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Beijing Review

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SHARE SYSTEM FOR STATE ENTERPRISES

**State, Market,
Enterprise Relations**





Qigong—An Effective Treatment

Upper: In their qigong clinic, Wan Sujian and his students give Hao Jun a treatment of "Bagua Xundaogong." Hao Jun, who had suffered a fractured kneecap, has now recovered after 20 days of treatment with qigong, massage and acupuncture.

Below: Wang Xingang, a 12-year-old boy, had suffered from infantile paralysis shortly after he was born. He was bed-ridden and could not walk. After receiving a qigong treatment, his arms and legs could move involuntarily. Following two months' further treatment, Wang can now walk, and can even climb hills.

Photos by Li Jilu



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COVER: Beijing residents buying up
stocks. These were issued by the Ge-
neral Merchandise Stock Co. and
the Tianlong Stock Co. Ltd.

China's First Share Success

□ Since the Tianqiao General Merchandise Co. became the first state-owned company in China to issue stocks in 1984, success has been crowned with success. Retail sales have been risen dramatically, its business scope has expanded, and it has acquired a wide range of new buildings. But more significantly, the company's experience offers some useful pointers on how state ownership can be reformed across the country (p. 21).

The State, the Market and the Enterprise

□ China's reform programme aims at creating an economic system in which "the state regulates the market, the market guides the enterprise." Professor Wang Jiye, director of the State Planning Commission's Economic Research Institute, explains why this system is needed, what it consists of and how it can be successfully established (p. 16).

Crack-Down on Bribery and Embezzlement

□ Chinese society is threatened with crime that is breaking out in many fields. Ren Jianxin, head of the People's Supreme Court, and Liu Fuzhi, procurator-in-chief of the Supreme People's Procuratorate, both urged in their work reports to the National People's Congress that the campaign against crime be stepped up, demanding that more clout go into battling embezzlement and bribery (p. 5).

Li's Visit Boosts Beijing-Tokyo Ties

□ Premier Li Peng's visit to Japan will enhance bilateral ties and increase the scope of co-operation. Sino-Japanese relations have progressed smoothly despite some knotty issues remaining that require efforts from both sides (p. 4).

Unless written by Beijing Review staff, the opinions expressed in signed articles do not necessarily reflect the view of the Beijing Review editorial board.

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Plum and Cherry Jointly Blossom

by She Duanzhi

As spring returns to replace the ebbing winter, there is also a political and diplomatic spring warming up Sino-Japanese relations.

Following the conclusion of China's parliament last week, Premier Li Peng is set to pay an official goodwill visit to Japan from April 12-16. The visit is a reciprocal one for Japanese Prime Minister Noboru Takeshita's tour to China last August which was described as a success by both sides.

Political dialogue and diplomatic consultations between China and Japan have been established on a regular basis that have involved high-level official and non-governmental contacts and exchanges.

Economic exchanges between the People's Republic of China and Japan began in 1952, when the first non-governmental trade agreement was signed. Two decades later, in 1972, Sino-Japanese relations were finally normalized, followed by the signing of the Sino-Japanese Treaty of Peace and Friendship in 1978 that officially ended the hostilities during World War II between the two countries.

The guiding principles of the relationship have taken a down-to-earth and mature approach. The bases behind the healthy development of relations, despite some differences, have been established as peace, friendship, equality, mutual benefit, mutual trust and the building of a long-term, stable relationship.

In the past 15 years more than 100 Chinese cities have established sister-city relationships with their Japanese counterparts. Meanwhile, more than 10,000 Chinese students are studying in Japan and that number is increasing.

There are more than 1,000 Japanese students studying in China. Cultural exchanges have also seen marked progress. Growing numbers of Japanese are touring China while, in China itself, there is a Japanese-learning craze that reflects a growing interest in the archipelago country.

In economic co-operation, Japan has become one of China's major trading partners. Bilateral trade volume tallied up to more than US\$19 billion last year — the highest on record — and it is expected to break the US\$20 billion mark this year. This reversal of the downward trading trends of 1986 and '87 is a vital landmark. The number of Sino-Japanese joint ventures is also increasing.

These positive developments do not mean, however, that there are no obstacles ahead for the Sino-Japanese relations. One stumbling block concerns the attitude of the Japanese authorities towards Japan's war responsibility during World War II.

Some people in Japan obstinately refuse to admit that Tokyo's war was an aggressive one against China and other Asian nations, and some of these people even dream of remilitarizing Japan.

This tendency has been the source of conflicts over the past several years and, if unchecked, will continue to hinder the steady development of Sino-Japanese ties.

A second obstacle is concerned with the issue of Taiwan. There are some Japanese who still insist on there being "two Chinas," or "one China, one Taiwan." Some other people, though admitting that there is but one China, refuse to recognize that Taiwan is an inalienable part of China. They treat Taiwan as a state or a political entity. The unsettled Kokorio dormitory case is just one such example.

In economic and technological co-operation, there is still great potential to be tapped. For example, Japan falls behind other Western countries in technology transfer to China. Moreover, although Japan provides huge loans to China, its direct investment in China is still very limited.

Mutual visits are regarded as important channels to enhance mutual understanding and friendship, and solve bilateral problems. Premier Li's visit, in this sense, is sure to strengthen the momentum towards co-operative bilateral ties between our two nations. □

Thrift Begins In Parking Lots

There was a lot of talk at the National People's Congress (NPC), but the hard facts were bared in the parking lot out back.

A reporter from *Economic Daily* recently made an interesting survey finding out that of a total of 556 vehicles parked in front of the Great Hall of the People in Beijing, 495 cars, or 89 percent, were imported from foreign countries.

During the last minutes counting down to the deadline last March 26, a late motion squeezed into the dying moments by a group of deputies called for the suspension of the import of luxury cars for three to five years.

This urgent consciousness of China's spiritual decline in the face of material temptation became a nagging theme of the Second Session of the Seventh NPC, held from March 20-April 4.

"I don't think saving money honestly earned to buy a refrigerator and a colour TV set is extravagance. Current extravagance mainly refers to high consumption at public expenses, such as the construction of villas, sanatoriums and hostels and the purchase of luxury cars," Air Force deputy Jin Gong told a small group meeting.

This pursuit of extravagance, of showy wealth, has become a worrisome trend, he said.

"Hard-work and thrift leads to success while extravagance is doomed to failure," quoted Chen Futai, a deputy from Henan Province, from an ancient proverb.

This saying should provide good food for thought for all of us, he said while criticizing

a group of rural cadres for daring to apply for an enormous loan of 210,000 yuan to buy a Santana sedan car. This whole approach is a disaster, he said.

In his report on government work delivered at the session, Chinese Premier Li Peng called on the whole nation to practise thrift and live a plain life during the current period of government belt tightening.

While the report was being debated, many deputies expressed the belief that there should be emphasis on promoting the mentality of arduous struggle and plain living that will help unify the people's will and confidence to face difficulties in modernization.

This Yan'an spirit means being practical and realistic, self-reliance and hard work while serving the people with heart and soul and sharing the comforts and hardships of the masses, said Xi Zhongxun, vice-chairman of the Standing Committee of the NPC.

He said, we should not deviate from this spirit at any time. In promotion of this spirit, we should not merely depend on what we say to the people but set an example for others mainly by our own deeds.

Not only the governments at all levels, but also the common people of the whole nation, should be psychologically well prepared for keeping up with the government's austerity programme over the next several years, said Li Changchun, governor of Liaoning Province.

We should be careful not to stimulate people's desires of anything which is not realistic and available for the time being, he said.

The masses are not to blame

when they complain about a lot of things about reforms, Li Yining, a representative and an economist, said. It is natural that they grumble a lot of things when they take a fancy meal at home.

It is necessary to make the masses understand just how and why these difficulties have arisen from the process of reforms, said Li.

The austerity programme is by no means to lower the standard of living. It means only that reform will not bring in immediate and fast results. Great improvement of the people's lives will take longer time to be felt, Li added.

At a small group meeting held by the Shanxi deputies, Bo Yibo, a veteran revolutionary and a deputy, said that we have to save every penny for the country's construction.

China's population growth is too fast and the economic growth just cannot catch up with it. Therefore, both our country and our families will have to meet this condition by being hard working and thrifty. This is a characteristic of our people and we have to carry it forward not only for decades, but for centuries, said Bo. □

Crack Down On Grey Crimes

China's society is threatened with crime that reached into various sectors, said the head of China's highest court.

In his March 29 report to the National People's Congress (NPC), Ren Jianxin, president of the Supreme People's Court (SPC), urged the nation to sternly crack down on crime.

Ren reported that last year saw a 9.1 percent increase in



Top judge Ren Jianxin, head of the Supreme People's Court, makes his work report at the NPC in Beijing on March 29.

LIU JIANGUO

premeditated murder cases that reached the SPC. Robbery cases rose by 43.1 percent over 1987, and serious theft rose by 63.8 percent.

He also reported that 74,923 persons were sentenced for such economic crimes as embezzlement, bribery, profiteering, smuggling and tax-evasion.

One person, he said, illegally took 3.34 million yuan and another 12 nabbed bribes exceeding 10,000 yuan each.

Courts at different levels, Ren said, agreed to hear more than 55,180 cases of economic offences in 1988.

