

A CHINESE WEEKLY OF NEWS AND VIEWS

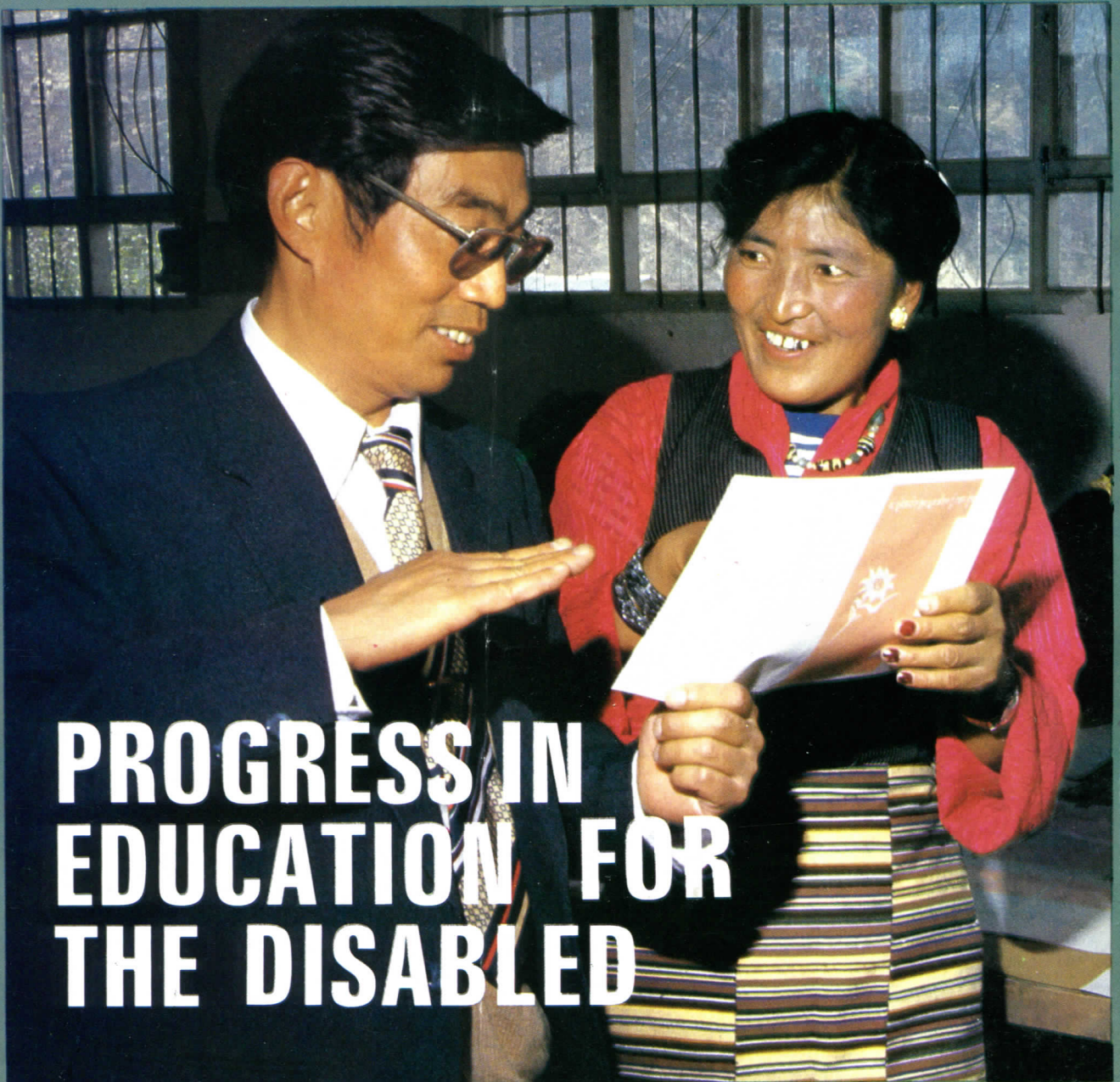
Beijing Review

北京周報

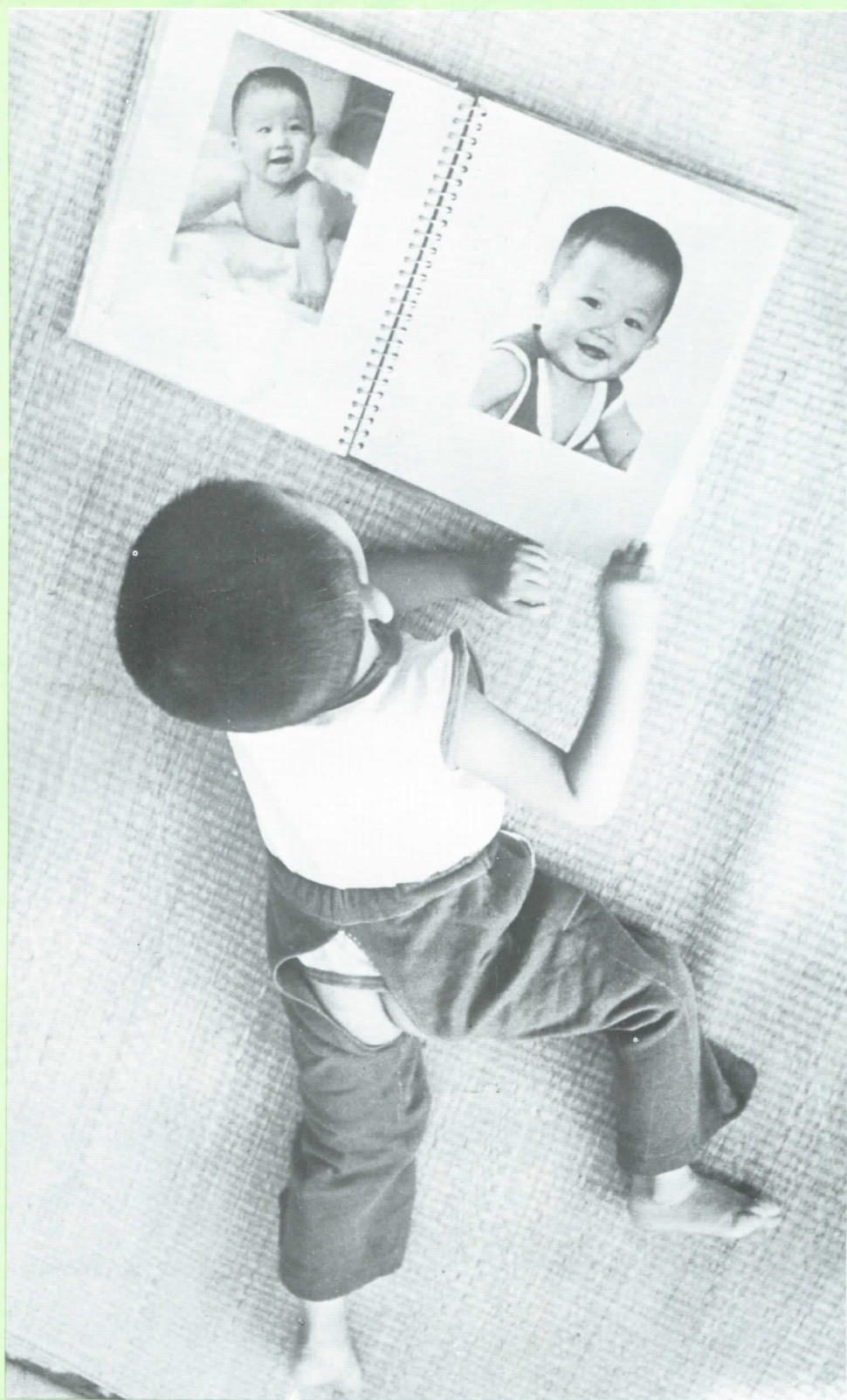
Vol. 31, No. 41

October 10-16, 1988

CPC Plenum Sets New Tasks



**PROGRESS IN
EDUCATION FOR
THE DISABLED**



"I'm a big boy now!"

Sun Yi

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COVER: Li Yangshu (left), a model worker and director of Tibet's Welfare Printing House, discusses techniques with Zhagar (right), a Tibetan worker.

Chen Zonglie

CPC Lays Emphasis on Economic Order

■ After five days of discussion, the Third Plenary Session of the 13th Central Committee of the Communist Party of China closed in Beijing on September 30. It concluded that the focus for reform in the next two years should be improving the economic environment and stabilizing economic order (p. 5). Jin Chi, *Beijing Review's* economics editor, elaborates on the logic behind this decision (p. 4).

How to Control Inflation

■ With price rises running at 14.7 percent in the first eight months of 1988, inflation has become the major economic problem facing China. In this issue, Liu Guoguang, vice-president of the Chinese Academy of Social Sciences, examines the underlying causes of this sudden surge in prices (p. 14), and Zhang Shubao, an associate professor at Shanghai's Fudan University, discusses possible ways of curbing them (p. 15).

China Reflects on Its Seoul Achievements

■ Our correspondent Zhang Wei critically reviews China's performance at the 24th Olympics in a report dispatched direct from Seoul. He evaluates the successes and failures of the Chinese team and draws lessons for the future (p. 20).

Special Education Makes Progress In China

■ A 1987 survey indicated that 51.64 million Chinese were either physically or mentally disabled. China's special education programme aims to provide them with both a standard education and vocational training so as to enable them to live independently in society. Our correspondent reports on China's progress in this field (p. 17).

Gorbachev Advances New Proposals

■ Recent developments in Soviet foreign policy indicate an increasing pre-occupation with the Asia-Pacific region, as Mikhail Gorbachev's recent statement in Krasnoyarsk reveals (p. 10).

Published every Monday by
BEIJING REVIEW
24 Baiwanzhuang Road,
Beijing 100037
The People's Republic of China

General Editorial Office Tel: 8314318
English Dept Tel: 831.5599 Ext. 546
Distributed by **China International Book Trading Corporation** (GUOJI SHUDIAN)
P.O. Box 399, Beijing, China

Subscription rates (1 year):
USA US\$24.00
Australia A.\$24.00
Canada Can.\$23.00
New Zealand NZ.\$33.00
UK £13.00

The Logic Behind the Party Decision

by Jin Qi

A preliminary programme for price and wage reform, to be implemented in the next five or more years, was approved in principle by the Third Plenary Session of the 13th Central Committee of the Communist Party of China (CPC), which closed on September 30. At the same time, overcoming economic disorder was listed as the priority task for the next two years—a task with two inter-related aspects: improving the economic environment by checking excessive societal demand, and ending the confusion existing in economic activities, especially in the field of circulation. This was a crucial decision made at a crucial moment when economic disorder already posed a threat to social stability.

Tremendous achievements have been made since China initiated its programme of reform and open policy ten years ago. But there is no denying that the country now faces many problems and difficulties, inflation being the most outstanding.

During the first eight months of this year, the price index rose 14.7 percent, a figure not seen since the people's government won a decisive battle during the early 1950s over the run-away inflation left behind by the Kuomintang regime.

The current inflation has led to panic buying and a rush to withdraw bank savings. A Sichuan housewife snatched wedding gifts and articles for her 12-year-old son who had just graduated from primary school for fear of devaluation of the

yuan, and people in many cities have waited in long queues to get cash from banks.

Some people blame price reform as the major cause for inflation. But statistics reveal that the government's price readjustments only account for one third of the rise in the price index, while arbitrary price hikes by enterprises and individuals have been responsible for the major part of the steep rise.

Since enterprises now enjoy greater autonomy, some of them abuse their new powers and unjustifiably hike the prices of their products in order to reap huge profits.

The emergence of numerous trading companies has produced more intermediate links than are actually necessary. In present-day China, it is not uncommon for refrigerators and other commodities enjoying a ready market to travel long distances and pass through many hands before being sold at much higher rates than their original price.

The "official racketeers," who purchase capital goods in short supply at a fair price and resell them at exorbitant price, play a most disruptive role in the country's economic life.

These are among the maladies to be cured in the national effort to rectify the economic order. The "double track" pricing system, which has given rise to some of these ills, cannot be dispensed with in a relatively short time as was once expected. This is because the replacement of state-set prices by prices determined by supply and

demand can only be a gradual process. Any drastic measures to decontrol prices under the present inflation would be to pour oil on fire.

The major cause of inflation, however, lies in excessive societal demand—reflected in overspending on capital construction on the one hand, and premature consumption on the other. In short, societal demand is way ahead of the general supply.

Many foreign visitors marvel at the construction going on almost everywhere in China and liken the country to a huge construction site. Others ask how a poor country such as China can afford it.

So far, instructions and warnings from both the Party and the government against excessive construction have proved only partially successful in stemming the tide, especially with locally initiated projects not listed in the state budget.

This hunger for investment, a chronic disease typical of many socialist countries, results from a lack of self-regulatory mechanisms in state-owned enterprises. Solution of the problem can only be found in deepening their reform, allowing them to operate independently and be solely responsible for their profits and losses.

The gap between the people's potential purchasing power, which more than tripled from 1984-87, and the overall supply of goods has also contributed to the inflation. For example, a rush to buy refrigerators, washing ma-



Party Meeting Focuses on Economic Order

The Third Plenary Session of the 13th Central Committee of the Communist Party of China (CPC) closed in Beijing on September 30. It concluded that the emphasis on reform and construction for the next two years is to put an end to confusion existing in economic activities, especially in the field of circulation.

The task calls for resolute and forceful measures, said a communique summing up the session.

The communique went on to point out that in order to fulfill the task, it is necessary to increase the supply of farm and sideline products, marketable light industrial and textile goods, and energy and raw materials.

"Price reforms will be conducted at a slower pace next year, and efforts must be made to ensure that next year's commodity price increase rates are lower than this year's. All work next year should serve this objective," the communique said.

The five-day session examined and adopted the report delivered by General Secretary Zhao Ziyang on behalf of the Political Bureau.

The plenary session held that the general economic situation in China is good at present but there also exist a number of difficulties and problems, with sharp price rises being the most prominent.

"Comprehensive reform should be carried out in a guided and orderly way with each aspect supplementing and promoting the others. Without a rational price structure, the establishment of a basis for a new economic system is out of the question. However, deepening the reform is not merely a matter of adjusting prices but involves comprehensive reforms in various fields, especially the reform of enterprises—large and medium-sized state-owned enterprises in particular."

The communique added that close attention should be paid to enterprise reform next year, in order to:

■ Separate government administration from enterprise management so that enterprises which meet certain conditions may operate on their own, and;

chines and TV sets—the last of which have entered practically all urban households within a matter of five years—has pushed their prices quickly upwards. Rapidly increasing group expenditure has brought additional pressure on the market for certain commodities.

