from 1985 to 1987 and equalled the world record with a total lifted weight of 262.5 kg. At last year's world championships he defeated He

Zhuoqiang in the 52 kg event. But two months later He broke the world record with 265 kg at China's Sixth National Games. At the Asian Championships held last June, He raised the total scores of the world record for the 52kg class by 2.5kg. This victory gave him much self-confidence. J. Gutowski, the well-known lifter from Poland with a total score of only 252.5kg, constitutes no threat to He. ■

New Stage Play 'Top Restaurant'

The new play *Top Restaurant* staged by the Beijing People's Art Theatre began its season this June and has since been drawing appreciative audiences.

The Play

The story behind *Top Restaurant* takes audiences back 70 years to relate the history of a flourishing roast duck restaurant in Beijing called Fujude. The owner of the restaurant is now too old to manage it, but his two sons are interested in other pursuits, one in Peking opera, and the other in martial arts. This greatly angers the old man who, on his deathbed, entrusts the running of the restaurant to Lu Mengshi, a poor but intelligent outsider.

Confronted with the task of running the almost bankrupt restaurant, Lu has to rack his brains to keep the business running. Between his intelligence, the chef's superb culinary skills, the waiter's charming hospitality and the help of a street girl, Fujude is brought back to life. Very soon, Lu moves the restaurant from its shabby rooms to a new building and within ten years, the restaurant is known throughout the city.

Just as Lu plans to expand his business, the two sons return. The

elder son intends to draw as much money as he can from the restaurant and the second son insists on transferring the veteran waiter to his Tianjin branch of Fujude. The "security" department starts to make trouble.... All sorts of unexpected things happen. The down hearted Lu has no alternative but to resign and return to his hometown in Shandong Province.

The Success

Local papers acclaimed the play for its excellent script, characterization, language and plot.

There are 30 or so characters in the play, including the manager, waiters, chefs, and customers from all walks of life. Waiter Chang Gui for example is one of the pillars of the restaurant. He has faithfully served in the restaurant for years. He has no unrealistic hopes, but only wants to find a better job for his favourite son. Even this small request is turned down. In extreme despair, he dies working.

During those years, Chang and others like him—chefs, barbers, attendants—had a very low standing in society. The actor Lin Liankun played the part very well, bringing out the waiter's misery in a moving portrayal.

Watching *Top Restaurant*, one



A touching moment as the waiter hears his death.



The chef (centre).

SU DEXIN

is constantly reminded of the play *Teahouse*, which brought great honour to the theatre. The two plays do share certain similarities in terms of local life and customs.

Teahouse describes, from a social and political viewpoint, the fate of people from various trades who frequent the teahouse.

Top Restaurant, on the other hand, places more emphasis on the fate of restaurant managers, chefs and waiters, who devote themselves to the culinary arts. The play attacks the deep-rooted ills of our nation using a very human approach.

The Playwright

The playwright He Jiping, in her mid-30s, is a gentle, unassuming woman who, like many others her age, had her experience of working in the countryside. After four years, she returned to take odd factory jobs and later enrolled in the Central Drama Institute, graduating in 1982. Her first work written for the theatre *Good Luck Mansion*, which describes modern life in Hong Kong, and *Top Restaurant* clearly embody her diligence and maturity.

"The tradition and style of our theatre is based on an attempt to reflect life realistically," He stressed. From this understanding

she searches for some source for creative ideas, and at the same time draws from traditional culture.

For the past two years, she frequented the famous Beijing Quanjude Roast Duck Restaurant and made many friends among the chefs and waiters both there and in many other Beijing restaurants. She learned about their work and life and listened to stories of their experiences. She even learned the culinary art from them.

From the history of the Quanjude Restaurant, He drew the plot of the play. But the second generation of Quanjude owners had four brothers, not two. The surname of the outsider was Li, not Lu....

She was inspired by the culinary artists and moved by their sincere respect for the catering trade. In her play She tries to describe these people: the old waiter's diligence, Lu's pioneering spirit, the street girl's true love for him, the chef's air of heroism, the ignorance and incompetence of the two sons — all mirror the nation's various states of mind.