Crimes committed by juveniles have also been rising, said Ren. He added that a substantial proportion of serious criminal cases involve transients in big cities, the open coastal regions and along major transportation routes.

The SPC last year sentenced 111 embezzlers and bribe-takers to death or life imprisonment, and 5,642 to prison terms. Of the 5,642, more than half—3,754—were Party members.

"A main effort should be the battle against embezzlement

and bribery," he said while urging the campaign to focus upon this sector.

Meanwhile, Liu Fuzhi, procurator-in-chief of the Supreme People's Procuratorate (SPP) said that the courts have already been flooded with convictions in its stepped up campaign against cases of embezzlement and bribery cases.

Liu reported a large increase in the amount of money involved in these cases. Last

year, 122 cases that were handled involved from 100,000 to 500,000 yuan each, 22 cases involved from 500,000 to 1 million yuan, and 15 cases exceeded the 1 million yuan mark.

He said that most of the crimes occurred in work units engaged in banking, construction and material distribution. Nearly 70 percent of the embezzlers and bribe-takers were enterprise managers, factory directors, purchasing agents or persons in charge of financial affairs.

"Economic criminals are employing more sophisticated means and more cases have been reported in Sino-foreign economic activities," he reported.

Liu said that the top priority of the country's procuratorial offices since the NPC session last spring has been carrying through a crackdown on economic crimes. The SPP, he said, has stepped up its crusade against embezzlement and bribery after the country embarked on its policy to improve the economic order last autumn.

Last year, procuratorial off-

Being sentenced to death for murder, Li Dan, a former citizen of Shenyang, Liaoning Province, hears his sentence last August 5 while standing in the dock.

LI YONGHONG



ices examined more than 66,300 economic crime cases, an 11 percent increase over the 1987 figure. Of these, 65 percent involved embezzlement and bribe-taking.

Investigations have begun on more than 31,200 cases. More than 10,000 embezzlers and bribe-takers have been prosecuted.

In total, the SPP, China's legal overseer, handled more than 45,700 bribery and embezzlement cases last year.

That includes 2,900 cases involving more than 10,000 yuan, a 6.8 percent decrease from 1987. □

Shortage At the Pits

Li Wei, a 16-year-old student at Liu Yi (June First) Middle School, is grim faced as he strains under his short cropped hair doing his home work by flickering candlelight.

Not far away, there's Tian An Men Square. The very symbol and heart of the nation, like Li's bedroom, it is cloaked in a new darkness of yet another power cut. Never since the founding of New China 40 years ago has this world famous square seen darkness—until now.

Power cuts, blackouts, brownouts, now close down factories, even hospitals, and slow people like Li in their normal lives.

Coal shortages in China have seriously threatened the nation's economy and are behind the power cuts.

Since the later part of last year, the Ministry of Energy Resources, the State Planning Commission and the State Council have been flooded with requests for coal.

Zhou Xianggeng, director of the East China Electricity Managing Administration, said that last December, the daily power generating capacity of the area's power network was forced to reduce two million kw, simply because of its lack of coal.

During the first two months of this year, an average of about 1.28 million kw had to be cut of East China's daily capacity. In Shanghai, last December, coal reserves for power generating ran seriously short and China's largest city had only enough power for an average use of four hours a day.

In Northeast China, the Anshan Iron and Steel Complex consumes 13 million kwh of electricity everyday in production, of which 8.50 million kwh is supposed to be supplied by northeast China's power network. Only half of that required volume can be met, said Wen Shizheng, vice-governor of Liaoning Province. Lack of coal again.

At a press conference, the Minister of Energy Resources Huang Yicheng confirmed that last year, the coal industry shortchanged thermal power plants across the country by a total of 8 million tons of coal, or 3.5 percent of a total supply as planned for the power industry by the state.

Although Shanxi Province is famous for its abundance in coal resources, the Vice-Governor Wu Junzhou said at a recent national energy resources working conference that even his province lacks coal. Wu confided that he was worried about that an "energy crisis" possibly would be unavoidable after March.

Why is the lack of energy resources so serious? Is there anything wrong with production in the energy industry?

Minister Huang said that during the Sixth Five-Year Plan period (1981-85), average energy output rose by 6.1 percent. And a steady growth of the yield continued during the Seventh Five-Year Plan period (1986-90).

In 1987, total output of energy of standard coal reached 900 million tons, of which raw coal production attained 928 million tons, ranking third in the world. The output of crude oil production reached 134 million tons, bringing China's rank to fifth in the world. Electric generating capacity at the same time reached 497 billion kwh, ranking fourth in the world. China is the world's third largest producer and consumer of energy with the United States and the Soviet Union in the lead.

In 1988, total output of energy resources was 920 million tons of standard coal, an increase of 2.2 percent over the preceding year.

One of the most important causes of the coal shortage and other energy resources, specialists believe, has been imbalances in China's economic growth. Various industrial development has been disproportionate with the result that state economic planning got out of hand.

The development of the country's energy resources industry has always lagged behind the more rapid development of other industries. In recent years, the over-developed processing industries and township industries have far outstripped the growth of the energy industry and that gap between them is still widening.

The average total output value of the industrial and agricultural production from 1986 to 1987 has increased more than 14 percent while the annual average increase of raw

energy output was only about three percent, despite strong state investments aimed at balancing the growth of energy production, according to the Ministry of Energy Resources.

Cutbacks in funds will further keep the energy industry behind. Investments for expanding the coal industry were planned at 198 million yuan for 1988-1990. In fact, the State Planning Commission can now afford only 124 million yuan. That means no more new coal mines will be put into operation until 2000.

One further problem specialists believe among others is the transportation of coal. Even with good coal production there would still be difficulty in delivery.

Not long ago, about 300 government leaders and specialists gathered in Beijing to ponder a way out of this Chinese "energy crisis." They held that increased priority funding should go to the energy industry before any others.

At a national coal board meeting, Premier Li Peng urged coal miners to help China overcome its difficulties by safely striving to increase coal production to one billion tons this year.

by Li Xingjian

Patronage Scam Enrages Farmers

In a Sichuan county, 150 tons of fertilizers were resold 26 times before it actually got to the farmers. The price, however, had been jacked up from 446 yuan per ton to 765 yuan — 70 percent over the intended market price.

Another investigation in Guangdong Province showed that 60 percent of the fertiliz-

ers that the state had supplied for farmers had been sidetracked and resold for private profit in 1987.

Last year, according to a survey on illegal fertilizer deals in 15 provinces, the total amount going to these profiteers was more than 42 million yuan.

When panic set in after tens of thousands of peddlers, speculative companies and even government institutions were found with out-stretched hands demanding gifts for the "goods," the state was forced to resume its monopoly last January 6.

Despite the best of government intentions the fertilizer war has become even more entrenched with the pork barrel.

About 40 percent of the 1,280 ton state supplied chemical fertilizers in Kaifeng, in China's central province of Henan, has come


onto the black markets with official assistance since last January, said the *Economic Daily*.

Many farmers who are eager to topdress their greening winter crop fields have to buy the precious stuff from profiteers at doubled prices, it reported.

The paper's expose showed the Kaifeng Farm Materials Company, one of the authorized suppliers, just couldn't deliver fertilizers to local farmers after receiving more than 650 "special request notes" from government officials requesting "official releases." As a result, 40 percent of the supply have gone through the "back door" since

— Another decimal added to the set price after an "back door" transaction.

Price:

5000  YUAN

by WU ZONGMIN



by WEI QIMEI

January, leaving many farmers out in the cold.

One of these "special notes" the company received was from a district discipline inspection committee that requested three tons of fertilizer for the relatives of one official.

The rub came later when the company discovered that the official's relatives needing the

three tons of fertilizer had only two-thirds of a hectare of land.

Greed and black markets are behind the fertilizer shortages which carry on despite the state monopoly over it. The *Economic Daily's* reporter counted an average of 100 speculators on the fertilizer market, reselling their goods on a daily basis since February 10.

One poor farmer who had no access of any sort to government officials had to pay 875 yuan per ton for fertilizer, which he should have paid the listed price of 464 yuan for.

"I've seen some state-supplied stuff before. But I've never got any," said Li Shuan-shu, a farmer who had to trek 30 miles to the market.

"You just can't do without connections in the state monopoly. The (planting) season won't wait for you. So I can do nothing but pay high price for it here," he added.

China is the largest chemical fertilizer producer in the world with an annual output of more than 80 million tons. The state also imports a great quantity, about 15 percent of its total consumption.

Yet fertilizer, "the food's food," which is taking on increasing importance as farm land continues to dwindle, has remained a commodity in short supply.

Knowing of the shortage, farmers can't help but asking just where the officially-priced fertilizer has gone to.

Something is fishy. They know the state has forked out large amounts in subsidies for fertilizer production to balance out fertilizer costs to support grain production.

Farmers have blasted government, wanting to know just where that fertilizer—the state produced, sold and priced stuff — has gone to? They

want to know why there's only the "back door" black market stuff that's sold at much higher prices?

Wheels started turning after State Councilor Chen Junsheng telephoned Henan provincial government leaders March 7, demanding that the officials involved in Kaifeng's case be punished so as to allow farmers to have some protection and faith in grain growing.