The CPC plenary session examined all these problems and outlined a comprehensive series of measures to treat them. These include strengthening democratic supervision and using all means—legal, administrative, disciplinary and educational, as well as economic—to improve the economic environment and order.

Premier Li Peng announced on September 30 at a National Day reception that China will put the brakes on its overheating economy, slow down the burgeoning industrial growth, scale back on over-extended capital construction, check the inordinate rise of private and group expenditure on day-to-day commodities, exercise strict control over the money supply and credit, and hasten reform in enterprises.

It is expected that these efforts will help China to tide over its short-term difficulties and ensure sustained and stable economic growth. This will not only bring well-being to the Chinese people, but will also benefit all countries and individuals who want to cooperate with and invest in China.

General Secretary of the CPC Zhao Ziyang reports to the meeting on September 26.

WANG JINGDE





The Third Plenary Session of the 13th Central Committee of the CPC was held September 26-30.

TANG MENGZONG

■ Further improve the contract responsibility system, make experiments in implementing the shareholding system with public ownership remaining predominant, and develop new enterprise groups on a trial basis.

“Economic efficiency will be raised by a mechanism set up to ensure that under macro-control by the state, the enterprises operate on their own, hold themselves responsible for their own profits and losses and constrain themselves,” the communique said.

The plenary session said that the Party leadership should be strengthened to guarantee that economic reforms are implemented.

The session also called for strengthening democratic supervision and using law, administrative discipline and education to overcome corruption in the Party and government departments.

The communique affirmed that the past decade has witnessed

achievements in reform, which have promoted economic and social progress. It added that now is the time to sum up experiences, to overcome difficulties and to continue the progress.

The plenary session called on the Party to unite and work together toward economization and achieving the objectives set forth by the session. This will result in greater reformations, a society more open to the world and in socialist modernization, according to the document.

The session approved in principle the “Preliminary Programme for Price and Wage Reforms” and proposed that the State Council organize efforts in the next five years or more to implement the programme. ■

Bainqen Discloses Buddhist Group

The Bainqen Lama disclosed on September 28 that a national

guiding commission of Tibetan Buddhism will be set up this year to ensure self-governing of the religion and eradicate administrative interference of the religious activities in Tibet and other Tibetan-inhabited regions, *China Daily* reported.

He also disclosed that he has been keeping contacts through letters and telephone with the Dalai Lama, another spiritual leader of the Tibetans, who has been living in exile in India since 1959 when he fled after an abortive rebellion.

The 50-year-old Bainqen, a living Buddha and also a leading religious figure of Tibetan Buddhism, said that he will be the chief of the guiding commission to be headquartered in Beijing.

The Bainqen Lama discribed the establishment of the commission as one of the “major measures” to stabilize the situation in Tibet and other regions with Tibetan Buddhism as the main religion.

It will also help develop Buddhism and promote the unity of Han nationality with other national minorities, he said.

Wearing a Tibetan robe and looking very healthy, the Bainqen Lama said in his Beijing residence that the Tibetan Buddhism Guiding Commission will mainly be responsible for the religious activities in Tibet and Qinghai, Gansu, Sichuan and Yunnan provinces.

The traditional interference of religious activities with administrative measures over the years, he said, had not weakened the religious belief of the people. "Instead," he said, "Leftism has spurred Tibetan people's feelings toward religion and strengthened their belief. It also did harm to the harmony of nationalities as religions have close relations with minorities."

To stabilize Tibet, he said, the religious work must be enhanced there." But it doesn't mean to interfere with administrative measures. We must make the religion self-governing in accordance with the doctrine," he said in fluent Chinese but sometimes through a Tibetan interpreter.

Bainqen, also vice-chairman of the NPC Standing Committee, said one of the tasks of the commission is to teach all the monks and nuns to love the country and abide by the laws of the state. "This is the least one expects of a citizen," he said.

"The political attitude of the monks and nuns plays an important role in maintaining stability and unity in Tibet and other regions," he said, recalling that the two riots in Lhasa in September last year and March this year were staged by a handful of monks and nuns under the slogan of Tibet independence.

The Bainqen Lama described the general situation of Tibet as "stable and getting better," but stressed that it would be wrong to

"sit back and lower our guards" against the separatists who are few in number but have enough capacity for manoeuvre as they have support both at home and abroad.

For the correct and thorough solution of Tibetan problems, he called for a real implementation of regional national autonomy, more flexibly ethnic, economic, religious and intellectual policies than the inland provinces, and top priority to the development of agriculture and animal husbandry in the area.

The Bainqen Lama said what he advocated about the real autonomy of Tibet "was different in nature" with the so-called independence of Tibet preached by the separatists who attempted to split Tibet from China.

On the five-point statement on human right in Tibet made by the Dalai Lama and his recent proposal to make Tibet a self-governing democratic entity with Beijing responsible for foreign affairs and defence, the Bainqen Lama said the heart of these ideas was to split the motherland, using an old Chinese saying to describe these proposals as the same medicine prepared in different ways.

Describing his relations with the Dalai Lama as "good religious friends," the Bainqen Lama said they had been keeping contacts in recent years through letters and telephone. When the Dalai Lama was in London in April this year, for instance, he said that they had "frank talks" over the phone.

"I told him that the riots are not advantageous to the interests of the Tibetans and the solution of problems in Tibet. No problems can be solved by means of burning cars or beating people with stones," The Bainqen Lama said.

He expressed his hope that the Dalai Lama could use his influence to stop violence and stop such activities as stirring up troubles abroad or planning

exploding or assassination at home.

The Dalai Lama denied his blame over the telephone, saying he opposed any riots and violence but favoured peace. As for the plans for violence, the Dalai Lama was quoted as saying, "It was done by some young Tibetans and radical organizations. They in fact do not heed what I say."

When the Dalai Lama asked for leniency to the arrested chief offenders of the riots, the Bainqen Lama said most of the people involved in the riots would receive lenient treatment.

He also advised Dalai Lama to come back to contribute to the development and prosperity of Tibet. "What is the use of making a noise abroad? Persisting in antagonism will do nothing good for Tibet and the whole country, and there is no hope for success," he told the exiled Dalai Lama.

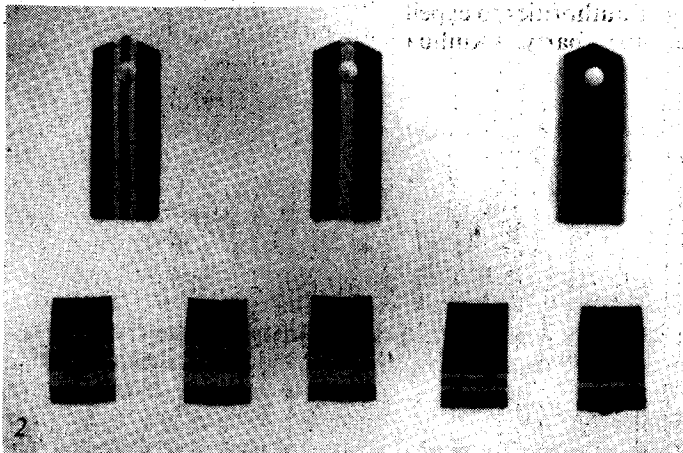
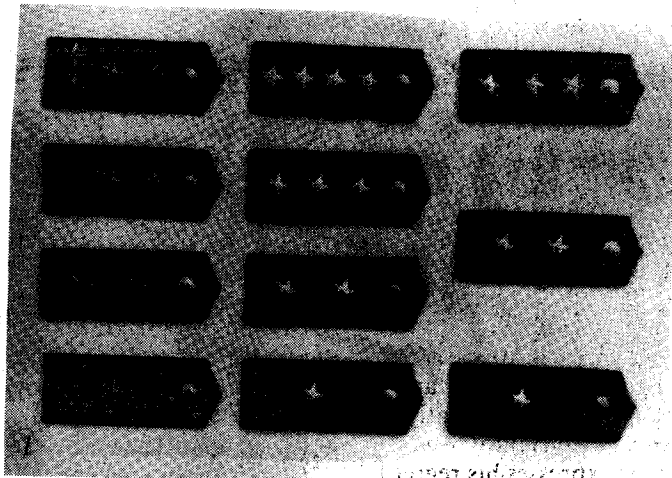
"It is natural that he has accepted some of my suggestions while refusing the others," the Bainqen Lama said with a smile. "We take different political roads after all."

He confirms that most of the 300-odd lamas and nuns arrested during and after the Lhasa riots in March this year had been released, leaving only a few still in detain for violating the criminal law.

"We are also considering, within the limits permitted by law, to give lenient treatment to the four involved in killing a policeman during the riot," he said.

Refuting the rumour of the new arrests in Lhasa, the Bainqen Lama said only a few criminals such as thieves and robbers were arrested in recent months.

But he disclosed that some working teams, consisting mainly of Tibetans, were sent to a dozen monasteries in Lhasa which were involved in the March unrest, aimed at consolidating these monasteries and educating most of the monks and nuns.



Officers and soldiers of the People's Liberation Army begin to wear uniforms decked with epaulets designating their new system of military ranks on October 1.

Picture (1): Officer's epaulets

(left, from top to bottom) Senior General; General; Lieutenant General; Major General;
 (middle, from top to bottom) Senior Colonel; Colonel; Lieutenant Colonel; Major Colonel
 (right, from top to bottom) Captain; Lieutenant; Second Lieutenant

Picture (2): Epaulets of Master Sergeant, professional sergeant; military student and soldiers

(top, left to right) Master Sergeant; professional sergeant; military student
 (bottom, left to right) Staff Sergeant; Sergeant; Corporal; Lance Corporal; Private

Picture (3): Army, air force and navy wearing new symbols of military ranks

Picture (4): Female soldiers of a signal station wear new symbols of military ranks

by Wang Jianmin, Zhao Jianwei and Miao Cheng

"While insisting in education of the most monks and nuns who had committed light crimes during the riots," he said, "we must not be soft on those instigating the riots."

New measures are being taken in Tibet to thoroughly rehabilitate those who had been labelled unjustly since the 1959 rebellion and particularly during the "cultural revolution (1966-76)," he said. ■

Iron, Steel Giant Eyes World Market

The development strategy of Beijing's Capital Iron and Steel Co. is to turn itself into a business syndicate of international prestige.

As its first step to achieve the goal, the company, one of China's leading iron and steel producers, is

preparing to get a foothold in overseas markets, according to Zhang Xianqing, general manager of a newly formed machinery engineering company attached to the iron and steel complex.

So far, it has established 17 self-funded and joint-venture sales undertakings in the United States, Canada, Italy, Switzerland, France, Belgium, Singapore and Australia. These are designed to

promote sales, business ties, the collection of economic and technical information and training of people in foreign trade and economic activities.

The machinery-engineering company was formed in early May this year to explore the international market for its master company and to help the latter compete in construction of iron and steel and machine-building projects overseas.

The Capital Iron and Steel Co., initiated in 1919, is actually a large enterprise group. It has a total workforce of 220,000 and is connected with 14 industries such as electronics, chemicals, nonferrous metals, shipbuilding and tourism. It has 74 subordinate enterprises in 22 provinces and municipalities.

An important step it has taken was to buy the majority of the shares of a US engineering company, Mesta, in July this year. Mesta is involved in the design and production of rolling mills, continuous casters and their supporting equipment.

The iron and steel complex is to combine Mesta's technology and its own processing capability to manufacture large continuous casting and steel rolling equipment for both domestic and overseas clients, said Zhang.

Since the contract responsibility system was introduced into the enterprise in 1978, the complex has achieved rapid development. Statistics show that its fixed assets have reached 5 billion yuan (US\$1.34 billion) in value. In 1987 it generated 1,345 million yuan in profit, 4.5 times more than in 1987, the year when China adopted the policy of reform and opening to the outside world.

Between 1981 and 1985, the complex allocated 315 million yuan to transform and upgrade 58 larger projects. Based on this, it has opened or taken over 45 enterprises since 1983.

Weekly Chronicle (September 26-October 2)

POLITICAL

September 27

■ Hu Chiu Yuan, a veteran Kuomintang (KMT) member and legislator of Taiwan's "legislative Yuan," who is currently on a mainland tour, expresses his regret over the decision made by the Taiwan KMT authorities to expell him from the party, Xinhua reports.

In a statement, he says that he values the nation more highly than a political party and "the interests of the state are of the utmost importance."

September 28

■ Chinese President Yang Shang-kun meets Dr. Armand Hammer, chairman of the board and chief executive officer of the Occidental Petroleum Corporation of the United States, in Beijing, Xinhua reports.

Hammer is here to discuss further co-operation with China's National Offshore Oil Corporation. Yang thanks Hammer for his help and support of China in the past decade and expresses his hope that Hammer will continue to do so.

ECONOMIC

September 26

■ China has recently received two loans totalling about US\$1 billion from the World Bank and the Japanese government to be used for the construction and upgrading of nine railway projects, according to the Ministry of Railways.

September 27

■ China's first machinery and electronics products export exhibition will be held at the China International Exhibition Centre

from October 7 to 13, the general manager of the centre says.

About 470 domestic firms are expected to show 1,000 new products at the exhibition, which are manufactured locally with technologies imported during the past few years.

CULTURAL

September 27

■ More than 200 Chinese and foreign tourists join in a 40-kilometre tour in the urban area of Beijing today to mark World Tourism Day.

They visited such attractions as the Palace Museum (the Forbidden City), Beihai Park, the Temple of Heaven, Tiananmen Square, the Yonghe Lamasery and the Cultural Palace of Nationalities.

October 1

■ More than 30,000 people gather in the Capital Stadium and the Beijing Workers' Stadium to hold grand parties to celebrate the 39th anniversary birthday of the People's Republic of China, the overseas edition of *Renmin Ribao* (People's Daily) reports.

Some of the Party and state top leaders, personalities from various circles in the capital and compatriots from Hong Kong, Macao and Taiwan, overseas Chinese and representatives of national minorities join the activities with the Beijing crowds.

SOCIAL

September 27

■ Chinese Party and state leaders pay their last respects to the body of Chilean painter Jose Venturelli, who died in Beijing on September 17 at the age of 64, Xinhua reports.

Venturelli was a fighter for world peace and a long-time friend of the Chinese people. He made great contributions to the friendly relationship between Latin America and China.

SOVIET UNION

Gorbachev in the Limelight Again

Soviet leader Mikhail Gorbachev recently proposed a seven-point package on the security of the Asian-Pacific region and the relations between the Soviet Union and countries in the region.