In Lu Mengshi, the audience is presented with some modern ideas: his low social position drives him to strive to be a superior man. The management methods he formulates reflect his

pursuit of self value. A reviewer with Beijing's *Drama and Film News* saw in this tragic figure the idea that the revival of Chinese culinary arts demanded first of all that the individual save himself. Confidence and the use of sound methods alone could only bring failure, if not backed by power.

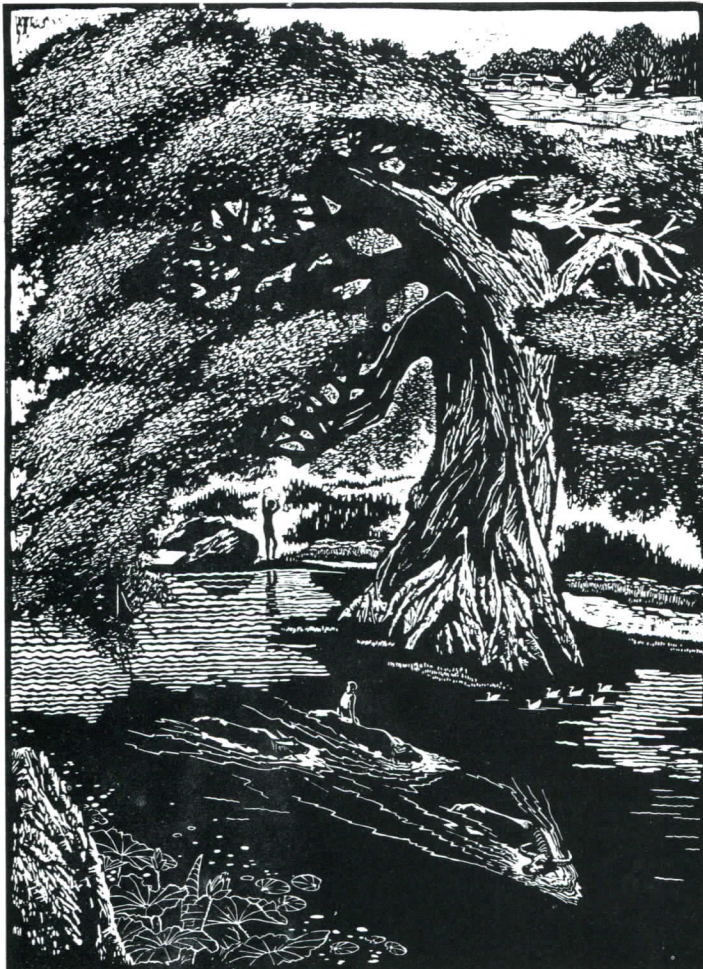
Some reviewers think that the essence of the play is expressed in the last words spoken by a young waiter. "There is no banquet that will never end." These words are not only a manifestation of the waiter's disappointment with life, but also of his unwillingness to accept the fact that good things can not last when people work against one another's effort.

He admits that she owes her success as a writer to the Beijing People's Art Theatre which has a history of 36 years and is one of the country's most acclaimed theatres. "It is the theatre that nurtured me." He explained sincerely. She said Cao Yu, the theatre's veteran president and outstanding playwright, and other leaders, directors and artists, all gave her encouragement and advice.

Top Restaurant is co-directed by Xia Chun and Gu Wei, and presents the theatre's strongest lineup of performers and stage craftsmen.



Jiayuguan Pass.



Woodcuts by Xiao Gang

Xiao Gang was born in Xian, Shaanxi Province in 1934. He now works in the Gansu branch of the Chinese Artists' Association.

He is skilled in black and white woodcuts. He makes clever uses of black, white and half tones to bring out the rich flavour of local life.

Most of Xiao Gang's works depict national minority life and landscape in northwestern China. Through them he draws art lovers into an ancient and mysterious world.

ART PAGE

A Village Landscape.

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