The *Economic Daily* reports which printed some of the "official notes"—not yet daring to go so far as to name names—did list a number of the units involved, gaining much public support in the process.

But an auditor, He Jiankui, from Lixian County, Gansu Province, was outraged, saying the report impaired local government's prestige.

With corruption chewing into China's agricultural policies, the nation waits for its leaders to take measures that will clean up this mess. □

HK Reporter Refused Entry

Entry refusal for Chuang Szu-ming, a correspondent of the Hong Kong based *Cheng Ming* magazine, and the turning back of printed materials carried by Emily Lau and five other Hong Kong residents were decided in accordance with law, said officials from China's Public Security Ministry and Tianjin Customs on March 29.

A leading official from the Entry and Exit Bureau of the Public Security Ministry said that Chuang was convicted of document forgery during his visit to the mainland in 1985 and was sentenced to two years of imprisonment by the Inter-

mediate People's Court of Beijing. He was released in September 1987 and went back to Hong Kong after that.

Chuang was refused entry on March 28 at the Tianjin airport after he flew in from Hong Kong with Emily Lau and five others, the official said. The decision to refuse his entry was made in line with the Provisional Administrative Regulations on Chinese Citizens Going to and back from Hong Kong Area or Macao Area for Private Affairs, that refuse entry to those believed to have the possibility of engaging in criminal activities. "All countries in the world restrict the entry of certain individuals for the sake of national security and interests," the official argued.

Chuang's publication *Cheng Ming* is one of the main magazines, including *China Spring* and *The Nineties*, that are seen as dangerous to China and banned at all customs check points.

The official pointed out that cases of entry refusal, like Chuang's case, are very few.

He stressed that mainland's current regulations concerning the entry and exit of Hong Kong, Macao and Taiwan compatriots remain unchanged and government departments concerned will continue to facilitate their entry and exit.

Tianjin Customs also prohibited and returned printed materials found in the luggage of the Hong Kong group.

Nearly 2,000 copies of the "declaration on democracy and human rights," "a petition," and "an open letter to the National People's Congress," had been found in the luggage of Emily Lau and five other Hong Kong people.

An official from the Tianjin Customs said that the customs

decided to turn back the printed materials carried by Lau and others since it was exceeded an amount to be used for their personal use.

The official argued that the country's customs regulations limit the amount of printed materials allowed to be carried by individuals, or sent in through the postal system. Volume is limited to what customs officials believe is for personal use and is subject to customs inspection and approval.

The customs allowed Lau's group to bring into China an amount of printed materials they had determined was within the scope of personal use, the official said.

After arriving in Beijing, the Hong Kong group was informed by telephone, on early morning of March 29, of the Tianjin Customs' decision, he said. □

Li: Confident of China's Reform

Chinese Premier Li Peng expressed once again that he himself and Chinese government are confident of the future of China's reform and opening to the outside world. He said that the problems that have cropped up "in the process of progress and development" can be overcome.

Li made these remarks at a press conference on April 3 in Beijing. Li and vice-premiers Yao Yilin, Tian Jiyun and Wu Xueqian answered 27 questions, including human rights, democracy, authorities' responsibility, the controversial Three Gorges Project, Taiwan issue and some other hot issues.

Beijing Review is to publish the main contents of the conference in its next issue. □

Weekly Chronicle

(March 26-April 1)

POLITICAL

March 29

□ China's NPC refuses to grant special pardons to prisoners on the occasion of the 40th founding anniversary of the People's Republic, nor does it think necessary, says Wang Hanbin, vice-chairman of the NPC Standing Committee. Talking about China's granting amnesty to war criminals in the past, Wang says, that was given to those who had turned over a new leaf in life, and was in line with the country's specific conditions then.

March 31

□ One chief obstacle to Beijing holding talks with the Dalai Lama is that members of the Dalai Lama's delegation are all members of the "Tibetan government in exile," says Ngapoi Ngawang Jigme, vice-chairman of the NPC Standing Committee. The other problem is that the delegation includes a "legal advisor," who actually is a foreigner. Ngapoi says that the central government will not talk with members of the "Tibetan government in Exile", or foreigners since the Tibet issue is China's internal affairs.

ECONOMIC

March 30

□ China will punish officials who fudge with national economic and social development statistics in a nationwide drive starting in April, according to a joint announcement by the State Statistics Bureau, the Ministry of Supervision and the Bureau of Legislative Affairs of the State Council. During the three-month survey

(from April to June), special inspectors will check out all statistics concerning 1988 grain's production, farmers' incomes, industrial output, investments in fix assets, hotel and government building projects, price index as well as institutional purchasing power.

SOCIAL

March 30

□ Temperatures with the sea level are rising in most ocean areas of China, according to a spokesman from the National Bureau of Oceanography. By the year 2000, the level of sea water along the Chinese mainland, especially in the areas along Guangdong, Guangxi and Hainan provinces, is estimated to rise by more than 4.8 cm.

FOREIGN RELATIONS

March 30

□ The foreign ministers of China and Mongolia express their optimism, in their talks, about furtherance of bilateral relations between the two countries. Mongolian Foreign Minister Tserenpiliin Gombosuren arrives in Beijing for a five-day official visit to China. He is the first Mongolian foreign minister to pay such a visit to China since the two countries established diplomatic relations 40 years ago.

March 31

□ A Chinese training ship, "Zhenghe", commanded by Vice Admiral Ma Xinchun, naval commander of the North China Sea Fleet of the People's Liberation Army, leaves its base in Qingdao, Shandong Province for an official visit to Hawaii. It is returning an earlier visit by three ships of the US Pacific Fleet to Qingdao in 1986. □

Qian Qichen on China's Foreign Policy

On March 27 Chinese Foreign Minister Qian Qichen answered questions on China's foreign policy and international issues at the press conference held by Yao Guang, spokesman for the Second Plenary Session of the Seventh National People's Congress.

by Our Staff Reporters Li Rongxia and Yang Xiaobin

Sino-Soviet Summit

Asked whether any agreement or treaty will be signed at the Sino-Soviet summit in May, Qian Qichen said the significance of the Sino-Soviet summit does not lie in the signing of any agreement but in the normalization of relations between China and the Soviet Union which is conducive to peace of Asia and the world.

Leaders of the two countries will focus on issues of normalization, thus ending a past era and opening up a future one.

Some results have been achieved in removing the three obstacles, he said, but "they haven't been totally eliminated yet."

Kampuchea will be a key topic during the Sino-Soviet summit. A successful outcome of it is dependent on the results of it.

There is still a long way to go before the three major obstacles are really eliminated, he added.

Mikhail Gorbachev has been invited to visit China by President Yang Shangkun. Therefore, talks between the



Chinese Foreign Minister Qian Qichen fielding questions at a March 27 NPC press conference.

two countries, China and the Soviet Union, will be held.

He also said that the coming meeting between Gorbachev and General Secretary of the Chinese Communist Party Zhao Ziyang is "logical" as both are Party leaders.

However, in answer to another question, Qian said that differences between the two Parties are not likely to be eradicated.

No meeting is scheduled between the Chinese and Soviet foreign ministers before the

Sino-Soviet summit, he said.

Kampuchean Issue

When asked what specific actions China wants the Soviet Union to take towards a complete withdrawal of Vietnamese troops from Kampuchea, by a reporter from the Hong Kong-based Far Eastern Economic Review, Qian expressed the belief that the Soviets can do something in this regard.

"We believe that the Soviet Union is in a position and has

the responsibility to continue its efforts towards a complete withdrawal of Vietnamese troops from Kampuchea and a political settlement of the Kampuchean issue," Qian quoted Premier Li Peng as saying in his Report on Government Work.

Qian gave a definite negative answer to an Australian Broadcast reporter's question as to whether China is prepared to send peace-keeping troops to Kampuchea after Vietnamese forces withdraw.

China stands for sending international peace troops to Kampuchea to supervise the general election and peace there, but the matter should be considered only after the political settlement on Kampuchea is concluded.

If forces are sent, he added, it is better that they be mobilized through the United Nations.

He said that the problem now is that the Vietnamese authorities oppose the proposal of sending peace troops after the peace agreement is concluded.

"We support Prince Sihanouk's request for military aid from the United States, and we also appreciate the US aid given to the Kampuchean resistance forces," Qian said in response to a question from a *Time* reporter who sought China's comment on the issue.

The international community should strengthen support to the kampuchean resistance forces so as to pressure Viet



Taiwan's reporter Hsu Lu putting a question to Foreign Minister Qian Qichen during the NPC press conference.

Nam to pull out all its troops from Kampuchea at an early date, Qian said.

Sino-US Relations

When US President George Bush visited China, he did not mention the human rights issue, but one of his quests, Fang Lizhi, was prevented from attending an official dinner of his. A VOA correspondent asked, "Is this right to an old friend?"

Qian replied that human rights are protected by the law and at the same time they are restricted by the law. If somebody violates the law, he must take legal responsibility. If someone destroys others' security, then this will not be allowed. French ideologist Montesquieu said: What is freedom? Freedom is the right to do things allowed by the law.

Qian said that relations be-

tween China and the United States has progressed smoothly over the decade since the two countries resumed relations.

"We hope that Sino-US relations will further progress smoothly in the next decade in a new pattern," he said.