Since Mikhail Gorbachev assumed office as general secretary of the Communist Party of the Soviet Union in 1985, the Soviet foreign policy seems to be on the offensive with one overture after another. The statement made by Gorbachev on September 16 in Krasnoyarsk, a Soviet southeastern Siberian city, was yet another major move that attracted widespread attention. This was the second time that Gorbachev chose to deliver a speech in a Siberian city aimed at improving relations between his country and the Asian-Pacific region. The previous one was in Vladivostok on July 28, 1986.

According to official Soviet TASS news agency, Gorbachev advanced seven proposals entitled "Strengthening Security in the Asian-Pacific Region." They are as follows:

—The Soviet Union will not increase its nuclear stockpile in the region and will call on the United States and other nuclear powers to follow suit;

—The Soviet Union will consult with major naval powers in the region not to expand their forces, thus lowering the risk of military confrontation in regions where the coasts of the Soviet Union, China, Japan, the Democratic People's Republic of Korea and South Korea converge;

—The Soviet Union will also consult with other powers to freeze and commensurately lower the levels of air force activity;

—If the United States agrees to eliminate its military bases in the Philippines, the Soviet Union will give up its fleet's material and technical supply station in Cam Ranh Bay in Viet Nam;

—The Soviets will participate in discussions on preventing incidents in the open sea and the air above it, in order to guarantee the safety of sea lanes and communications in the region;

—the Soviets will advocate an international conference not later than 1990 on making the Indian Ocean a zone of peace;

—And, a mechanism will be created to negotiate the proposals of the Soviet Union and other nations dealing with the security of the Asian-Pacific region.

As a regional power, China naturally received special attention in Gorbachev's speech. He said his country stands for the full normalization of relations with China and is ready to start preparations without delay for a Soviet-Chinese summit meeting. He also said that the Soviet Union favours development of Soviet-Chinese relations "up to a level adequate to meet our two countries' responsibility for a peaceful world policy."

In regard to August talks on the Kampuchea problem held between the countries' deputy foreign ministers in Beijing, he said they had "expanded, in a certain way, the zone of mutual understanding on this issue and contributed to improving Soviet-Chinese relations."

Gorbachev also expressed a desire for Soviet-Japanese relations to develop normally, but he did not mention the main block: Soviet occupation of four Japanese islands. He also expressed his uneasiness concerning Japan's expansion of military strength.

The Soviet leader outlined the Soviet's new stand towards economic relations between his country and the Asian-Pacific region. He said that enterprises and co-operatives in the Soviet Far East and Siberia may be allowed to directly conduct foreign trade, develop social welfare and import consumer goods. A special zone of joint ventures may also be set up in the Soviet Far East that will enjoy preferences of tax exemptions and access to resources, he said. Specifically, economic co-operation among the Soviet Union, China and Japan is to be strengthened on the basis of mutual benefit, he said.

In response to the Soviet offer, a Chinese Foreign Ministry spokesman commented on September 22 that the most important task at present is "to eliminate existing conflicts and hot spots such as the Kampuchean question."

The spokesman, Jin Guihua, said China has noticed the Soviet willingness expressed by Gorbachev to promote an earlier settlement of the Kampuchea question. "We hope that the Soviet Union will make practical efforts for this purpose," he said.

Jin said conditions set for the meeting of top leaders of the two countries include the Soviet Union's insistence that Viet Nam withdraw all its troops from Kampuchea. If conditions are met by the Soviet Union, the spokesman added, the potential summit meeting will be put on the agenda.

by Duan Pin

FRG

Economy Picking Up Steam

West Germany's economy experienced a growth of 3.9 percent in the first half of this year, countering charges from partners that Bonn was not doing enough to stimulate economic growth.

Only seven months ago, economic analysts were predicting that the economy of the Federal Republic of Germany would begin to decline this year. They also said Bonn's economic policies were not fostering sufficient expansion. But figures released by the West German Economic Ministry indicate an economic growth of 3.9 percent for the first half of 1988, the biggest growth in nearly a decade. Before this, for nearly eight years the country's average economic growth ranked lowest among the seven major industrial countries at only 1.5 percent.

West German Finance Minister Gerhard Stoltenberg now forecasts a real growth for the gross national product (GNP) of at least 3 percent in 1988, compared with last year's 1.7 percent.

Economists said the latest growth has helped West Germany to counter criticisms, particularly from the United States and France, that Bonn was not doing enough for the economic expansion in Europe.

Above all, the West German Economic Ministry indicates, the growth is being carried on by an increased domestic demand, which rose at a faster rate than the GNP in the first six months of this year. Demand growth for this period was 4.6 percent higher than the 1987 figure.

During the first half of the year, total gross investment rose 11 percent from the same period in 1987. In July, the country's manufacturers reported a 3 percent increase in domestic orders from the previous month.

However, foreign contracts dropped 2 percent.

Exports have undoubtedly played a decisive role in this unexpectedly rapid development. The country posted a record monthly trade surplus of 14.2 billion marks (US\$7.65 billion) in June.

The rise in exports was attributed to strong economic growth in neighbouring countries and the current strength of the dollar against the mark, which is keeping West German product prices competitive on international market.

However, analysts pointed out that the strong investment by West Germany's neighbours is eventually likely to increase tensions between West Germany and other West European countries, particularly France. Not long ago, French Finance Minister Pierre Bergey challenged Bonn to adopt more measures to stimulate economic expansion. More serious were criticisms by international economic organizations such as the International Monetary Fund (IMF) and the Paris-based Organization for Economic

Co-operation and Development, which demanded that West Germany do something about the tangle of restrictions on its economy and increase its domestic demand to fall in line with strategies adopted in major industrialized nations.

In the Louvre accord of February 1987, West Germany promised it would try to reduce its trade surplus, which then stood at a record 118 billion marks (US\$65 billion). But most economists expect the country's trade surplus, largely attributed to exports to Western Europe, to at least equal that of 1987.

Although economic growth in the first half of this year rose beyond most expectations, problems such as high unemployment figures, shortages of investment funds and a high outflow of funds still remain unsolved.

But the United States, Japan and West Germany are major economic forces. West Germany is the largest industrial production base and market in the European Community, and it is also China's third largest trade partner. Chinese Vice-Premier Yao Yilin is visiting the country, exchanging views with its leaders on issues of mutual concern and bilateral relations. It is believed that Yao's visit will further promote the development of economic relations and friendship between China and the Federal Republic of Germany.

by Zhou Xin

OPEC

Urging Less Oil, More Profit

World crude oil prices remain low. While OPEC sets quotas to raise them, some members prefer to compete.

Celebrating its 28th anniversary, the Organization of Petroleum Exporting Countries (OPEC) issued a communique

appealing for a halt to declining oil prices. The communique said that none of the countries, whether OPEC or non-OPEC members,

wanted a repeat of the 1986 incident and urged members to strictly abide by production quotas set by the organization.

The main factor leading to the drop in oil prices was an oversupply of oil on the international market. OPEC's percentage of oil in the international market has already declined, so it is difficult for the organization to control the run of international oil prices.

OPEC was founded on September 14, 1960. During the 1960s and early 1970s, OPEC members gradually nationalized their oil industries. About 60 percent of world oil output fell into OPEC's hands, and with this advantage, OPEC controlled oil prices for a long time.

Since the beginning of the 1980s, however, industrialized Western countries achieved some success in reorganizing energy resources, so oil demand in the international market fell. At the same time, oil output and sales of non-OPEC members greatly increased, competing against OPEC with lower prices. OPEC's percentage of oil output on the world market decreased to 44.9 percent in 1980 and 40.1 percent in 1985.

Another cause leading to the oil price drop is that members of OPEC generally overfulfill production quotas. Since 1983, OPEC has called for boosting prices by limiting output, but it has failed to achieve its goal. With the production capacities of members fettered, former markets were lost. Incomes of OPEC from oil exports sharply decreased due to the subsequent price drop and reduction of the oil market. Thereby, each member state of OPEC was confronted with economic losses and began to go its own way, taking various measures to exceed production quotas. This further limited the ability of OPEC to control oil prices.

Likewise, the ceasefire of the long-standing Iran-Iraq war has brought complicated repercussions to the run of oil prices. Iran and Iraq are increasing their oil output in order to rebuild their devastated economies. Iraq has the capacity to expand production immediately. Experts believe that it can raise oil deliveries from the current 2.9 million barrels per day to 4.9 million barrels in six months, after orders are received. Because the oil wells of Iran were seriously destroyed in the war, its oil output will increase by a much smaller margin.

The quota for Iraq set by OPEC is 1,540,000 barrels per day, but an estimated actual figure of production amounts to 2,700,000 barrels a day. These figures reflect an oil flow, which Iraq had demanded, comparable to the quota given Iran. During his recent visit to Venezuela, the Secretary-General of OPEC stated that if the same quota was accepted by both Iran and Iraq, the oil price would keep on the level of US\$18 per barrel. But the optimistic view is commonly doubted.

by Zu Mantin

SWEDEN

Socialists Remain and Greens Gain

Sweden's parliamentary elections have ended with the ruling Social Democratic Party swept back into power and the Green party adding a new voice for environmental concerns.

The results of Sweden's general election on September 18 swept the ruling Social Democrats back into power with support from the Left Party. Also, a new party, the environmentalist Green Party, entered parliament for the first time in 67 years and captured seats from the non-socialist competitors.

After the election results were released, the Social Democratic, Left and Green parties celebrated their election victories while the non-socialist parties began to review their campaign policies.

The ruling Social Democratic Party won 43.7 percent of the votes. Despite the loss of two seats, the Social Democratic Party still considers its gain of 157 in the 349-seat Riksdag (parliament) a success. There are two reasons: First, even though the Green Party enters the parliament with 20 seats, the Social Democratic Party

basically retains its original position; Second, the ruling party and its ally the Left Party now hold the same number of seats (178). Combined they enjoy a majority in the parliament and can implement policies without the Green Party's influence.

The Left Party, which many predicted before the election would gain hardly 4 percent of the votes, won 5.9 percent. This gave it 21 seats, compared to 19 in the last parliament. Analysts attributed its victory to effective last-minute campaigning.

The Greens, with 5.5 percent of the votes and 20 seats, have become the first new party to enter into the parliament in nearly 70 years. This change in the traditional two-group structure of Sweden's parliament is one of the spectacular results of the general election.

It was estimated originally that

neither "the socialist group," led by the Social Democratic Party and the Left Party, nor "the bourgeoisie group," comprising the Moderate Coalition Party, the Liberal Party and the Center Party, could enjoy a majority in the parliament. The environmental party, which declined to follow either group, was seen as a key factor influencing Sweden's political situation. But such a prediction did not come true, thus avoiding the appearance of chaos in Sweden's political situation.

The Green Party's victory does reflect a trend of increasing concern by the Swedish over environmental protection. The trend is also reflected by gains of the Centrist and the Left parties, which are radical in their fight against environmental pollution.

The party "will undoubtedly exert influence on the government in making environmental policies," Per Gahrton, one of the Green party leaders, said after the election.

The three conservative parties—the Centrist, Liberal and Moderate—suffered from their heaviest losses since the early 1970s. They gained only 151 seats in this election, which is 19 less than they occupied in the last parliament. Votes gained by the Moderate and Liberal parties were reduced by 3 percent and 2.1 percent respectively. Only the Centrist party's votes increased and that was by 1.5 percent.

Analyzing the conservative alliance's defeat, Centrist Party Secretary Ake Pettersson said the country's current prosperous economy helped the ruling party win the election. The power struggle between the Moderates and Liberals, on the one hand, and the Green Party's gains, on the other, jeopardized the images of the former two. The open debate among the three conservative parties over tax policies also led to their loss of votes, the Centrist

secretary added.

However, Foreign Minister Sten Andersson, one of the Social Democratic leaders, attributed the conservatives' defeat to their failure to present a unified ruling programme.

Premier Ingvar Carlsson described the result of the election as

"a good basis for wise, long-term government policy." He was warmly hailed by his supporters after the election. He said to them, "Tomorrow will be a new working day. What we are beginning to do will enable people to see a bright future in Sweden."

by Xu Furui

MEXICO

Ruling Party Faces New Political Reality

Since July's referendum, Mexico has experienced a significant period in its state political life with the ruling Revolutionary Institutional Party facing calls for reforms in and outside Party.

The ruling Revolutionary Institutional Party had an intense contest with opposition parties in Mexico's recent general election. The absolute authority it has maintained for more than half a century met with serious challenges. This caused great repercussions within the party.

Young statesmen within the party, headed by the newly elected President Carlos Salinas de Gortari, proposed to continue dialogues with the opposition parties and reform the government. These goals were set to wipe out abuse resulting from the party's long-term administration and to innovate party and state political life.

In fact, the spirit and law of former President Miguel de la Madrid's reforms strengthened democratization of party life and promote political equality and innovation. However, those moves were not able to resolve an in-party crisis. A splinter group thus has become the mainstay of the opposition coalition.

Critics within the Revolutionary Institutional Party maintain that if the Party does not continue to introduce democratization within, as well as outside, the Party, it will become more rigid and face a deeper crisis. A state governor, Victor Manuel, pointed

out that in order to regain the people's confidence, the Revolutionary Institutional Party needs to update its rigid system and carry out strategic reforms in line with the new political reality.

Newly elected President Salinas admits that, in fact, the de facto uni-party system that has lasted for more than half a century no longer exists in Mexico. A new period has begun with cooperation between the ruling and opposition parties, he said.

However, there are different views within the Party about what innovation measures should be taken. Some maintain that the Revolutionary Institutional Party is just giving up its political power to the opposition parties instead of fighting against them. They also say that the ruling party has made enough concessions, and to continue dialogues can only benefit opposition parties.

At the same time, owing to the strong pressure imposed by the opposition, hardliners are gaining ground within the Party, posing a threat to party innovation. Critics within the Revolutionary Institutional Party pointed out that it has not fully prepared for such sharp changes in Mexico's political life. Innovative forces are demanding changes necessary for Mexico's social progress.

by Guo Weicheng

China Faces the Problem of Inflation

From 1985 to 1987, inflation ran at 7.3 percent annually, with a total increase of 23.7 percent in the price index. In the first quarter of 1988, the rate moved into double figures. The continuing inflation is now a big obstacle to economic stability and deepening China's reforms.

by Liu Guoguang

China's dramatic price rises have become a matter of deep concern. From 1985 to 1987, inflation ran at 7.3 percent annually, with a total increase of 23.7 percent in the price index. In the first quarter of 1988, the rate moved into double figures. These price rises have been across the board—consumer goods, foodstuffs, capital goods and industrial products. And continuing inflation is now a big obstacle to economic stability and deepening China's reforms.