China and the United States should work together to increase their mutual trust and reduce troubles in the coming decade. He said that the incident involving Chinese astrophysicist Fang Lizhi was "only an episode" and it was already over.

But he added that those in the United States who support Chinese who were dissatisfied with the Chinese government are not working towards favourable Sino-US relations.

He also described US Congress' debate on China's population policy as being "ab-

surd." If the US population were five times the present size, American congressmen would think otherwise, he added.

There is great potential and bright prospects for the development of Sino-US relations. The key is to increase mutual trust while reducing the troubles between them like Fang Lizhi incident.

Sino-Japanese Relations

Sino-Japanese relations have steadily developed on the whole, but some questions repeatedly come up, Qian said.

The questions at issue are of two types. One is about the attitude on the part of some Japanese towards the nature of the Sino-Japanese war. Some Japanese want to deny or tone down their responsibility for the war. The other concerns the Taiwan issue. The acts on the part of some Japanese concerning the Taiwan issue contravene the spirit of the Sino-Japanese Joint Communiqué.

These are questions that we should constantly be on guard against and prevent, Qian added.

Also, Qian confirmed that Premier Li Peng will soon make a return visit to Japan to hold talks with Japanese Prime Minister Noboru Takeshita on international problems and bilateral relations. The Chinese premier will also contact with the Japanese people of all walks of life for an exchange of views on strengthening co-operation.

Asia-Pacific Situation

"Normalization of diplomatic relations between China and Indonesia has been politically settled," said Qian in response to reporters.

ponse to reporters.

The talks between him and his Indonesian counterpart in Tokyo in February have settled all but technical questions towards the normalization of diplomatic relations between the two countries, Qian said. These will be worked out in future discussions.

Qian has rejected the building of a collective security system in Asia. "It's not appropriate to build a collective security system in the Asia-Pacific region," said Qian in response to a Hungarian reporter's question on whether China considers it necessary to follow the Europeans in setting up a collective security system.

There is a vast difference between Europe and Asia, he said. Most countries in Europe are developed ones, whereas most Asian nations are developing ones and they differ from one another in the degree of economic development, political system and cultural background. Also, he noted, in Asia there is no confrontation between the two military blocs that characterizes the European security scene.

Sino-African Relations

Answering a Japanese reporter's question, Qian said that the so-called African students incident is actually a question of campus disorder, a case among the youngsters. It should be handled by educational means.

Qian said that there is no racial discrimination against Africans in China. But, he said, we should let the youngsters, both Chinese students and foreign students studying in China, know what is right for them to do and what is

improper.

The foreign minister said that the Chinese government will not change its foreign policy towards African countries. China will continue to uphold its stand of supporting African countries in safeguarding their national independence, developing their national economies, and promoting cultural and economic exchanges with African countries.

Hong Kong Citizen's Right of Residence

In response to a Hong Kong reporter's question on Hong Kong people's right of residence, Qian said that the Sino-British joint communiqué has already decided those eligible for British nationality. This is the concern of Britain and the British side does not want to see many Hong Kong people get residence in Britain.

Taiwan Issue

Qian referred to Taiwan's recent pulls at "elastic diplomacy" as attempts to seek political gains through developing economic and trade relations with foreign countries and to create "two Chinas," or "one China, one Taiwan."

The so-called "elastic diplomacy," said Qian, contradicts Taiwan's own repeatedly stated position of there being only one China and runs counter to the wishes of all the Chinese people for reunification.

Qian urged the Taiwan authorities to adopt a firm and clear position on the "one China" principle and on Taiwan's reunification with mainland. "About this, there is no elasticity to speak of," Qian said.

Qian said that the Chinese

government has no objection to Taiwan developing economic and trade relations with foreign countries but it is opposed to Taiwan's development of official or diplomatic relationships.

These official or diplomatic ties between Taiwan and foreign countries represent an attempt to create the reality of "one China and one Taiwan" and run counter to the desires of all the Chinese, said Qian.

Commenting on a mutual beneficial relations act between the Philippines and Taiwan being examined in the Philippine Parliament, the foreign minister said that the act runs counter to the principles laid down in the Sino-Philippine Joint Declaration on the Establishment of Diplomatic Relations and also violates President Aquino's No. 313 directive.

Tibetan Issue

In response to a reporter's question on the European Par-

liament's resolution on the Tibet problem, Qian said that the recent Lhasa riot is not a human rights issue, but only an attempt by a few separatists to provoke riots to split up the country. The riots undermined public order, damaged property and killed people.

Dealing with the Tibet question is entirely China's sovereign right. We need no foreign parliament to discuss this issue and we will not allow others to intervene in China's internal affairs, Qian said.

Qian said that some Americans know little about the Tibet question but hold a strong prejudice on the issue. This prejudice, which is further away from truth than ignorance, has developed to the extent of interfering in China's internal affairs.

Different Situations, Different Ways

When asked whether China should learn from the Soviet Union in political restructur-

ing, Qian said that conditions in the Soviet Union are different from those in China and what is applicable in the Soviet Union may not be applicable in China. Political reform and human rights cannot be separated from specific conditions of the countries involved.

Even the United States, for example, has not signed some international convention on the protection of human rights because the American government and some Americans think that some clauses run counter to America's laws. □



Human Rights Abuse or Prejudice?

by She Duanzhi

On March 16, the US Senate and the European Parliament each passed a resolution on the so-called Tibet question, which condemned the recent use of force by China in Tibet and the alleged human rights violations there.

The resolutions were in response to the imposition of martial law in Lhasa by the Chinese government on March 7 and the crackdown on a March 5 riot created by a few separatists, which resulted in

11 deaths and more than 100 injuries. Rioters destroyed or damaged many stores, government institutions, schools, vehicles and other public facilities during these disturbances.

The incident speaks for itself. Martial law was used with the aim of protecting social order and security rather than to suppress human rights.

If this action had not been taken, both the people's lives and property would have suffered even greater losses while the recovery of peace and or-

der would have been even more difficult.

What are the alternatives if any other country were in China's shoes? In 1970 Canada imposed martial law across its entire dominion after only two kidnappings. China only imposed emergency law, after several deaths, and only in a single city, Lhasa.

Beijing's image to the US and European legislators who passed the anti-Chinese resolutions, is one of a nation that hates the concept of human

rights. "Communist China" is often synonymously used for dictatorship and the suppression of freedom and human rights.

These critics therefore instinctively sympathized with Tibet's rioters and associated the violence there with human rights struggles. Since they believe the Chinese government arbitrarily treads on human rights in Tibet, they have to play the role of "saviours" to the Tibetans.

These charges can be regarded as being founded on ignorance and prejudice towards the People's Republic of China, and can be traced back to professional slander from those hostile to China.

Since the founding of the People's Republic, especially since the start of the open door policy in late 1978, China has achieved remarkable progress in economic and political reforms, and socio-economic developments that include the improvement of human rights.

In the case of Tibet, a brief review of its recent history reveals it as a society of serfdom, an autocratic area before 1959, when the democratic reforms were started. Serfs were often deprived of even their basic rights of life and survival. Where were human rights back then?

After these reforms, the central government adopted a preferential policy towards Tibet's development which greatly advanced the economy, society and culture of the autonomous region.

In one case, the central government allocates about 500 yuan for each Tibetan as financial subsidy each year. This is a much higher figure than that for the rest of the country. Furthermore, more than 60 percent of officials at Tibet's provincial level are Tibe-

tans or people of other minority nationalities.

It is well known that during the Cultural Revolution (1966-1976), Tibet, along with other parts of the country, greatly suffered from the ultra-left line which brought destruction to religious freedom, minority rights and production.

However, it is important to note that Tibet was not the only victim and that the wrongs were soon corrected after the Cultural Revolution. Since then, national policies and regulations have truly been restored.

It is hard to imagine how the United States would react if the state of Alaska or any other American state rose up to demand independence from the Union while other nation's parliaments passed resolutions to encourage the rebels.

Do unto others what you would have them do unto you. Let's live and let live. Aren't these the beliefs of many Americans?

A handful of Tibetan separatists chose to resort to violence for so-called "Tibetan independence." However, violence deprived them of the people's sympathy.

Even their leader-in-exile, the Dalai Lama, disapproved of their action. He was reported to have called upon Tibetans to keep restraint. Meanwhile, the Central government has repeatedly stated its willingness to talk with the Dalai Lama if he gives up his stand for Tibetan independence and works for the unity of all the nationalities of China.

Peace and development have become extremely urgent for Tibet just as they have for the world. The best way to help develop Tibet's economy and raise its standard of living is through providing it with a

stable environment.

Violence is not conducive to the interests of the Chinese people, and that includes the Tibetans. Even in Western countries, just as in China, protests and demonstrations must proceed peacefully — otherwise, they will be stopped or suppressed. □

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The State, the Market and the Enterprise

by Wang Jiye

One of the major goals of China's programme of reform is the creation of an economic system in which "the state regulates the market, the market guides the enterprise." In this essay, I offer an attempt at explaining the content of such a system. But first, to gain an understanding of why China needs such a system, it is necessary to examine the seven major issues which form the backdrop against which national economic policy has to be seen.

1. Population: Between now and the end of the century, China's population will grow by 200 million people. This growth increases demands for food, especially grain. But since the record harvest of 1984, when output per capita reached 400 kg, grain production has stagnated. The difficulties have been further exacerbated by the expansion of residential and industrial areas which has led to a decrease in China's total cultivated land.

Clearly, to meet the needs of the growing population, agriculture has to be vigorously developed. As the only way of resolving this problem is increasing per-hectare yield, this demands increased spending on agriculture—which in turn runs up against the problem of China's limited funds.

Consequently, of all the problems facing economic development, it is the population issue which stands head and shoulders above the rest.

2. Surplus rural labour: By the year 2000, agriculture will have shed an estimated 160-180 million workers. But where will they go? Present policy aims at concentrating surplus rural labour in the industrial, commercial and service sectors of towns and small and medium-sized cities. To continue this in the long term will require enormous investment.

3. Ageing: China's 1982 census revealed that 4.9 percent of the population were aged 65 or over. Today, the figure has reached 5.5 percent, and estimates for the end of the century put it at 7 percent, with over 10 percent aged over 60. Supporting the ageing population is going to put further demands on China's economy.

4. Low productivity, uneven development: Over the last 40 years of Chinese history, various disparities have emerged both across the country and between different sectors of the economy:

—While China's coastal regions are relatively advanced, the inland areas remain backward. The eastern provinces are where industry is most developed. However, they lack natural resources. The central provinces contain the country's principal energy and raw material bases, but despite being the key areas for state investment their industry lags behind the east. The west abounds in natural resources, especially nonferrous metals and water, but both its industry and agriculture are backward. Its transport and communications networks are also

poor. Balancing the economic interests of these three parts of the country is a major problem of development, but there is no possibility of overcoming the overall imbalances in the short term.

—Compared with industry, agriculture is backward. On a per-worker basis, there exists a great disparity between the fixed assets of agriculture and industry. This largely explains why agricultural productivity remains far behind industry and why farm produce is far cheaper than industrial output (the "scissors price difference"). Future economic reforms must concentrate on closing the gap between these two sectors.

—While some sectors of Chinese industry are up to world standards, large parts remain backward. Again, it is hard to envisage this situation being reversed quickly, and it adds to the difficulties of economic development and technical transformation. National technological policy should aim at devoting most attention to accelerating the development of traditional industry and technology while ensuring the country's advanced industries remain at the head of their respective fields.

5. Changes in the structure of ownership: Recently, the system where most industrial and commercial concerns were owned by the state with a relatively small collective sector has given way to the coexistence of a multiple economic sectors which also include private business, individual business, joint ventures with for-

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eign companies, etc.

At the same time, within state-owned companies there has been a change in management practices, with the delegation of power downwards through the contract management system replacing the former system of direct management by the state.

Large state-owned enterprises are now both the main source of state revenue and the major producers of commodities. Through the contract responsibility system they are responsible for their own profits and losses. This means, however, that to a large extent they shoulder the important task of regulating national economic activity and determining national economic development. They also have a role in ensuring the stability of the market. Ensuring they perform all these tasks correctly should be one of the major targets of reform.

6. By the end of the century, China will still be at the stage of possessing an underdeveloped commodity economy. Its markets will still require further expansion and im-

provement.

At the present time, a large number of goods produced in China are not commodities. In the countryside, for example, farmers consume a large part of what they grow. It is estimated that only 50-60 percent of grain and cash crops are bought and sold on the open market. In cities, there is plenty of room for greater division of labour and specialization in the work place—not just in production but also in service trades.

It should be noted that the use of a market mechanism in China has to be viewed in the light of national conditions. One of the main reasons that markets function efficiently in the West but become distorted and ineffective in China is that here the commodity economy remains underdeveloped. To allow markets to function properly there is only one solution: expand them.

7. The open policy and China's shortage of foreign exchange.

For China to alleviate its shortage of foreign exchange, efforts must be redoubled to

expand exports. The current pattern of exporting large quantities of primary goods and few processed items has to be reversed.

Attention must also be paid to the management of foreign loans. Over the last few years, China's overseas borrowing has expanded fast. During the early 1990s, the country will face a peak repayment period, and care will have been needed to avoid a net outflow of capital. Consequently, the scale of new loans has to be carefully controlled and the open policy promoted vigorously.

These seven points constitute the foundations for all considerations of economic development and reform. Any programme of economic development and reform has to take them into account, and thus to a large extent they actually determine the kind of operational mechanisms that have to be adopted in China.

State and Market

How does the state regulate the market and the market guide the enterprise? Or, to put the question another way, how does a "planned commodity economy" operate?

First, the state remains the main planning body. It regulates the market through administrative means. Of course, at the same time it pays attention to feedback from the market, noting trends, helping to establish and expand new markets, providing economic and technological information, aiding sales and services and organizing horizontal economic associations. Its basic point of departure should be the maintenance of an approximate balance between supply and demand. This requires the state above all to concentrate on the creation of a suitable

Market prices go on display of Hefei's Bashang Street Market Administrative Centre.

LU XUNCHENG





Silk clothes from Shenzhen's Shekou Huasi Stock Company destined for sale in Hong Kong, the United States and Europe.

LIU YUSHENG

economic environment for the expansion and improvement of the market. Therefore, it must be capable of:

■ *Curbing inflation:* In the first three quarters of 1988, China's national retail price index soared 16 percent (compared with 8.8 percent in 1985, 6 percent in 1986, and 7.3 percent in 1987). In 32 larger cities, the rate was even higher: 28 percent. The government has now adopted a series of measures to reduce inflation—an absolutely necessary measure.

In the past, covert inflation existed in China, but because of price controls it did not manifest itself. With the deregulation of prices for certain goods, this hidden inflation emerged into the open. But, whether covert or overt, inflation's origin lies in the fact that demand comfortably outstrips supply. By the end of 1987, reserve social purchasing power stood somewhere above 360 billion yuan, to which could be added about 100 billion yuan of personal cash savings. In 1988, the actual money supply far exceeded the target laid down in the

state plan, and combined with the money already in circulation exerted enormous upward pressure on prices.

Analysis has revealed, however, that the disparity between supply and demand is not the only cause of China's inflation. There is also the rise in costs stemming from the pursuit of high-speed economic development and the contradictions that have emerged between the continued existence of some parts of the centralized economic system and the new, market-oriented one. To control inflation, it is necessary to adopt a policy of deflation and introduce further reforms aimed at removing the contradictions caused by the coexistence of the old and new economic mechanisms.

■ *Controlling economic growth:* China's overrapid growth in the last few years has inevitably caused shortages of various commodities. To realize the goal of state regulation of the market, it is imperative to establish an appropriate growth rate and stick to it, particularly as regards industry. From the long-term point of view, establishing

growth rate targets should take the following factors into consideration:

First, a suitable growth rate ratio should be established between agriculture and industry. Judging from the experience of many countries at the initial stage of industrialization, a suitable ratio would be 1:3. At the intermediate stage, the industrial share drops and the ratio closes to 1:2-2.5. At the last stage of industrialization, it drops still further to 1:1.5-2. From 1953-78, China's ratio was 1:3.9. The burden of this overrapid industrial development was born by agriculture. With the accelerated agricultural development of 1979-84, the ratio improved to 1:1.3, but from 1985-87 it worsened to 1:4. Industrial growth was obviously too high.

Second, the industrial growth rate must be related to China's foreign trade. During the first half of 1985, the central authorities had to readjust the rate of economic development because of foreign trade problems. It discovered that the higher the rate of industrial growth, the faster foreign exchange reserves diminished. Why was this? At present, 30-40 percent of China's consumption of rolled steel comes from abroad. Its reliance on imports of zinc and rubber is even higher, and a large part of its demand for the raw materials of chemical fibre has to be imported. Clearly, the higher the speed of industrial development, the more the country has to import, and the more severe becomes the shortage of foreign exchange.

Clearly, in formulating its strategy of development, China has to consider its ability to earn foreign currency through trade. Exports, however, cannot sustain China's current rate of growth. The

economy has to be cooled in order to create a more relaxed market environment.

■ *The money supply:* Markets need money to operate, but in order to curb inflation, the money supply must be strictly controlled. But what is the correct amount of money to have in circulation? Here China is faced with several possible choices:

1. The standard international formula used in the West, i.e., growth of money supply = economic growth rate + inflation rate. This is inappropriate for China at present because it is tantamount to admitting inflation cannot be controlled.

2. Growth of money supply = economic growth rate. This formula ignores inflation, but it results in oversqueezing the money supply and thus restricts economic growth too much.

3. Growth of money supply = economic growth rate + structural price rises (i.e., commodities with state set prices).

4. Growth of money supply = less than economic growth

rate + structural price rises.

Of these four, the last seems most appropriate for China.

■ *Interest rates:* Using changes in interest rates as an economic lever has not been too successful in China. Last September, to stop people withdrawing their savings and spending them on consumer durables, interest rates on savings accounts were raised to stop their value being eaten away by inflation. Although this measure achieved its aim, the returns still do not keep pace with inflation. The question now is whether the current negative interest rate should be turned into a positive one gradually or at one fell swoop. If it was raised in one step then the interest rates on loans would have to follow, which could cause difficulties for many enterprises. Therefore, the step by step approach seems preferable.