From 1984 to 1987, the money supply (including cash and bank credit) grew at a far greater rate than actual economic growth, leading to devaluation and price hikes. The year-by-year increases have been: 1984, 49.5 percent; 1985, 24.7 percent; 1986, 23.4 percent; and 1987, 17.6 percent—all far exceeding the annual increase in gross national product and per-capita income.

At the same time, there has been a large expansion in demand for investment and consumption, stemming from the impulse to pursue high-speed growth. The ensuing imbalance between supply and demand (principally the shortage of farm and sideline products, raw and semi-finished materials and energy), the excessive investment in non-budgeted

capital construction and the huge purchasing powers of government institutions and public organizations have further fuelled the price spiral.

Of course, the monetary and economic factors behind inflation are interrelated, one without the other could not cause inflation. But as it is fundamentally a monetary phenomenon, it can only occur through the "pass" of the money supply. This "pass" is generally guarded by the state's monetary authorities, and so whether inflation occurs or not is closely related to government policy. This, however, does not mean that deep-level economic factors should be neglected in searching for the roots of inflation and prescriptive treatments.

At the moment, China's economy stands at the juncture where an old system is being replaced with a new one. Before this process is completed, the pursuit of quantity, the hunger for investment and excessive expansion of consumption will not disappear. Rather they will promote a faster growth in total demand than an increase in total supply. For China, this move from a low to middle-income level is both crucial and radical. In particular, it generates contradictions between the demand for and supply of medium- and high-grade commodities, promoting further imbalances in the economy, while masking the fact that it is the

overall expansion of demand which is the more immediate and principal cause of inflation.

Since there are both economic and monetary reasons for inflation, it is necessary to simultaneously tackle both sides. In my opinion, first, China should not pursue an excessive economic growth rate over the near future. To some extent, economic growth in the past few years has been temporarily fuelled by inflation, so now it is necessary to reduce the temperature. For example, we should return to the original GNP growth target—the average 7.2 percent needed to quadruple the gross value of industrial and agricultural production for the 1981-2000 period. Considering that the actual average rate of growth in the past eight or nine years has been high, the GNP growth rate for the next few years should be kept down to 7.2 percent, and industry at 10 percent. Such a rate should not be seen as low, because it is already high enough to relieve inflationary pressures.

Second, short- and medium-term goals should be set in monetary policy. For instance, reducing inflationary price rises to 3 or 4 percent or even lower by the beginning of the 1990s, and at the same time reducing the growth rate of money supply appropriately. If such policies are not adopted, inflation will possibly run out of control, leading to long-

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term economic stagnation.

Third, in addition to short-term controls, there should be a long-term plan for the prevention of inflation and for sustained and stable economic growth. To achieve this end, it is necessary to effect three changes: from a speed-

quantity development strategy to an efficiency-quality development strategy; from an economic system characterized by "everybody eating from the same big pot" to a self-contained economic system; from the traditional dual structure (co-existence of developed heavy

industry and backward agriculture) to a modern integrated structure.

This is the only way to control and prevent inflation and embark on the road to long-term, sustained and stable economic development. ■

Can China Control Inflation?

Since inflation first emerged in 1985, it has become a major obstacle to deepening economic structural reform and a hot issue of debate throughout the country. The problem has worsened this year. Can China bring it under control?

by Zhang Shubao, Associate Professor of Fudan University

As China's economic reforms unfold and deepen, the mechanisms of the market gain in strength. Fluctuating prices become the guide for investment, production and consumption. These positive changes both are welcome and signify that price and wage reform is now crucial to the further development of the overall reform programme.

However, one unwanted spectre haunts the changes: the inflation that has emerged since 1985.

From 1984-87, China's retail price index rose by an average of 7.4 percent annually. But in the first half of 1988, prices jumped 13-14 percent. This far exceeded the originally planned 6 percent limit, and comfortably outstripped the interest rate of bank savings, causing people to vie with each other in withdrawing their money. In August, the amount of currency in circulation reached 170 billion yuan, 40 percent greater than one year ago.

Inflation thus has become a major obstacle to deepening economic structural reform and a hot issue of debate throughout the country. So, can China adopt

effective measures to bring it under control?

Reasons

It has been calculated that only about one-third of this year's inflation has been caused by necessary price adjustments. The remaining two-thirds are the result of arbitrary price hikes. One of the aims of price reform is to allow commodities and labour to discover their real value. But, it is hard to attain this goal under the present inflationary conditions.

China's economists have not reached a consensus as to the underlying causes of the current bout of inflation. Most of them agree, however, that the sharp increases in both production costs and social demand have played a major role.

Over the past few years, the speed at which powers have been delegated downwards has been a bit too quick. As independent legal entities, enterprises now possess greater decision-making powers—including the power to set the price of some products.

With the gradual deregulation of market prices for equipment and raw materials, costs have risen. These are absorbed into production costs, and eventually transferred on to consumers.

As production costs have risen over the last few years, funds for consumption have constantly swelled. Demand has far exceeded supply, and therefore prices have risen spontaneously.

It is reported that in 1984, the surplus purchasing power of the Chinese people was 197.4 billion yuan. By 1987, however, it had soared to 427 billion yuan. As a result, surplus purchasing power rose from 58.5 percent of the total volume of retail sales in 1984 to 73.4 percent in 1987, putting great pressure on the market.

Three other factors have also played their part in boosting China's inflation. First, having been starved of investment for many years, capital construction has over-reacted, going far beyond the possible supply of funds and goods.

For several years running, the government has called for cuts in capital construction investment to

relieve the direct pressure on the market both for materials and equipment and the indirect pressure of an increased volume of wages.

But no substantial results have been achieved, mainly because the scale of extra-budgetary investment in capital construction (which is now bigger than the budgeted investment) cannot be curbed.

Second, some "vacuums" have emerged under the present "double-track" pricing system where state-set prices and free market prices exist side by side. As state administrative interference is gradually replaced, speculators are given an opportunity to make a killing.

The traditional regulators of the market—finance, banking, taxation, interest rates and auditing—have not been well coordinated and so have failed to play their due role in regulating the national economy.

For instance, although inflation has existed for more than three years, the central bank only decided to raise interest rates to guarantee their value in September. Previously, negative interest rates had made both individuals and enterprises exchange saving for panic buying. At the same time, severe punishments have not been imposed on those who took the opportunity of reform to engage in speculation, hoarding and tax evasion.

Third, the purchasing power of government institutions and public organizations has kept swelling over the past few years, far exceeding the budgeted target of 50 billion yuan annually.

Prospects

China's current inflation is related to the high-speed growth of the national economy. I think it is possible to bring economic development back into its normal

orbit with correct macro-economic policies and state administrative interference. The process will take at least three to five years, as it would be harmful to attempt a sudden reversal. In macro-economic terms, to complete China's comprehensive reform programme centred on price and wage reform and thus fundamentally eliminate inflation is an arduous task. But, there are reasons to believe it will be successful.

Over the past few years, China's economy has been revitalized, laying favourable material foundations for overcoming all difficulties. In real terms, China's gross national product (GNP) in 1985 had risen 13 percent over the previous year. This was followed by a further rise of 8.3 percent in 1986, and 9.4 percent in 1987. The first half of 1988 saw continuous growth.

Overall, the GNP growth rate for the past three years has exceeded the annual inflation rate, duplicating a trend experienced by many developing countries undergoing a rapid expansion of their economy.

According to the World Bank, from 1973-84, the average annual inflation rate for 36 low-income countries was 5.9 percent; for 40 middle income countries, it was 20.6 percent; for five high income oil exporting countries it was 11.8 percent; and for 19 market economy industrialized countries it was 7.9 percent.

As a developing, low-income

socialist country, it should be considered normal for China to have an annual inflation rate of 7.4 percent coupled with an annual economic growth rate of around 10 percent.

The problem is that since the beginning of this year inflation has risen too fast. If no effective economic and administrative measures are adopted, it will run out of control. Fortunately, the Chinese government and economic policy makers have taken various precautionary measures to curb it.

In theoretical terms, so long as economic growth is greater than the growth of wages and wages are greater than price rises, a certain degree of inflation (less than 6 percent) should cause no problem. In China, however, the major problem in the past few years has been excessive wage rises, as shown in the table below:

As a consequence, although most people's incomes and living standards improved, they have fallen for some.

According to analysis by Chinese economists, it is possible for China to maintain an annual economic growth rate of around 10 percent and keep the annual inflation rate under 6 percent for the foreseeable future. But to realize this, the following measures should be adopted:

- Controlling the money supply and credit.
- Cutting investment in capital construction (particularly the extra-budgetary part), group pur-

	Rise in GNP (%)	Rise in Price Index (%)	Rise in Wages (Including Bonuses) (%)
1984	14.5	2.8	22.3
1985	12.3	8.8	26.2
1986	7.8	6.0	20.8
1987	9.4	7.3	16.4

chasing power and money to be spent on consumption (especially bonuses), and keeping a check on the excessive growth of total social demand.

■ Allowing interest rates on bank deposits to float and selling publicly owned housing to individuals in order to channel surplus purchasing power into economic construction.

■ Taking resolute yet prudent steps to reform prices and wages so as to allow the market to determine the value of commodity and labour exchange and regulate

supply and demand.

■ Improving market order by gradually abolishing the "double-track" system for commodity prices, and cracking down on those who deliberately drive them up by engaging in hoarding, speculation or charging excessive interest.

■ Continuously promoting enterprise reform by introducing competition and shifting the focus of management to quality, efficiency and economic returns.

China can draw strength from the knowledge it has already lived

through two inflationary periods — one in the early days of New China and the other in the early 1960s. The current round of inflation is occurring at a time when the economy is developing fast and its reform programme is replacing the old system with a new one. This means China has a more powerful economic means and better material conditions to overcome the problem. If correct policies and measures are adopted, we can not only bring inflation under control, but also create an economic system full of vitality. ■

Progress in Education for the Disabled

By the end of 1987, China had 504 schools for blind, deaf and dumb, or mentally disabled children, supplemented with 578 special education classes in ordinary primary schools. This is a remarkable step forward, but compared with the developed countries, it still has a long way to go in providing comprehensive care and facilities for their educational needs.

by Our Correspondent Wei Liming

In the workshop of the Zhongdao Garment Factory in Beijing, Yang Wen carefully squeezed three pieces of cotton cloth through his busily humming sewing machine to skilfully make a buttonhole. His master worker looked on attentively. Pleased with his work, he nodded in approval.

Perhaps there is nothing unusual in such a scene—it is repeated in countless factories across China. But Yang, 17, is mentally disabled. He graduated from Peizhi Central School in Beijing's Xicheng District this year along with 24 other students. Fifteen of them were assigned jobs at the Zhongdao Garment Factory, greatly pleasing their parents, many of whom had thought their children would never be able

to work independently.

This is the first group of mentally disabled young people to **First year graduates at Beijing's Peizhi Central School for the disabled receive their diplomas.**

have found work in Beijing. It is part of a comprehensive system of education for the mentally



disabled which has taken shape in the past few years. Since the founding of the first such school in Shanghai in 1979, 90 others have been established across China. With the additional establishment of special guidance classes in some ordinary primary schools, a total of 9,000 mentally disabled children now receive special education.

A 1987 survey conducted in conjunction with the UN Children's Fund in seven provinces and municipalities indicated that China had 51.64 million physically or mentally disabled people (5 percent of the population). Of this total, 17.7 million had language difficulties, 10.17 million were mentally disabled, 7.55 million were physically disabled, 7.55 million were blind and 1.96 million suffered from mental illness. The remainder had various other disabilities.

Such a large number constitutes a severe social problem for China. But due to the efforts of the government and social organizations since the late 1970s, an entirely new situation has emerged for the treatment, employment, education and all-round participation in social life of the disabled.

It is in special education that the greatest advances have been made to enable the disabled to integrate themselves into the mainstream of the social life.

By the end of 1987, there were 504 schools for blind, deaf and dumb, and mentally disabled children in the country, supplemented with 578 special education classes in ordinary primary schools. With a teaching staff of 14,000, these schools and classes had 52,876 students on their registers. This is a remarkable step forward for China, but compared with the developed countries, it still has a long way to go in catering comprehensively for disabled children.

At an international conference



A graduate bids farewell to her teacher.

on special education held recently in Beijing, over 600 special educational workers from 23 countries swapped experience with their Chinese counterparts. Fifty Chinese teachers and medical workers read papers at the conference.

Modern Facilities

On my first visit to Peizhi Central School in 1984, it had no presentable playground. Since then, Communist Youth League members from other schools and nearby factories have voluntarily levelled the land.

One classroom is now equipped with a dozen or so Apple microcomputers. In it fourth grade students attentively learn how to tell the time. Clocks and watches showing different times flash up on the screen. The students select their answer. If they are right, the computer plays a brief melody. The class teacher, Guan Wanxia, said this modern teaching method had not only improved the students' skills, but had also raised their interest and spirits.

Teachers admitted that for-

merly they had felt uneasy at their work. But now, they said, with the recognition of their pupils' special needs and the increase in resources, they feel full of confidence and have accumulated much rich experience.

Peizhi Central School is not alone in introducing computers to aid disabled children with their learning. At the Beijing School for the Blind, specially modified equipment has been developed for the partially sighted by Xia Yongguan and his colleagues from the Modern Educational and Technological Research Institute of the Beijing Teachers' University. Their ancillary set of hardware and software enables students to operate the computers with hearing and touch alone. When this combined language system arrived at the school, the children vied with one another to get their hands on it. All the teachers speak highly of the equipment.

A dialogue system for both the blind and the deaf and dumb attracted the attention of many overseas experts at the recent international conference in Beijing.

Developed by Chen Jianwen and Qian Peide of Nanjing

University's Chinese Language Department, it incorporates a specially developed system of coding Chinese characters in braille. Once some words have been entered into the computer, they are not only displayed on the screen but are also aurally transmitted. Thus what the deaf and dumb can see, the blind can hear.

Chen and Qian are currently developing a portable model of their system, the first batch of which should be on the market by the end of this year.

Vocational Training

One of the major aims of China's special education programme is to integrate a standard education with vocational training to enable the disabled to live independently.