While inflation is being curbed, the interest rate lever should be used differently in different circumstances. Rates should be set at one level for fixed asset construction and another for working funds,

one level for productive projects and another for non-productive, one level for basic industrial projects and another for non-essential ones, and so on.

One problem with using interest rates as a lever is they sometimes have little effect. Whereas in the West a 1 percent rise marks a significant change in the economic environment, when China pushed rates up 5 percent people still continued to borrow freely. Clearly, further work must be done to make this economic lever effective.

■ *Readjusting the structure of industry and markets:* The problem of demand outstripping supply is not the only factor straining markets in China. Another one is the very irrationality of the market structure itself. For example, housing, public transport, students and retired people are all heavily subsidized. Therefore, when people get a rise in income the money is always spent directly on consumer goods and other luxuries. To improve the economic environment, the market needs further guidance. This calls for measures such as the commercialization of housing and the introduction of a stock system. These would absorb surplus income, cutting and rationalizing consumption, and redirect it into production and construction.

As this involves linking income, consumption, production and investment together into a unified overarching structure, it would obviously be an immensely difficult task to achieve, although the benefits would also be correspondingly large.

The principal task for the state is, if it is to succeed in its task of regulating the market efficiently, to ensure suitable

Market information in Mouping County, Shandong.

LI JIN



arrangements that can be made to handle the features mentioned above. With them in order, all other aspects of the economy could be freely and unproblematically regulated through the market.

Market Guidance

In order for the market to guide enterprises, it must be open, competitive and set reasonable prices. Presently, China's markets do not meet these conditions adequately. What is required is the establishment of a full market system including commodity, capital, technology and labour service markets. But, they are not likely to be formed at the same level and over the same period of time.

Currently, the consumer goods market is comparatively open and developed and a capital goods market has begun to take shape. But the capital, labour service and real estate markets are all at the embryonic stage. As of yet, they cannot be expected to guide enterprises.

Geographically, China has three markets. First, the relatively developed market of the coastal regions. Here the conditions are relatively good for the state to regulate the market and the market to guide enterprises. Second, there is the market of the interior regions, less developed than on the coast. Third, there is the international market, which China has had to face since the introduction of its open policy. These three markets coexist, intersect and interact with each other.

The original idea in the development of China's markets was to allow the coastal regions to take the lead along the path of allowing "the state to regulate the market, the mar-



Action at the booming Chongqing Stock Exchange.

LIU SHILIN

ket to guide the enterprise." But this demanded reasonable prices as signals for the enterprises. As price distortions have still not been rectified, the signals have been inaccurate and the profits not entirely reflective of economic performance. If investment was to continue on the basis of the present market, economic deviation would result. (Of course, investment should not be made solely in accordance with market signals—the development of the national economy should also be taken into consideration.)

In order for an enterprise to be guided by the market, it has to possess independent management, which includes assuming sole responsibility for its profits and losses and an ability to develop and restrain itself according to the circumstances. With sound management and a well-developed external market, enterprises should be able to advance and compete with each other on equal terms.

The existence of a system in which the state regulates the market and the market guides the enterprise can be summed up as involving a state macro-

control mechanism, a market mechanism and enterprise mechanism. How to co-ordinate these three mechanisms is the major issue remaining to be resolved.

The Linchpin

The key to the establishment of China's new economic order lies in the market: the key to the market is price. The principal difference between China's old centralized economy and its newly emerging commodity economy lies in the existence of markets and regulation through the market. Markets were totally excluded from the old system.

In the new economic system, enterprises are the main body of the market. They produce commodities to meet market needs, and indeed it is only as such producers that they can be independently managed and assume sole responsibility for their profits and losses.

In the past, economic management consisted of the state directly running enterprises. Under the new model, the state only manages enterprises indirectly. The difference between the two lies in the existence of a market—it is

through the market that the state indirectly manages the enterprises.

How far and effective both the replacement of the old economic system with the new one and evolution of a new method of managing enterprises depends largely on the development of the market. China's reforms will all sooner or later return to markets and prices. For example, the contract responsibility system now being implemented cannot bypass the questions of markets and prices. Theoretically, the enterprise contract system is a mixture of both the old system and the new system: the amount of goods or revenue a company has to turn over to the state is the result of administrative bargaining and so is not based on market princi-

ples. But when the market environment reaches the stage where enterprises compete with each other, there will be no need for them to bargain with the state.

In the future, it is possible that this contract system may evolve into a share system which similarly cannot sustain without reasonable market growth and prices. At the moment there is a stock distribution system in place in China, but there is no market where stocks can be transacted. Without a stock exchange, it is unlikely a full stock system could be maintained. But if there was a stock exchange, then it would have to be accompanied by stock prices, floating exchange rates and the establishment of a financial market.

However, as we look at reform in China, we always come up against the issue of markets and prices: price reform cannot be bypassed. With serious inflation, price reform cannot be carried out at the moment. As price reform involves an all-round readjustment of the country's economic structure, even under better economic conditions, it would still be a risk-filled undertaking. All the same, the Third Plenary Session of the 13th Central Committee of the Communist Party of China put forward the guidelines for price reform. And without price reform and without the growth of the market, the establishment and operation of a new economic system will prove to be unlikely. □

China's First Share Success

Since the widespread implementation of the contract and leasing systems in Chinese enterprises, more than 6,000 companies (most of them collectively owned) have gone a step further and experimented with the introduction of a stock system.

by Our Staff Reporter Li Rongxia

The first to do so was the Tianqiao General Merchandise Co., which after 21 years as a highly successful state-owned enterprise, issued 3 million yuan's worth of shares in July 1984. Since then the company has achieved remarkable results: its capital stock has risen from 1.632 million yuan to 9.8 million yuan, its annual sales have grown from 27.77 million yuan to 87.78 million yuan; and its annual profits have increased from 1.96 million yuan to 4.95 million yuan. The total profits accumulated in the last four years now stand at 13.5637

million yuan, and 15.04 million yuan has been handed over to the state in taxes.

At the same time, the company's business scope has expanded. It has built a wholesale department store selling general merchandise, household electric appliances and non-staple foodstuffs, two other department stores, one non-staple food shop and one food grain shop, four new warehouses and a hostel—raising the value of its fixed assets from 730,000 yuan to 1.4 million yuan.

It has also established business links with other compan-

ies and businesses across China, helping to organize the National Xinxing Market Development Federation, the National Large and Medium-Sized City Department Stores Federation and the Beijing United Commercial Corporation.

Pointers to Reform

Tianqiao's experience offers some useful pointers towards the reform of state ownership of enterprises. One of the major defects with state ownership is that property rights are unclearly defined. Superficially they rest with the state—the

representative of the whole people. But in practice, as the state is responsible for managing all aspects of society, it cannot fulfil its specific functions as the owner of any particular enterprise. Consequently, no one is genuinely responsible for ensuring that enterprises continue to develop and add value to their property.

One of the aims of economic reform is for enterprises to become distinct legal entities, with their property rights clearly defined. However, the contract and leasing systems implemented over the last few years have not addressed the issue of property relations. As a result, deciding contract quotas has usually been a process of endless bargaining between the state and enterprises.

The introduction of a stock system should make it possible to define property relations

clearly, decide how profits and interest payments can be distributed, weaken administrative interference, raise levels of self-motivation and raise the capacity of enterprises to develop themselves. It is because of this that 6,000 companies have already decided to sell shares.

Because China's commodity economy is still young, many of its markets, especially its financial markets, remain underdeveloped. As a result, experiments with the stock system also remain at the exploratory stage.

Tianqiao decided to become China's first issuers of stock in 1984 when the focus of reform moved from the countryside to the city. One of the major reasons the decision was taken was the company's success: its annual sales value and profits had risen 21 times between 1953 and 1984. But, because of the limitations of China's cen-

tralized economy, this money could not be used to increase either Tianqiao's fixed assets or circulating funds. It was principally to raise extra capital that the floatation went ahead.

With no predecessors to emulate or experience to draw on, Tianqiao set about assessing the value of its fixed assets itself. Figures were drawn up using the company's accounts and existing use values and then submitted to municipal financial and taxation departments for approval. These valued the company's fixed assets at 737,000 yuan and circulating funds at 895,000 yuan—1.632 million yuan altogether. Based on this sum, it was decided to issue 3 million yuan's worth of stock.

The shares were sold to the state, the public and other companies—Tianqiao did not retain or buy any itself. Today, Tianqiao's capital of 9.8 million yuan is divided between 2.4 million yuan owned by the state and 7.4 million yuan held by its 130 other shareholders. So far, all its shares are permanent and secret, although the company intends to add registered shares later this year.

Tianqiao's shareholders include workers, intellectuals and individual households. Some young people bought them out of curiosity—to get a taste of what it feels like to be a shareholder. Most buyers, however, say they bought the shares because the dividends and interest they earn are far higher than the returns on a bank savings account.

Following the floatation, Tianqiao's management and ownership became clearly separated. The state's former responsibility for profits and losses was shifted to the company. Its board chairman

Shares issued by the Tianqiao General Merchandise Stock Co. Ltd.



Zhang Jibin became both Tianqiao's legal representative and the representative of the state's stake (although the State Assets Administration Bureau, set up last year, is expected to assume this latter responsibility some time in the future).

Some companies, such as the China Jialing Industry Stock Co., do own some of their own stock. Any dividends and interest payments its shareholders receive from the company are retained and can be reinvested in the company. Economic circles in China still do not agree whether state-owned enterprises should be allowed to own shares in themselves.

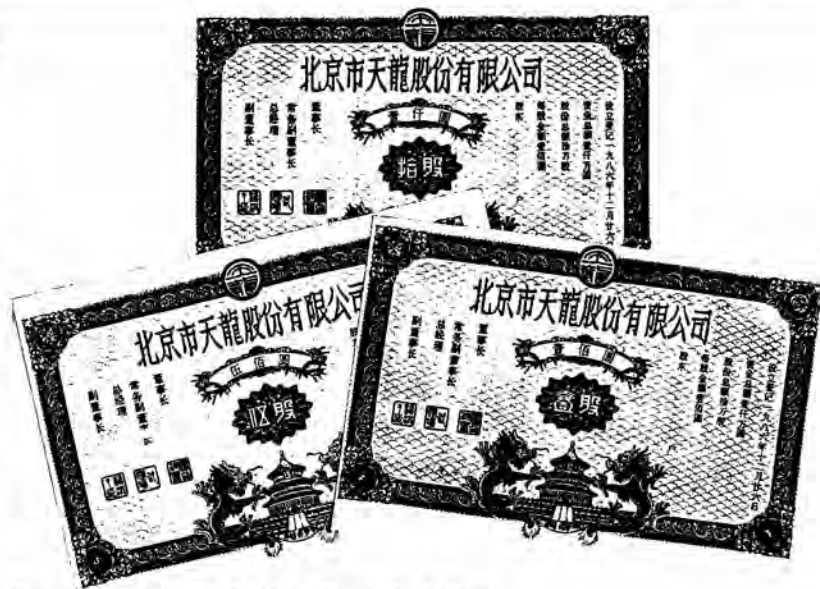
With shares now starting to flow into Chinese society, stock exchange markets have appeared in some major cities such as Guangzhou, Shanghai and Shenyang.

Answerability

Some people have voiced fears that the introduction of stocks would force state-owned enterprises to change their nature. But as Tianqiao's history reveals, such worries are groundless: public ownership remains dominant.

Although the state only owns 24 percent of the stock issued, it is the biggest single shareholder. The other shares were divided into two categories—enterprise capital shares and individual capital shares—with each public shareholder limited to a maximum holding of 2 million yuan.

The company is managed through the general manager responsibility system under the leadership of the board of directors. The board members are elected by the shareholders every five years. Shareholders emerged after the formation of the board of



Shares from Beijing's Tianlong Stock Co. Ltd.

directors, Zhang Jibin, the board's first chairman, is also the state share representative. Although the minority is subordinate to the majority at the annual board meetings, no disputes have yet occurred, and no conflicts have occurred between public and state shareholders. It is widely believed that once the board's first five-year term of office expires, its members will all be re-elected.

Managerial powers have expanded with Tianqiao's transformation into a stock company. Speaking in his capacity as the board chairman, Zhang Jibin said, "Under the old system, the authorities always led management by the nose. Now, with ownership spread among many shareholders, administrative interference has visibly weakened. Furthermore, because the company has assumed sole responsibility for its profits and losses, and is in turn answerable to the shareholders, as general manager I not only have greater decision-making powers over matters such as property and appointing or dismissing cadres, but I feel a heavy pressure and sense

of responsibility in keeping Tianqiao successful."

Dividends

One feature of the stock system is it integrates the interests of the state, the enterprise, the employees and the shareholders. Everyone has an interest in the development and growth of Tianqiao—particularly the shareholders, who frequently write with suggested rationalizations or inquiries as to how their company is faring.

Dividends are paid out to all shareholders equally, with payments sent out at the end of each year. Interest is paid before tax, and the dividends afterwards. The interest on the shares is the same as on one-year fixed bank deposits, and is adjusted whenever the bank interest rate goes up or down.

After-tax profits are distributed 10 percent to the board of directors' fund for paying for the annual meeting, printing publicity, etc., 45 percent to the enterprise fund (which is in turn divided between 20 percent to the enterprise development fund, 20 percent to the employees' reserve insurance,

30 percent for bonus payments and 30 percent for collective welfare), and the final 45 percent for dividends.

Both the state and public owned shares receive the same dividend. Between 1984 and 1987, every 100 yuan share received a 15 yuan annual dividend. Last year, it rose to 15.5 yuan. Since the floating of the stock, dividends of 1.9383 million yuan have been distributed, with state picking up 820,000 yuan. However, as Tianqiao does not own any shares in itself, the state's dividends are retained by the company's enterprise development fund. This can be invested in fixed assets but cannot be used as circulating funds.

In order to foster initiative among the workforce and break with egalitarianism, staff are paid according to the principle of more work, more money. Wages are tied to indi-

vidual economic performance—both in terms of quantity and quality. To prevent conflicts of interest with the shareholders, there has been no indiscriminate issuing of bonuses or goods since 1984.

Problems

The remarkable economic results Tianqiao has achieved over the last four years can mainly be attributed to the decision to sell company stocks. The money raised could not have come from anywhere else, while it also meant formerly idle social funds were put to work. The company has now become a genuinely independent economic entity, solely responsible for its profits or losses, and, with its own interests to care for, it has grown more self-motivated and eager to develop better managerial techniques. At the same time, with the interests of the em-

ployees and shareholders closely bound together, there is greater enthusiasm on display both on the shop floor and in the steady flow of suggestions on how to improve business.

But despite the success of Tianqiao, many experts assert that many problems remain unresolved before the stock system can be widely implemented across the country. For example, it is still unclear, as mentioned earlier, who should be the shareholders in state-owned enterprises. Then there are the issues of to whom stock should be issued, whether dividends should be distributed in the same way, and how tax rates should be unified. All these points need to be clarified through the promulgation of laws and regulations. If they are not, then popularizing the stock system will prove impossible. □

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A Village by the Lhasa River (V)

In Xiangga, villagers welcome the government's policy of promoting religious freedom. At the same time, their new prosperity allows all of them, with the exception of a few poor families, to enjoy religious rites and ceremonies on a more lavish scale.

by Our Staff Reporters Yang Xiaobing and Zhang Wei

In Tibet, almost everyone believes in religion. Xiangga is no exception. Our visit coincided with Tibetan New Year, which this year fell on February 7. Bright new banners and flags were strung across all the village roofs, each one made of five colours: blue at the top symbolizing the sky, then white for clouds, red for fire, green for water and, at the bottom, yellow, symbolizing land. Together they represent the boundless universe under Buddha's control. According to tradition, all families exchange their old banners for new ones before New Year. The bright and colourful banners decorating Xiangga revealed its thriving religious life.

Local Party secretary Qiangba Cicheng and Caigongtang Township head Jimei Pingcuo say Buddhism dominates all the ceremonies held for festivals, birthdays, weddings and memorials to the dead. Now the people of Xiangga have become relatively affluent, they spend a fair share of their money on religion—unlike in the past. Generally speaking, the amount spent is in direct proportion to a family's income.

This year, Ciren Wangjie's family, one of the village's wealthiest, was the first to exchange their old banner for a new one. Ciren says his family now eats much better than his lord did before 1959. During our visit to his home, we saw a

small room on the second floor filled with beef, mutton, pork and trotters hanging from the roof.

There are six people living in Ciren Wangjie's home: himself, his wife, their daughter, their son and daughter-in-law, and his wife's uncle, 68-year-old Qiangba Wangdui. Qiangba is a quiet figure. He was once a lama in the Sera Monastery, one of the most famous monasteries around Lhasa. Now he leads a secular life, but he remains a pious Buddhist. To earn a living he does various odd jobs for the Lhasa Municipal Goods and Materials Bureau. As he gives no money to his niece, he spends almost all his monthly wages on Buddhist activities.

Like all the other houses in the village, Ciren Wangjie's home has special niches filled

with Buddhist statues and photographs of the 10th Bainqen and 14th Dalai Lama. Lined up in front of the niches are a row of silver and copper bowls. Wherever you see these bowls, their number is always a multiple of seven. They contain water offerings to Buddhist deities, and are refilled every morning by the mistress of the house.

According to Tibetan tradition, the 8th, 15th and 30th days of each month in the Tibetan calendar are considered particularly auspicious. New Year and other religious festivals always fall on these days, and to celebrate them and honour Buddha, families burn incense and butter lamps all day long. Although the price of butter has increased several times in recent years and now costs 20-30 yuan per kg, all the

Township leaders visit Chilie Zhuoma, one of the poorest people in Xiangga.





Former monk Qiangba Wangdai.

families in Xiangga—except for the two poorest ones—always light their butter lamps on time and never allow them to go out before the proper hour.

Recollecting the past, Qiangba Wangdai says that during the ten years of the “cultural revolution” (1966-76), temples and monasteries across Tibet were destroyed. No one was allowed to burn butter lamps.

Whoever believed in religion was regarded as feudal-minded and superstitious—both of which counted as crimes. Qiangba Wangjie had some Buddhist statues and scriptures left from when he was a Lama. He threw some of them into the river and hid the rest up a nearby valley.