The question of whether the mentally disabled can earn their own living has been studied hard. In the past seven years, the Peizhi Central School has laid great emphasis on cultivating an ability to work among its pupils. The school has increased job training by adding technical courses in embroidery, knitting, clay model-

ling and tailoring.

After two years of training, all of the students in the seventh grade could operate sewing machines, and the six most skilful were sent to the Beijing Women's Garment School for further training. Subsequently they were all successful in finding employment. Their factories have expressed full satisfaction and they now support themselves.

With the deepening educational reform, the 100-year-old Beijing Deaf and Dumb School has prioritized professional training. The four other schools for the deaf and dumb in Beijing now offer professional courses and have introduced systematic vocational and technical training. Altogether they run nine vocational classes with 103 students. These involve producing false teeth, tailoring, art design, woodwork, typing and computer operation.

The Beijing Pinggu Deaf-Mute School draws most of its pupils from rural areas. To enable them to support themselves after graduation, the school has adopted a programme combining academic knowledge and vocational training. In the morning the students take a general

knowledge course and in the afternoon they participate in social service work. Their income is used for student welfare and the improvement of their school.

Students at schools for the blind in Nanchang, the capital city of Jiangxi Province, receive regular massage training as soon as they enter junior middle school. With their highly developed sense of touch, the blind are particularly adept at this kind of work and so have proved popular with patients.

As well as acquiring medical knowledge, practising massage has the beneficial side-effect of improving the students' physique and general health.

Since 1980, all graduates from the Nanchang Blind School have been certified as massage practitioners with full secondary medical school education.

Teachers engaged in vocational education have discovered it enables most of their students to acquire fresh confidence and the spirit necessary to cope with everyday life. Those students who have received professional education have increased their abilities and reduced their dependence.

Guan Xinran, a graduate of the No. 3 Deaf and Dumb School in Beijing, won a silver medal for graphic designing at the Second International Professional and Technical Tournament for the Disabled held in Bogota, capital of Colombia. The tournament was attended by disabled people from 57 countries and regions worldwide.

Struggles

According to the 1987 sample survey conducted by China and the UN Children's Fund, 2.38 percent of children aged under 14 have disabilities, indicating a total of 4.7203 million in the country. As most of these cannot attend school, there remain many urgent

New arrivals at Peizhi Central School.

Photos by WEI LIMING



tasks for China's special education programme if it is to enhance the lives of disabled children.

In the early 1980s, people recognized the importance of special training for teachers of the disabled. Some provinces established special schools or special classes at ordinary schools. The educational departments of Beijing Teachers' University and Huadong Teachers' University offered special teachers' courses. The Beijing Teachers' University recruited graduate students for training in special education. The China Educational and Scientific Research Institute set up a teaching and research section and the China Educational Association founded a research society to study the needs of disabled students. These organizations

have studied and tested various educational and psychological methods and materials for disabled children.

To encourage teachers to work in special education, the State Commission of Education has made the decision to award them a salary 15 percent higher than that enjoyed by ordinary teachers.

At the recent international conference some Chinese special education teachers expressed the wish that the government should pass legislation on the scope and aim of education for the disabled. They suggested disabled children should enjoy compulsory education for 12 years so as to ensure their basic educational needs were met.

Other teachers at the conference pointed out that as the ultimate aim of education was to enable the

disabled to become full members of society, the separate schools China has adopted for the mentally disabled, the blind and the deaf and dumb could hardly fulfil the task of integration. Regardless of how perfect their facilities were or how advanced the teaching methods, with isolation from ordinary children, disabled children would constantly be viewed as different. To overcome this problem, they have appealed to the authorities for there to be room for disabled children to receive both standard and special education in ordinary schools. They believe that only when such provision is made can China's special education programme succeed in both matching its counterparts in the developed countries and fully integrating the disabled into society. ■

China at the 24th Olympic Games

by Our Correspondent Zhang Wel

The Olympic torch was extinguished October 2 at the Seoul Sports Complex, 16 days after the opening of the 24th Summer Olympics. A record 160 countries and regions took part, and sports teams from the East and the West met at the games for the first time in 12 years.

China sent 299 athletes who took part in 21 of the 23 competitive events and two show events. The nation's tally of medals totalled 28: five gold, 11 silver, and 12 bronze.

Although China won fewer medals in Seoul than at the 23rd Summer Olympics in Los Angeles four years ago, Li Menghua, head of the Chinese delegation, said, "The games show that Chinese sports have improved in the past

four years. By learning at Seoul, our athletes have raised their standards."

Swimming, Rowing

Chinese athletes made historic breakthroughs in the swimming and rowing events. The names of Chinese athletes had never before appeared on the winners' lists in world swimming competitions — not one Chinese swimmer made it to the finals in 1984. However, they captured three silvers and one bronze at Seoul, indicating that China has finally produced world-class swimmers.

Zhuang Yong, 16, from Shanghai, clocked in at 55.47 seconds to win a silver in the women's 100-

metre freestyle and chalk up the best record for an Asian swimmer. Her teammate, Huang Xiaomin, won a silver medal and broke the Olympic record for the women's 200-metre breaststroke by finishing in 2:27.49 minutes. World-record breaker Yang Wenyi won a silver in the women's 50-metre freestyle, and Qian Hong picked up a bronze in the women's 100-metre butterfly, finishing in 59.52 seconds.

After the Chinese swimmers performed so poorly in Los Angeles, the nation sent them off to train in the German Democratic Republic and the United States. The payoff became obvious: Chinese swimmers collected 10 golds at the 10th Asian Games and 24 golds at the



CHEN XIAOYING

Chinese rowers provided one of the Olympics' upsets when the women's coxed four team took the silver medal, beating world champions Romania into third place.

1988 Third Asian Swimming Competition to lead the tally in overall medals and broke a world record. Now, pitted against their powerful rivals at the Seoul Olympics, they rose to new heights.

Head Coach Chen Yunpeng said Yang Wenyi, Huang Xiaomin and Zhuang Yong were strong candidates for gold medals, but failed because of inexperience. International authorities commented that the Chinese women swimmers seemed strongest in the short-distance events, but added that Chinese men swimmers still lag far behind.

China had never before reached the Olympic rowing finals. But at Seoul, Chinese athletes won a silver in the women's coxed four and a bronze in the women's eight-oars. This has aroused extensive comment.

Rowing as a sport originated in Europe more than 200 years ago, and rowing championships have been monopolized by European and American athletes. At Seoul, the Chinese athletes competed strongly against powerful teams

from such nations as Democratic Germany and Romania. It was the first time Asians had stepped onto the awards podium for rowing events.

The eight-woman rowing team, which included Li Ronghua and Zhou Shouying, averages 1.8 metres tall and 77.4 kg in weight. They started training only a year ago, and the Olympics were the first time the team had taken part in a world competition. International specialists said that judging by their movements, Chinese rowers were excellent and up to world caliber.

Divling

The Chinese divers gave remarkable performances at the Seoul games, winning two golds, four silvers, and one bronze. Xu Yanmei beat America's Michele Mitchell and Wendy Williams to take the women's platform diving title and claim China's first gold medal.

Xu, 17, had placed second in platform diving at the 10th Asian

Games and first at the 1987 World Cup championships. Chen Xiaodan, her teammate, led in the Seoul preliminaries with 456.45 points, but failed in the finals and placed fifth in the platform diving event. Observers judged the 14-year-old girl "capable of winning the title."

Gao Min, 18, captured a gold in women's springboard diving. She was a national champion in this event when she was only 13 and took the title at the 2nd World Swimming Championships and in the 5th World Cup. She has been cited as the world's best diver for two years running by an American swimmers' magazine. Specialists say she has "opened a new era for women's springboard diving" with her difficult and graceful performances. Li Qing, another Chinese woman diver, placed second in the same event.

In men's springboard diving, Tan Liangde picked up a silver and Li Deliang a bronze. Tan had won a silver medal in the same event in Los Angeles and said he greatly regretted losing out this year to American Gregory Louganis, whom he had beaten in other meets earlier this year.

In men's platform diving, Xiong Ni, 14, led by a wide margin before the finals but lagged slightly behind Louganis at the end and captured only a silver, owing to inexperience. Louganis praised him afterwards and said that Xiong was very promising.

In the 1984 games, China won only one gold and one silver; the number of medals increased in Seoul, which also marked the emergence of such promising divers as Xiong and Chen. Critics said the Seoul games showed that China, the United States, the Soviet Union, and Democratic Germany were still the "four powers of the diving events," with China showing the greatest potential.

Challenges in Other Events

In the 1984 summer games, China won 15 gold medals, mostly in shooting, light-category weightlifting, gymnastics, and women's volleyball. However, the athletes faced strong competition in these events in Seoul.

In Los Angeles, Chinese marksmen won three golds and three bronzes, ranking second in the total number of medals for the events. This year, however, although 21 Chinese athletes took part in six shooting events, only Huang Shiping won a silver medal for his performance (687 rings) in the moving target event. Xu

Haifeng was second in the men's air-pistol event. Xu, who had won a gold medal in the free slow-fire pistol event in Los Angeles, was disqualified in the preliminaries of this event this year, and former bronze medalist Wang Yifu placed a disappointing eighth in the same event. In addition, sharpshooters Xu Xiaoguang and Zhang Qiuping also appear to have lost their edge in Seoul.

Zhao Guorui, head coach of the Chinese shooting team, blamed the setback on "too much psychological pressure." In fact, I noticed that Xu Haifeng and Wang Yifu appeared tense and unsteady on the firing range,

which was also the case with other Chinese shooters.

In 1984, China won the titles in the 52-, 56-, 60-, and 67.5-kg categories in weightlifting. But this time, the Chinese athletes performed surprisingly poorly. He Zhouqiang, defender of the 52-kg title, slipped repeatedly and scored a total of only 257.5 kg; his best record has been 267.5 kg. He came in third at Seoul, after Bulgarian Sevdalin Marinov and South Korean Chun Byung-Kwan. He Yingqiang was defeated by his Soviet rival Oxen Mirzoian in the 56-kg category and had to settle for a silver.

Huang Qianghui, head coach of the Chinese weightlifting team, acknowledged that his athletes were "not up to the mark" in Seoul. But he said it was the first time the Chinese had had to compete against so many powerful rivals and that the team lacked experience and psychological preparedness. "Any athlete will have peaks and low periods," he explained.

He Zhouqiang was evidently not at his peak—I noticed that he seemed very uneasy in the arena. He slipped four times in six attempts, and these failures affected his spirits to such an extent that he could not display his skill to the fullest.

At Los Angeles, Chinese gymnasts reaped four golds, four silvers, and one bronze. But the situation was very different at Seoul. The man's team, which had been runners-up in 1984, placed fourth in the team event because of repeated faults. The women's team dropped from third place in 1984 to sixth this year. In the men's individual all-round event, Wang Chongsheng came in sixth, while Li Ning, a former triple gold medalist, was denied any medals at all. Instead, he lost his balance five times, which lost points for the Chinese team. Lou Yun performed best, winning a gold in the

Diver Xu Yanmel in action.

HAN JUCE



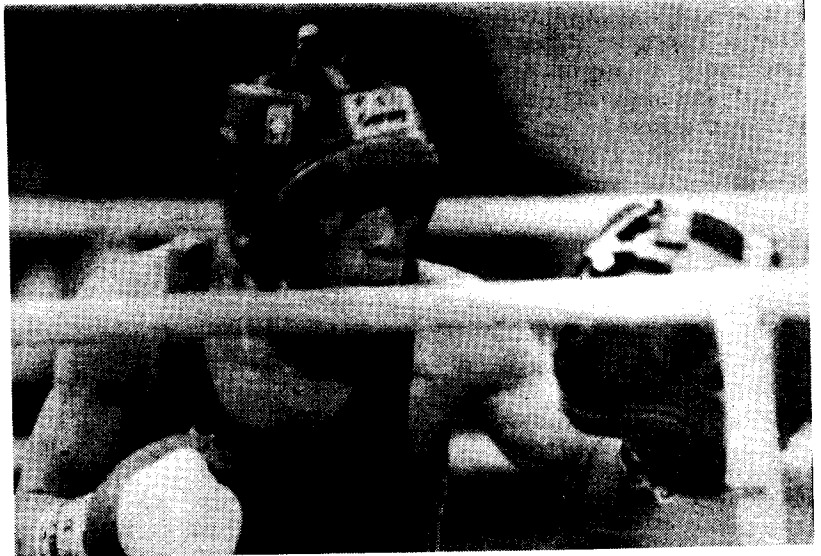
pommel-horse event and a bronze in the free exercise.

Authorities in gymnastic circles said there were several reasons for the Chinese failure. First, neither the Soviet Union nor Democratic Germany had taken part in the Los Angeles games. Second, China's team had a preponderance of aging athletes. Gymnasts who first emerged in the early 1980s, like Li Ning, Lou Yun, and Xu Zhiqiang, made up half the team, and their strength was no match for their ambitions. On the other hand, Wang Chongsheng, Li Chunyang, and Guo Linxian were young, but immature—still, most of the athletes on the gold-medal-winning Soviet team, the silver-medal-winning Democratic German team, and the bronze-medal winning Japanese team were also young. And third, the old training system is lacking in new techniques and repertoire; for example, Li Ning and his colleagues used more or less the same sets of movements they had used five or six years ago.

The Chinese women's volleyball team, defender of the previous Olympic title and a five-time winner in world competitions, lost to the Soviet Union in three straight sets. Since 1980, the Chinese has been pitted against the Soviets on two occasions and won both games, 3 to 0 and 3 to 1 respectively. Because the Chinese volleyballers were stronger than their Soviet counterparts, the defeat was unexpected.

Dong Chuanqiang, the head coach of the Chinese women's team, said afterwards that "the team's skills and psychological attitude have deteriorated. We need changes and intensified training."

Nor did China live up to expectations in table tennis. Chen Jing, Li Huifen, and Jiao Zhimin won the first three places in the women's singles, and Chen



22-year-old boxer Liu Dong became the first Chinese ever to box his way into the Olympic quarterfinals. He eventually finished eighth in the 57 kg class. MA HUI

Longcan and Wei Qingguang picked up the gold in the men's doubles. But South Korea took the gold in the men's singles and women's doubles, and no Chinese athlete made it to the semifinals of the men's singles. Chinese table-tennis players, who have dominated the world for so many years, are facing a real crisis.

Disappointment, Hope

In Seoul, China made progress in events in which its athletes had always lagged before.

Chinese woman shot-putter Li Meisu collected a bronze; she was the only Asian to win a track-and-field medal.

In the women's marathon, Zhao Youfeng, 23, clocked 2 hours, 27 minutes, and 56 seconds to take fifth place and break the Asian record. Chinese athletes also recorded significant achievements in the women's 10,000-metre race, the 100-km cycling time trials, and the men's long jump.

Liu Dong qualified in the 57-kg category of the boxing prelimi-

naries to achieve the best showing China has seen in this field. Li Chengcen took fourth place in Greco-Roman wrestling. And in the show events, Li Zhongyun, 21, won the gold for the 48-kg women's judo event and Chinese athletes took two badminton titles.

But the gaps were great. First, the track-and-field events, which make up one-quarter of the total number of Olympic medals awarded, are monopolized by European and American athletes, and China has made no major breakthrough. Second, the Chinese athletes are in urgent need of psychological preparation. Former record-breaking weight-lifter He Zhuoqiang is one example—many observers thought him stronger than his rival Marinov, but he was unsteady. Once he slipped for the first time, he never managed to pull himself together. Marinov was just the opposite. So he was not defeated because he was less strong, but by psychological factors. The same logic applies to the Chinese women's volleyball team players, who were apparently defeated by

their own psychological burden of being "five-time champions." American diver Gregory Louganis injured himself during the competition and suffered a scalp wound which required five stitches, but he carried on as usual and won. Many Chinese coaches consider it necessary for Chinese athletes to learn from the world's outstanding athletes not to be afraid of strong opponents, not to worry about setbacks, not to become arrogant if victorious, and not to become downcast if defeated.

Taking up the challenge of developing new techniques and repertoired from world-famous

athletes is another problem. Outdated performances were a major cause for China's losses in gymnastics. The Soviet and Democratic German athletes won high scores with their displays of fresh and difficult movements. Modern gymnastics is an ever-progressing sport, and a lack of originality can only spell regression and stagnation.

In 1984, Li Ning won three gold medals and was dubbed the "prince of gymnastics." New multi-medal-winning superstars emerged at Seoul: Kristin Otto, of Democratic Germany, broke six world swimming records; Naim Suleymanoglu, of Turkey, broke

weightlifting records in six events; American Gergory Louganis collected two golds in diving; and American Florence Griffith Joyner won three golds in track-and-field. But no Chinese athlete won more than one gold medal.

The Seoul Olympics has shown that Chinese athletics is suffering from many problems, including low training levels and a dearth of qualified successors to its older generation of athletes. However, sports circles already understand these weak points and have begun planning how to achieve better results at the 25th Summer Olympic Games, scheduled to be held in 1992 in Barcelona, Spain.

FACTS & FIGURES (A Decade of Reform III)

Foreign Trade and Tourism

In the last nine years, China's import and export trade has increased several fold, the volume of foreign funds has constantly expanded, and economic cooperation and international tourism have developed at a faster pace than any period in the country's history.

—International Trade Expands and Diversifies. Since 1979, the government has reformed and expanded foreign trade by granting localities and enterprises powers to trade independently with foreign businesses and stripping foreign trade departments of their monopoly. At the same time, preferential policies and measures to encourage exports have been adopted, such as allowing companies to retain a certain proportion of foreign exchange earnings. The number of foreign trade ports has increased from 52 in 1979 to 114.

In 1987, China's import-export trade totalled US\$82.65 billion,

four times greater than in 1978. The average annual increase registered 16.7 percent (compared with 10.9 percent in the previous 28 years).

To date, China has established trade relations with nearly 180 countries and regions throughout the world. In addition to ordinary trade, other trade forms have developed rapidly. Comparing 1987 with 1981, compensatory trade has grown 3.8 times, trade in processing or assembling supplied materials was up six fold and trade in imported materials for processing was up 14 times, all far exceeding the 42 percent growth in ordinary trade.

Exports have increased year by year. Their value rose from 1978's US\$9.75 billion to US\$39.44 billion in 1987, up four times. The number of individual commodities whose export value exceeded US\$100 million rose from 20 to 48. The proportion of industrial products rose to 66.5 percent of

total exports, with primary products dropping to 33.5 percent. In 1987, China was the world's 16th largest exporter—in 1978, it was the 28th.

Imports have also grown constantly, totalling US\$43.21 billion in 1987—up nearly four times on the 1978 figure of US\$10.89 billion. Industrial goods make up 84 percent of this total, leaving just 16 percent of primary products.

In the last nine years, the main commodities imported by China include 70,000 machine tools, 900,000 motor vehicles, 93.53 million tons of steel, 66.04 million tons of iron sand, 2.63 million tons of rubber, 70.86 million tons of chemical fertilizer and nearly 320,000 tons of farm chemicals.

China has also imported 110 million tons of grain, 13.14 million tons of sugar, 1.12 million tons of vegetable oil, 16.97 million television sets and 9.66 million

radio cassette recorders, enriching supplies on China's domestic markets.

China has further expanded trade with the principal Western industrialized countries, the Soviet Union and Eastern Europe. Compared with 1978, imports and exports to these places have increased several fold (see table).

North America amounted to US\$12.39 billion (19.8 percent), and Australia has put up US\$350 million.

China has also conducted wide-ranging economic and technological co-operation with developing countries in Asia, Africa and Latin America who have agreed in principle to invest US\$1 billion. In

percent on the year before.

Foreign investment has not been restricted to coastal areas. All of China's provinces, autonomous regions and municipalities, with the exception of Tibet, have benefited from overseas funds.

Guangdong and Fujian provinces—the first in China to open their doors and practise special policies and flexible measures—have received more than anywhere else. Between 1979 and 1987, they acquired US\$14.83 billion of foreign funds, one-quarter of the country's total, using US\$6.15 billion (16.4 percent of the total).

Originally foreign funds were concentrated in textiles, light industry and tourism. But now they have found their way into many other trades including metallurgy, machine building, electronics, energy, transport and communications, chemicals, post

Country	1987		Increase Over 1978	
	Export (US\$100)	Import (million)	Export (times)	Import
USA	30.4	48.3	10.3	5.7
Japan	64.0	100.7	2.7	2.2
EEC	38.9	72.7	2.2	2.4
USSR	12.5	12.7	4.4	5.0
Five East				
European Countries	11.8	12.9	1.5	1.9

This year, China has accelerated and deepened its reform of foreign trade and implemented a comprehensive contract management responsibility system. In the first six months, total import and export value hit US\$43.21 billion, up 22.4 percent from the same period of last year. Exports reached US\$21.03 billion, up 26.2 percent, and imports, US\$22.18 billion, up 19 percent.

—Greater Use of Foreign Funds. From 1979 to 1987 China signed 10,314 agreements on the use of foreign funds involving US\$62.509 billion. US\$37.5 billion (60 percent) of this has been put to use.

Sources of foreign investment have become more diverse. The number of countries and regions investing in China rose from 20 in 1979 to more than 40 in 1987.

Hong Kong and Macao head the table with US\$17.23 billion over the nine years to 1987—27.6 percent of the total. Japan comes second with US\$14.39 billion (22.5 percent).

The amount of negotiated investment from Europe and

1987, China signed investment agreements with ASEAN countries for US\$330 million, up 57

Source and Use of Foreign Funds

	Number of Agreements	Amount Negotiated (US\$bn.)	Amount Used (US\$bn.)	Percentage Used
Total	10,314	62.509	37.5	60.0
1. Foreign Loans	262	36.736	26.548	72.3
2. Direct Foreign Investment:				
Joint Ventures	10,052	22.868	8.969	39.0
Co-operative Development	4,630	6.75	3.299	48.9
Co-operative Management	44	2.867	2.235	78.0
Exclusively Foreign-Funded Businesses	5,194	12.207	3.223	26.4
3. Compensatory Trade & Processing or Assembling Supplied Materials & Parts	184	1.044	0.152	14.6
	—	2.905	2.043	70.3

and telecommunications and building materials.

Much has been used in large or technically advanced projects, such as the Daya Bay Nuclear Power Station in Guangdong, the 'B' Power Plant in Shajiao, the Pingshuo Opencut Coal Mine in Shanxi, the Beijing Jeep Corp., boilers for the Beijing Power Station, the Volkswagen sedan car factory in Shanghai, the Shanghai Bell telephone equipment project, the Wuhan sealing parts project, and the Otis elevator project in Tianjin.

Of the 10,008 Sino-foreign joint, co-operatively or exclusively foreign-funded ventures in existence at the end of 1987, 7,717 (77.1 percent) were based in manufacturing. US\$9.73 billion had been invested in these companies—42.5 percent of all foreign investment.

Over the past nine years, China has used foreign loans to strengthen its infrastructure and major industries. More than 100 large and medium-sized projects and a whole batch of smaller ones have benefited. Around 80 percent of the money has gone to energy, transport, communications, and other infrastructural projects, with petrochemicals, iron and steel, light industry, agriculture, culture and education, public health and scientific research taking up the rest.

Completing these projects will further promote the development of China's economy. For instance, a World Bank loan was used to develop 3 million *mu* (one *mu* = one-fifteenth of a hectare) of low-lying, flood-prone land on the Sanjiang Plain. Subsequent profits earned in 1986 and 1987 not only repaid the loan but generated a surplus of US\$10 million in foreign exchange.

China has used Japanese government loans to fund more than 30 projects, including railways, ports inner-city tele-

phone services, oilfields and coal mines. Of these projects, the Beijing-Qinhuangdao and Yanzhou-Shijiusuo railways and the coal docks at Qinhuangdao Harbour and Shijiusuo Port have already been completed, raising China's annual export capacity by 35 million tons.

The completion of seven coal mines in Yanzhou, Kailuan, Gujiao, Datong and other places has added 21 million tons to the nation's annual coal production capacity.

Since 1985, the Bank of China has used a second batch of loans from the Japanese Import and Export Bank to develop China's oilfields. The Damintun Oilfield began production in 1987. With an annual capacity of 1.7 million tons of crude oil, it has become the major producer of the Liaohe Oilfield.

Tianjin, Shanghai and Huangpu harbours, the first to use World Bank loans, have now completed seven container berths. World Bank loans have also been used to import advanced teaching and scientific research equipment for 26 key universities, to re-equip more than 50 laboratories, and to hold 56 training courses involving 2,000 managerial personnel. The World Bank has also helped train 4,400 PhD, MA and graduate students, in an effort to improve the quality and technical level of China's economic and managerial personnel.

In recent years, China has used foreign funds to upgrade small and medium-sized enterprises and improve product quality. The technical level and economic returns of the 5,000 or so foreign-funded enterprises in operation by the end of 1987 are generally higher than their domestic counterparts, and some have developed new technology and new products.

For example, the polyester meshes produced by the Tianjin Copper Meshes Factory with

imported equipment have filled in a gap in China's market. Used to replace copper meshes in paper-making, they have extended the maintenance period from seven to 100 days.

The Handan No.3 Textile Mill in Hebei Province, an enterprise founded in the 1950s, leased US\$4 million worth of imported equipment in September 1985. By early 1988, more than 80 percent of the mill's original equipment had been replaced, greatly improving the quality of its cotton yarn and cloth. Today, its products are in great demand on the US, Japanese and Hong Kong markets.

Foreign funds have promoted exports. A year after the Dahua Textile Mill in Jiangsu Province borrowed US\$810,000 from international financial institutions, its export rate jumped from 30 to 60 percent, earning US\$4 million in foreign exchange.

The Tianjin International Tyre and Rubber Inc. used foreign loans to import equipment and raw materials. It began the trial production of tyres in September 1987, and now has a profit rate on sales of 24 percent. Its engineering tyres have also filled in a gap in China's market which should promote the development of heavy industry as a whole.

While expanding its use of foreign funds in the past nine years, China has strictly abided by its international credit agreements and paid back all principal and interest on time. At present, more than 50 percent of China's borrowings have come either from foreign governments or from international financial institutions in the form of low or medium interest, long- and medium-term loans.

In general, China's debt structure is sound, and there is little worry of a possible future crisis.

The use of foreign funds has continued to increase in the first half of this year. Another 2,154

foreign investment agreements have been approved, an increase of 1,368 or 2.7 times over the same period last year. The funds negotiated have totalled US\$5.68 billion, up 65.5 percent on 1987, of which US\$4.08 billion has been used, up 41.7 percent.

The agreements include 2,126 direct foreign investment agreements (up 2.8 times) involving US\$2.09 billion (up 2.4 times). So far, US\$990 million has actually been invested, a rise of 47.9 percent on 1987.

The number of foreign-funded enterprises increased by 6.8 times in the first half of 1988 compared with 1987 as 88 projects got off the ground.

Investment from Taiwan compatriots has increased monthly. In the first six months of this year, Fujian Province approved 41 Taiwan-backed projects, totalling US\$39.2 million, while Guangdong Province had seven worth US\$4.9 million. Investment has been concentrated in plastics, electronic components, toys, textiles, and clothes making.

—Foreign Economic and Technological Co-operation. In the past nine years, China has broken into the international contracting and labour service market. By the end of 1987, China had established 74 international economic and technological co-operation companies and signed 5,400 project and labour service contracts with 115 countries and regions. These involve a total of US\$8.27 billion, of which US\$4.62 billion has already been earned.

Seven companies alone have contracts valued at more than US\$100 million and a turnover of US\$50 million. Currently, most of China's foreign contracting companies have achieved good economic returns. Their construction quality and speed have been appreciated by foreign partners.

—Tourism. In 1978, 1.58 million overseas Chinese or Hong

Kong and Macao compatriots and 230,000 foreign tourists visited China. Between 1979 and 1987, however, the country received a total of 115.481 million tourists, averaging 12.831 million a year, up 7.1 times on 1978. Foreign tourists totalled 8.919 million, averaging 991,000 people annually, up 4.3 times on 1978. Overseas Chinese and Hong Kong and Macao compatriots totalled 106.562 million, averaging 11.84 million a year, up 7.5 times on 1978.

These tourists came from all over the world, but Japanese, American, British, German and Australian tourists predominated, as the following table for 1987 shows:

Country	Number of Tourists ('000)	Percentage
Japan	578,000	33.4
USA	315,000	18.2
Britain	84,000	4.9
Singapore	64,000	3.7
West Germany	60,000	3.5
Australia	59,000	3.4
France	54,000	3.1
USSR and Eastern Europe	35,000	2.0
Total	1,728,000	100

To date, China has opened 450 towns and cities to tourists. In 1987, the 49 major ones received 8.061 million visitors.

Increasing tourism has boosted foreign exchange earnings. US\$9.4 billion was earned between 1979 and 1987, or an average annual increase of 19.3 percent. Income from the sale of food and other commodities accounted for 46.4 percent, with the remainder coming from labour services.

At the end of 1987, 1,283 hotels and guest houses were administered by China's tourist departments. Between them they boasted 184,700 rooms, 400,700 beds and

more than 20,000 motor vehicles.

Tourism grew further in the first half of 1988 as 15.045 million people visited China, an increase of 19.5 percent on the first six months of 1987. The number of foreign tourists rose 9.7 percent to 852,000, bringing with them US\$1 billion of foreign exchange, up 26.6 percent on the same period last year.

In the past nine years, China has made great headway in opening up. Some problems, however, remain. For example, export products are often uncompetitive, and the management of some foreign trade enterprises lacks the flexibility needed to adjust quickly enough to changes in domestic

and overseas markets.

In addition, China's foreign trade deficit has been too large in some years, and the country has failed to balance income and expenditure of foreign exchange. Unified planning and management are still lacking in the use of foreign funds, and China's investment environment needs to be improved.

The proportion of Chinese raw materials used by certain newly founded Sino-foreign joint ventures remains low, and channels for selling Chinese goods abroad are not fully unimpeded. The quality of service in various tourism establishments also needs to be raised. ■

Bureaucrat Profiteering in China

"GONGREN RIBAO"

(Workers' Daily)

Bureaucrat profiteering has become a pollution to the social environment in China in recent years that should be rooted out as soon as possible. After changing sign boards, setting off firecrackers and cutting the ribbons, some Party, government and public organizations have become "corporations" overnight with profits pouring in from all sides. By now, there are over 400,000 such "corporations" in the country. The majority are non-productive units. Of all the corporation officers, quite a few are active leading officials, and some are prestigious retirees. Taking advantage of their positions and influence, they can get greatly demanded goods and then resell them at higher prices, cheating the state and people.

It is incomprehensible that profiteering by officials continues despite the Party Central Committee's repeated injunctions. Why do bureaucrat profiteers flourish? Previously, private profiteers roused public indignation, but investigations conducted by government departments concerned were cut in half. The reason is that dishonest officials are backing them.

According to statistics, many of the registered companies that engage in profiteering are run by the central commissions and ministries. This has set a bad example for their subordinates and local government organizations and public units. As a result, setting up companies for unreasonable profit has become wide-spread, and the prices of high-demanded commodities have soared.

Another reason for the increase of bureaucrat profiteers has to do with the political structure. In China, business has been traditionally run by, government departments. Now some people advocate official business as being advantageous to the reinvigoration of the economy and the development of the commodity economy. In addition, under the current system, access to political power, materials and property are closely linked. The existing "double-track" price system provides an opportunity for companies run by official organizations to make profits. The conjunction of government and enterprises leads to the increase of bureaucrat profiteers.

In China, the Party, government and public organizations have more hands than needed. This has also contributed to the racketeering problem. Various companies emerged when redundant staff members were displaced with efforts to streamline government institutions.

People always associate the phenomenon of bureaucrat profiteers with influence. Of course, retired officials should be encouraged to make further contributions for the country's modernization drive. The heart of the matter is that some retirees still hold influence. They make connections to get precious goods by discreet notes and phone calls. Relying on their parents' prestige, the children of high-ranking officials also can get items for their companies. No one dares to displease them.

It is no use trying to bring bureaucrat profiteering under control by merely issuing a document or order. This only causes a few small companies to be stopped as an example. Solution of the entire problem calls for

reform of the economic and political structure. Enterprises must be separated from the government. At the same time, the economic order must be based on the rule by law rather than "rule by man."

(August 5, 1988)

Proportion of Elderly Is Increasing

"RENMIN RIBAO"

(People's Daily)

Available statistics show that China now has more than 90 million people over the age of 60—some 8.4 percent of the country's total population. It is estimated that the number of elderly will be 130 million by the turn of this century, or 11 percent of the country's total population.

To meet the needs of the new situation, organizations for the elderly have been established in 27 provinces, municipalities and autonomous regions; in 92 percent of China's prefectures and cities; and 63 percent of China's counties. The China Institute of Gerontology, China Foundation for the Elderly and China Elderly Painting and Calligraphy Society have also been set up. The committees for the elderly at all levels have full-time personnel. In addition, many grass-root units and rural villages have established their own committees for the elderly. All these organizations have played a part in safeguarding the elderly's legitimate rights and interests.

In recent years, China's undertakings for the aged have developed rapidly. Up to now, China has published more than 30 newspapers and magazines for elderly citizens; 60,000 places of recreation and more than 80

hospitals and 3,000 clinics have been established. In 27 provinces, municipalities and autonomous regions there are about 500 universities and schools for this age group.

Moreover, investigations and academic discussions on problems of the elderly have been actively developed. To date, China has conducted two national academic symposiums, at which about 150 research papers were read. In addition, an international symposium on the problems of the elderly was held in Beijing, and experts from eight regions attended and gave reports.

Chinese people have a fine tradition of respecting, loving and caring for the aged. Some provinces and municipalities, such as Beijing, Tianjin and Hubei, have formulated relevant decrees and regulations in order to carry forward this fine tradition and safeguard the elderly's legitimate rights and interests.

(May 21, 1988)

When Will We Stop Foreign Cigarettes?

"GUANGMING RIBAO"

(Guangming Daily)

Over the last few years, famous brands of foreign cigarettes have appeared on sale in every part of China in quantities previously hard to imagine.

This has worried some people, who have asked the department concerned why the government wastes huge amounts of foreign exchange on importing these consumer goods which serve no purpose for either the state or the people.

The official explanation runs: "We don't waste foreign currencies. You misunderstand our actions. Foreign cigarettes are sold in China on consignment. We provide foreign businessmen with

docks, storehouses and counters, run no risks and gain millions of yuan in foreign exchange." In other words, selling foreign cigarettes is a cushy job. So why not continue?

According to statistics, the number of smokers in Britain and the United States has dropped by 30 percent in the past 10 years. But the volume of their tobacco trade has not declined. They have both been successful in opening new markets in the developing countries.

A World Health Organization (WHO) official has pointed out that by sponsoring Chinese acrobatic and sports activities, several foreign tobacco companies have skilfully promoted their brands in China. Once well-known, they rapidly dump large quantities of their goods.

Can those Chinese officials responsible for the tobacco trade hear this? Can they weigh up the pros and cons and then adopt some stronger measures?

At the moment, foreign cigarettes indicate a rise in social status. They are hoarded by speculators as rare commodities and are used by smart young things and upstarts to flaunt their wealth. With their help, some difficult matters can be rendered simple and illegal activities can be overlooked.

A nationwide investigation revealed that many of those who smoke expensive foreign cigarettes—which most Chinese smokers cannot afford—have bought them with public money.

Perhaps large profits are made without the need to invest capital. Undoubtedly some small sum reaches the state coffers through tariffs and taxation, and Chinese sport has benefited a bit. But is it not worth pondering that some people actively promote the sale of a foreign commodity proven to damage people's health?

(July 3, 1988)

Hotel Staff 'Jump the Trough'

"ZHONGGUO LUYOU BAO"

(China's Tourist News)

In Guangzhou's hotels the turnover of staff increases day by day. According to a recent survey, around 400 people in such well-known hotels as the Guangdong Hotel, White Swan Hotel and China Hotel hand in their resignations each year. This phenomenon is known in Guangzhou as *Tiaocao* (jumping the trough).

Faced with a perpetual search for new recruits, some hotels have increased pay and improved conditions to stem the tide. At others, knowing the desire of Guangzhou people to drink tea in the morning, temporary staff are hired by the hour while the full-time employees relax.

This outflow does not unduly worry managers of hotels in Guangzhou. They recognize that their employment practices will have to be tailored to the present situation, but do not refuse to release staff as they know an unhappy workforce cannot produce good results.

Although on a local level, service cannot help but be affected, nationally the spread of talent and experience should improve China's hotels. For example, staff have left the China Hotel for management posts in other hotels and joint ventures in Shenzhen, Zhuhai, Beijing, Dalian, Shanghai and Guilin.

At the same time, staff turnover has been an incentive to raise standards of management, correct shortcomings, increase flexibility and promote a sense of responsibility among employees. All of which should add prestige to China's hotels and help speed up development.

(June 15, 1988)

Arbitration for Economic Disputes

As China has opened to the world, it has witnessed a steep climb in the number of international economic disputes requiring arbitration.

Currently, the China International Economic and Trade Arbitration Commission (CIETAC) is handling 246 cases—making it the world's second busiest arbitration organization after Paris-based Arbitration Bureau of the International Chamber of Commerce. These cases involve a total of 300 million yuan.

China has brought 143 of the CIETAC cases (58 percent). Of the other 103, just over half have been raised by parties from Hong Kong and Macao, with the rest coming from other countries around the world.

Eighty percent of the cases involve disputes over import and export contracts, 14 percent involve joint ventures or cooperative enterprises, and compensatory trade problems and disagreements over engineering contracts make up the balance.

The major problems that have arisen are questions about quality of equipment or loans and funding.

In addition, China's Maritime Arbitration Commission is now handling 17 cases involving the United States, Japan, Liberia, Panama, several West European countries and Hong Kong.

Wang Shoumao, vice-chairman of CIETAC, said recently that China's rulings have been praised as fair by the Arbitration Bureau of the International Chamber of Commerce. He added that rules are now being revised to allow non-Chinese to act as CIETAC arbitrators in order to further increase confidence in the

commission's rulings.

During the first six months of 1988, the number of cases handled by CIETAC rose by 30 percent compared with the first half of 1987, and the number of cases completed rose by 50 percent, Wang said. As China's foreign trade continues to expand, he predicted an ever-growing need for arbitration.

CIETAC and the Maritime Arbitration Commission have already signed bilateral agreements with arbitration organizations in Sweden, Japan, France, Italy and Ghana, and have conducted talks on arbitration cooperation with their counterparts in the United States, Australia, Belgium, Canada, Hungary and the Netherlands. ■

Finance Building For Beijing

The Beijing Municipal Housing Corp. and the Groupe Pelege of France have signed a contract to build an international finance

building near Beijing's central railway station.

Construction should start in March 1989, and be completed by the end of 1990. When it is finished, the building is likely to house Beijing's first stock exchange.

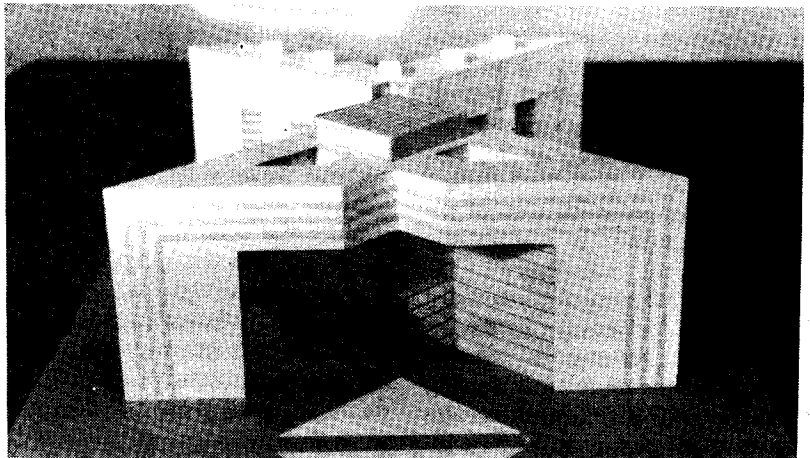
Total investment in the building will amount to US\$100 million, shared equally between the two sides. A quarter of the money will be provided directly by the two sides, with the remaining 75 percent coming from European banks.

The building will have a floorspace of 80,000 square metres, of which 30,000 square metres will be office space, another 30,000 will be given over to luxury rooms and apartments, and the rest will be used for a dining room, gymnasium and commercial centre.

The famous French architect, Cabinet Herbert, has been chosen to design the building, which will be constructed by a French company selected through tendering.

Although the Chinese government is adopting various measures to cut down on capital construction projects, the two sides are confident their project will win the approval of the State Council. It has already secured the backing of

Model of the Beijing International Finance Building.



the Beijing municipal government.

Michel Pelege, Groupe Pelege's president, is also optimistic about the building's prospects. He has said that when finished it should have a characteristically French style.

This is Beijing's fifth cooperative venture involving a French company. The four already successfully established are: the Beijing Maxim's de Paris, GMP foods, the Beijing Friendship Winery and Paris Cosmetics.

by Li Ning

Hebei Embarks on Investment Drive

Since the beginning of the year, Hebei Province has seen an 80 percent increase in the number of its foreign-funded enterprises after embarking on a drive for overseas investment.

The province selected 740 projects which it thought could prove attractive to foreign investors, and by September 10 it had signed 132 contracts valued at US\$406.37 million, including US\$201.17 million foreign capital, more than double the total accumulated by the end of 1987.

Altogether, 98 enterprises have received foreign funding this year, bringing the province's total of foreign-funded enterprises up to 218. The agreements are for Sino-foreign joint ventures, cooperatively managed companies, processing supplied raw materials with supplied samples, assembly of parts supplied by foreign businesses and compensatory trade.

By September 10, Hebei had spent US\$67.84 million of loans from overseas governments, commercial loans and buyer's credit on the development of its economy and improving its investment environment, according to a provincial government official. He added that in recent years the province had been working out a co-ordinated series of preferential policies to attract foreign investment.

These policies have been praised by various people, including Hongshu Liu, president of the US Pacific Development Group Ltd., and a French businessman who after attending three economic symposiums in Hebei said great changes had taken place in the province's investment climate.

by Yang Xiaobing

Shipbuilding Steams Ahead

Since 1979, China has built 1.3 million dead-weight tonnage (dwt) of ships for export. They have been sold to more than 20 countries and regions, making China the world's sixth largest ship exporter.

Altogether over the last nine years, China's shipbuilders have signed contracts for 2.3 million dwt of shipping for export. By September, for example, the China Shipbuilding Corp. had orders on its books for 400,000 dwt, over 70,000 dwt more than last year, according to a spokesman for the corporation.

These orders include three 64,000 dwt bulk cargo ships, one 62,000 dwt oil tanker, one 52,000 dwt oil storage tanker, two 25,000 dwt finished oil product tankers and fifteen 2,700 dwt freighters for customers in the United States, Denmark, Chile, Japan and Hong Kong.

All of the ships with a loading capacity of more than 10,000 tons will be Chinese-designed and use engines manufactured in China. They will be built at the Jiangnan, Hudong, Guangzhou, Zhonghua and Donghai shipyards.

Although world demand for new shipping has risen recently, competition between shipbuilding nations remains fierce. However, Chinese ships have been praised by overseas buyers for their quality, incorporation of advanced technology, and reasonable price, said the China Shipbuilding Corp. spokesman.

To further develop its overseas market, the Chinese shipbuilding industry established the China Shipping Trading (USA) Co. in Los Angeles last March. It has already opened branches in Hamburg and Hong Kong.

by Li Ping

An official of Hebei Province exchanges agreements with an American businessman.

CHEN ZONGLIE



Exhibition Features Ancient Science

An exhibition tracing the development of science and technology in ancient China has opened at the China Science Museum in Beijing after a successful six-year tour of North America and Hong Kong.

Entitled "China: 7000 Years of Discovery," the exhibition travelled straight to the United States and then Canada after being assembled in 1982. Its current Beijing show, the first in its home country, will run through October 23.

While providing copious evidence of the ingenuity of the ancient Chinese, the exhibition also poses a serious question: Why has China, the site of so many discoveries and inventions that benefited the West, lagged behind in the development of modern science and technology.

The show covers a vast scope of activity—from astronomy, paper-making, printing, explosives, architecture and navigation to ceramics, bronze-casting, herbal medicine, silk-weaving and embroidery, and other traditional handicrafts. On display are a dazzling array of items—some 500 originals or replicas of ancient Chinese inventions.

The astronomy exhibit features ancient Chinese astronomical records, written on bones or in archaic Chinese characters more than 3,000 to 4,000 years ago, and the earliest known star chart.

The replicas of innovative instruments for astronomy include a model of the world's first planetarium and an armillary, a star-tracking device designed to take advantage of the discovery that the sky appears to rotate around an axis pointing to the North Star.

These, together with similar

records and inventions from the ancient civilizations of Greece, Egypt and other Middle Eastern land, contributed to the accumulation of the knowledge that eventually led to moon landings, earth satellites, and other space developments in this century.

The mechanics exhibit includes replicas of an enlarged seismograph, the world's first, and an odometre wagon, as well as other devices powered by water, wind and animals.

The seismograph, a bronze contraption embellished with dragons and toads, was created by Zhang Heng more than 1,500 years ago.

Although it could not measure the magnitude of an earthquake, it could record a quake's occurrence....

The odometre, invented in the third century BC, kept track of distance travelled. A gear system caused a camshaft to revolve once for every *li* (0.5 kilometres), and with each revolution a wooden figure beat on a drum.

The exhibit on magnetism and navigation reveals the operation of one of the world's first compasses, built around 2,000 years ago, and explains how its later development revolutionized navigation in China and the West. A model of one of the great ships sailed by 15th-century Admiral Zheng He to Africa and Asia is also on display.

Ironically, it never crossed the minds of ancient Chinese scientists that the earth's magnetic field influencing the compass needle exemplified the idea of a force having an effect from a distance. This idea eventually drew the attention of such scientists as Galileo, Gilbert and Newton, who developed theories of gravity and

electromagnetics that laid the basis for modern physics.

In other sections, modern handicraft artists actually working in the galleries steal the show. Numerous exhibits include live demonstrations of traditional technologies, from paper-making from bamboo pulp to printing using woodblocks.

The exhibition is unusual for Chinese museums in that it invites visitors to try things out. They can create jets of water from an ancient bronze basin at the bronze-casting display, or smell different herbs and check their tongues to learn the state of their internal organs at the traditional Chinese medicine display.

The inventions and discoveries introduced in this show made it possible for China to maintain an edge in the world for hundreds of years, up to the Yuan Dynasty (1279-1368).

However, traditional technologies and handicrafts of ancient China never made the transition to truly modern science and technology. The latter was pioneered in the West, with the integration of different scientific discoveries and the creation of steam engines, electricity and other developments that gave impetus to industrialization and rapid social growth.

In the meantime, China was left behind, and to this day remains an agricultural country struggling to enter the modern age.

The dazzling exhibition representing the genius of the past does not provide the answer to this paradox, but eight quotations displayed at the end of the exhibition offer some individual authors' views.

Seven of the eight touch upon the feudal culture and political

structure that prevailed in China for more than 2,000 years and formally ended only with the Republican Revolution of 1911.

Briton Joseph Needham, perhaps the world's best-known historian of ancient Chinese science and technology, points out that China's feudal bureaucratic institutions in later years prevented traditional technologies from advancing into the modern stage.

Several Chinese scholars and historians attribute China's failure to develop modern science and technology to feudal and totalitarian closed-door policies as well as to the scholar-bureaucrat recruitment and career system that forced educated people to follow traditional moral and ideological codes.

When the feudal rulers in the Ming and Qing dynasties felt threatened by the appearance of capitalism, they immediately strengthened the traditional culture, which inhibited growth of commerce and business.

Karl Marx suggested that capitalism made possible the development of modern science and technology. A quote from Marx, written more than 100 years ago, observes that for the first time in history, capitalist production provided the material means to conduct research, observation and experimentation in the sciences and helped promote scientific applications. ■

Shanghai to Bid For Student Games

Shanghai, China's biggest city, has made an official bid to host the 1993 World Student Games. The United States and Greece have also expressed interest in hosting the games, but so far have not made any concrete moves.

The Chinese University Sports Federation made the bid in a letter

to the World University Sports Federation on September 6. A special committee headed by Liu Zhenyuan, vice-mayor of Shanghai, has been set up to organize the city's campaign.

A Chinese acting committee member of the World University Sports Federation refused to comment on Shanghai's bid officially, but speaking in a personal capacity she said that the city's prospects were good.

Commenting on the bid, He Zhenliang, vice-president of the Chinese Olympic Committee, said that China has gained a lot of experience recently in hosting international tournaments and championships. He was certain Shanghai would go all out to make the games a success if its bid was approved.

According to Liu Zhenyuan, Shanghai has around 4,000 stadiums, sports grounds and swimming pools, 16 of which are fit for international competitions, and 30 for practice, more than enough to meet the requirements of the World University Sports Federation. ■

Beijing to Hold Sports Film Festival

Early next summer, Beijing will host the China International Sports Film Festival 1989, at which awards will be presented for outstanding films about the Olympic movement, the development of mass sports, national competition and competitive sports.

Co-sponsored by the Chinese Olympic Committee and China's Film Import and Export Co., the festival will run from May 29-June 2. The festival will include feature films, documentaries and television productions.

The festival's organizing committee plans to invite world-famous sportsmen and women

and representatives from the international film industry to form the judging panel. ■

Subtropical Art Festival

Yunnan, a multi-national province in southwest China peopled by 24 ethnic groups, will hold its first nationalities art festival from September 24 to October 6.

The festival will feature:

■ Cultural, historical and natural attractions. Chinese and foreign visitors to the festival will have the opportunity to see the fossils of the ape and ape-man, ancient frescoes decorating cliff faces and 3,000-year-old copper drums. They will also see extraordinary sights and places rich with rare plants and animals.

■ Presentation of performing arts, graphic arts and folk customs. Songs, dances, music and operas infused with rich local colour will be presented and exhibitions of folk fine arts, handicrafts and costumes held. Visitors can join with the ethnic people in festival celebrations and in the traditional Mid-Autumn Festival.

Economic, technical and trade activities have also been organized to coincide with the festival. An exhibition will be set up to display the province's economic, scientific and technological achievements. About 7,000 industrial and transport enterprises will take part in the festival and offer Chinese and foreign investors the opportunity to co-operate in more than 1,000 programmes.

The festival's opening ceremony will be held in Kunming, capital of Yunnan. Other festival activities will also be conducted in Kunming, in the province's Dali Bai Autonomous Prefecture and the Xishuangbanna Dai Autonomous Prefecture. ■

Taking the Strain off Trains and Planes

With China's trains and passenger aircraft packed full, many travel organizations in the country's most popular tourist spots found it impossible to book tickets for foreign travellers earlier this year.

Tourists in Beijing, Xian, Guilin, Shanghai, Nanjing, Hangzhou and Guangzhou frequently had their schedules disrupted.

Perhaps this was not surprising: with the growth in the Chinese economy, internal travel increased by 19.5 percent in the first six months of 1988 compared with the first half of 1987. At the same time, co-operation between transport authorities and travel agents had badly been neglected.

To relieve the strain, various emergency measures were taken:

—The government's travel service department strengthened its links with the civil aviation and railway authorities to ensure priority booking for foreigners, overseas Chinese, and compatriots from Hong Kong, Macao and Taiwan;

—Peak season plane fares for

domestic travellers were increased by around 150 percent. In major tourist cities, Chinese travellers now pay the same amount as overseas visitors. As they formerly accounted for 85 percent of the passengers, and many have now switched to the train, so the strain on air travel has been relieved;

—The number of national and local conferences held in tourist centres has been curtailed.

As the state tourist department forecasts the number of overseas travellers will continue to increase, further measures to relieve over-congestion on China's transport network are being prepared:

—It is planned to buy 20 large passenger planes by early 1989;

—From the beginning of next year, extra soft seat carriages will be added to trains;

—Short-haul train services will be introduced and trans-provincial services reduced. In conjunction with this, tourist departments plan to set up new programmes involving less travelling to leave more time to visit places of interest. Because China is

so large, indepth tours of one region will hold greater appeal to many tourists than a hurried tour across the entire country.

—The modernization and expansion of travel facilities in 60 popular cities, most notably extending runways at Chongqing, Changsha and Shenyang airports to handle Boeing 747 jumbo jets, will be finished by the end of 1990.

by Han Guojian

Shenzhen to Open Its Largest Hotel

The Jingdu Hotel, the largest in Shenzhen, opened to business last June.

The hotel complex, located across from the Shenzhen Theatre, occupies an area of 54,000 square metres.

The Jingdu has 425 first-class rooms and more than 700 beds. It also has a ballroom, a recreation centre with sauna and gymnasium, and a multi-function hall equipped for simultaneous translation. Restaurants will feature local specialities, Western food and seafood including shark fins. The spacious grounds are well-suited for large conferences and cultural activities.

The hotel has first-rate communications equipment, including a computerized switchboard which permits direct long-distance dialling to places all over the world. Telex service is also available.

The complex includes a commercial centre with 27,544 square metres of office space; 9,000 square metres have already been rented out.

Construction started in 1984, with an investment of HK\$200 million (about US\$26 million). The partners in the joint venture are the Industrial & Commercial Bank of China (40 percent) and the China Food Co. (60 percent).

Li Rongxia

A direct flight from Beijing to Dunhuang was opened in March this year.

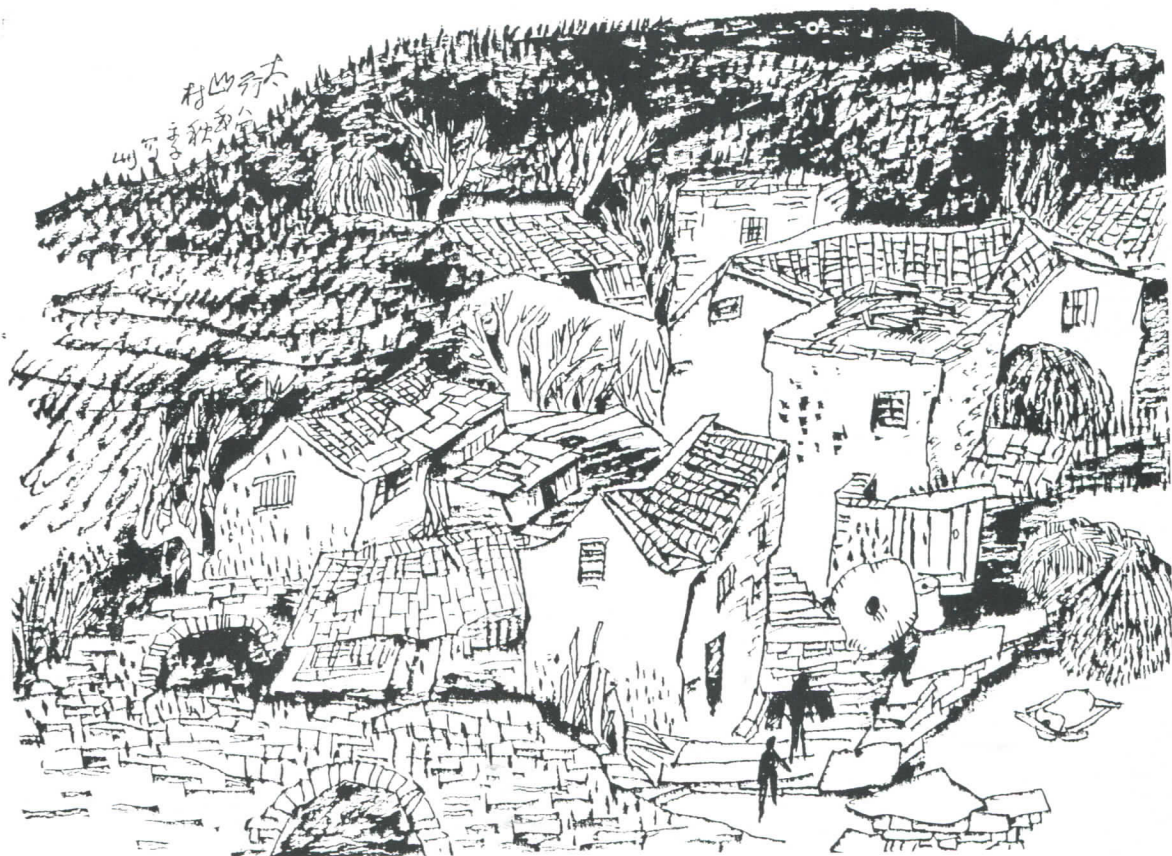
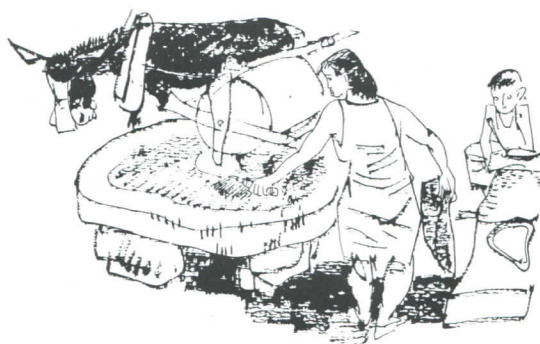
YU HUIRU



ART PAGE

Sketches by Li Zhuangge

Li Zhuangge, who was born in Qianan County in Hebei Province, now works at the Public Art Gallery of Qinhuangdao, also in Hebei. He made these sketches on a visit to the Taihang Mountains.



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