The “cultural revolution” also remains fresh in the mind of 63-year-old Suolang Luobu. Before 1966, he

says, although people’s living standards were not as high as now, they enjoyed freedom of worship. The “cultural revolution,” however, changed all that. Cadres warned people if they participated in religious activities they would face criticism. Many old people turned to burning incense in secret, as we could see from a blackened old cabinet in Suolang Luobu’s home.

Now the villagers of Xiangga say they are satisfied with China’s present policy of religious freedom. They can visit nearby monasteries, or invite Lamas to hold religious ceremonies within their homes at family weddings and funerals. In general, the young are also interested in religion as the old. One young man named Qiangba said even if all he had was one lump of butter, he would use it to light a long-burning lamp.

As Xiangga has no monastery of its own, the villagers often travel to Lhasa or other nearby places for Buddhist ceremonies. The government’s allocation of funds for the restoration of the Jokhan, Sera, Gahdan, Daipung monasteries and other religious sites has

aroused great interest. Over the past ten years, the government has allocated more than 36 million yuan to renovate temples and monasteries destroyed during the “cultural revolution.” Today, Tibet has 1,140 monasteries and other religious spots.

Gongtang Monastery, reputedly 800 years old, lies ten kilometres east of Xiangga Village. Standing 30 metres long, ten metres high and divided into three spacious and magnificent sections, it was destroyed by local young Tibetan rebels during the “cultural revolution.” Its clay statues of Buddhist figures were smashed and the roof collapsed. As a result, its exquisite frescoes painted hundreds years ago were on the brink of being eroded by the wind and rain. Immediately after the “cultural revolution,” however, villagers from Caigongtang Township contributed money for the monastery’s renovation.

We were shown around Gongtang by an elderly lama. About one-tenth of the roof has been replaced and many of the Buddhist statues have been repaired and reinstalled. Although people in the neigh-

A local lama (left) tells leaders from Caigongtang Township how the Gongtang Monastery was destroyed during the “cultural revolution.”



bourhood can attend some small-scale religious ceremonies in the monastery, it is still clearly in need of much more work. Qiangba Cicheng, the Party secretary of Caigongtang Township, says the task of completing the renovation stands high on the township's agenda. Already they have asked for permission and funds from the government to begin further restoration soon.

In Xiangga, there are some people who don't believe in Buddhism. Li Jinyong is one of these. He is a Han who 20 years ago married a Tibetan named Luobu Quezhen. "I don't care whether my family or others are Buddhists or not, but I don't believe in it," he says. Yet while he talks, a craftsman can be seen at work on a new family banner in his courtyard.

We never forgot the village's two poor families, and so we asked the township Party secretary, township head and village head if we could go and see them. Unexpectedly, they did not turn down our request.

Two years ago, these two families lived in adobe houses, but now they share a house built by the township. Al-

though the roof is comparatively low, about 2.3 metres high, its walls are built from stone and look solid. Their old houses have been converted into stables for animals, with cow dung lumps as fuel stuck on the walls.

One of the house's inhabitants is Chile Quzhen, a 56-year-old deaf mute. We removed the lids of her *zhongmus* (basket-shaped grain containers) and saw they were full of wheat and highland barley. Chile Quzhen patted the *zhongmus* and gave us a thumbs-up sign and a smile. On a pillar in the middle of her room hangs a photograph of Chairman Mao commanding the Red Army in the 1930s. In one corner are photographs of the 10th Bainqen and 14th Dalai Lama in a mirrored frame. Before them stood a butter lamp, unlit because no festivals were then in progress.

Another inhabitant is Chile Zhuoma, 65, who was a slave until 1959. She says the government gives her free grain and electricity. The only blemish on her life is she lacks enough money to buy tea, meat, butter and *zanba*, the Tibetan staple food. Her home also has

a picture of Mao, and a line of copper bowls with water offerings stands on a typically Tibetan cupboard. Inside, however, there is no statue of Buddha.

A different kind of person altogether is Langjie Zhuoga, 44. She was among Xiangga's earliest Communist Youth League cadres and later joined the Communist Party. Once the township's accountant, she now runs a sweet milk tea house where she sells steamed beef buns. Being the only restaurant in the village, business is brisk. Inside we saw yet again a picture of Mao. It hung on a pillar in the middle of the room surrounded by a silk *hada*. When we asked her if she was a Buddhist, she answered embarrassingly that although she joined the Communist Party nine years ago, it was hard for her to say that she was an atheist. As almost every one in the village believes in Buddhism, has a statue of Buddha and burns incense, she would have been the odd one out if she didn't follow suit—and her business might suffer.

Among the all Buddhist niches we saw in Xiangga, Langjie Zhuoga's was the most exquisite. It stands on a waist-high Tibetan-style cupboard in one of the corners of the room. Carved from wood, it measures one metre long and 60 centimetres high, and is decorated with lacquer designs in gold, silver, red and green. To have it made, Langjie Zhuoga paid 800-900 yuan. Even in Lhasa this kind of niche has only appeared recently because of its high expense.

When we asked why she hadn't used the money to improve the facilities of her tea house or decorate its rather faded facade with an eye-catching sign, Langjie Zhuoga looked at us uncomprehending—she seemed not to understand why it might be worth doing these kind of things. □

Customers drink milk and chat on the doorstep of Langjie Zhuoga's tea house.
YANG XIAOBING



Wang Danfeng: A Shanghai Screen Star

by Our Staff Reporter Lu Yun

Wang Danfeng is more than a domestic film star. In 1985, she was invited to the United States to attend Ronald Reagan's presidential inauguration. And one year later, the US Senate and House of Representatives asked her back again to celebrate the president's birthday and first year in office.

Wang began her film career in Shanghai, her hometown, in 1941. In 1948, she moved to Hong Kong for a short period. On her return to the mainland, she became one of the leading actresses in the Shanghai Film Studio.

During her career, Wang has made many memorable films. In *The Nurse's Diary*, shot during the 1950s, she played a young Shanghaiese woman who goes to work in China's border areas to support the Communist cause. In *Woman Hairdresser*, made in the 1960s, she portrayed a woman who breaks free from the bonds of feudal ideology to become a social worker.

She has also acted in films adapted from classic works of Chinese literature, such as *Peach Blossom Fan* and *Family*, both of which opposed feudalism and promoted patriotism. During the late 1970s, she acted the leading role in *Jade Green Butterflies*, a film extolling Sino-Japanese friendship.

Many of Wang's relatives, friends and former colleagues now live in the United States, Canada and Hong Kong. After being separated from them for three decades, China's open door policy has finally made it possible for her to reconnect them.

After attending President Reagan's inaugural ceremony at the White House in 1985, Wang and her husband took the oppor-

tunity to tour seven cities across the United States. Friends and relatives found to their pleasure that Wang, already more than 60, was in glowing health and radiated vigour. Indeed, with no wrinkles on her smiling face, she looked 20 years younger than her real age.

For Wang, one of the great pleasures of the trip was the enthusiasm of many American Chinese for her films. With the help of the Chinese Embassy, many of them succeeded in contacting and meeting her.

Wherever Wang went, people recognized her. In a shop in New York's Chinatown, the proprietress carefully looked her up and down. Recognizing her immediately, she was so overcome that she shook Wang's hands for several minutes while asking her a whole series of detailed questions. The woman, originally from Taiwan, said she had loved Wang's films ever since her childhood and still kept photographs of her. She said *Quiet Riverside Grass* (in which Wang acted) was one of her favourite films, and promptly sang its title song. To round off the meeting, the woman insisted on having her picture taken alongside Wang.

Coming out of the shop, Wang walked into an old man. Like the proprietress, he recognized her immediately. After a short chat, he said she was still as beautiful as ever. Also from Taiwan, the man said meeting Wang was like running into an old friend. Moved by these encounters with Taiwanese compatriots, Wang said she hoped to meet more people from the island in the future.

As well as return visit to the United States in 1986, Wang's other overseas trips have included visits to Japan and Singapore

as a member of the China Film Delegation and the Shanghai Film Star Art Group, as well as several visits to Hong Kong to see friends and relatives. As China has opened up over the last ten years, many people have also come to see her in Shanghai.

Wang plays an active role in many organizations. She is a council member of the Chinese Film Artists' Association and a member of the Women and Children Committee of the Shanghai-Hong Kong Economic Development Association, and belongs to the Dadi Cultural Society, a group comprised of people from Shanghai's film, opera and art circles. She is also a director of the Yingxing Guesthouse, a joint venture between the Shanghai Film Art Centre and a Hong Kong company.

Wang often hosts public shows organized by Shanghai TV and the city's factories, docks and harbour companies, where she has always been well received.

All these activities help keep Wang's life rich and colourful in her mature years. At the same time, she regards them as an ideal way of discovering more about society.

Wang likes to talk about her happy family life. In the early 1950s she married Liu Heqing, a close friend in the film industry. He now works for the Shanghai Huaqiao Cultural Co. Their three daughters have long since grown up. The eldest studies international trade in Japan, the second is a worker in Shanghai, and the youngest is now in the United States studying art.

Despite her age, Wang would like to continue acting. But what worries her at the moment is the dearth of good screen-plays. Given a free choice she said she would like to play either a doctor or a teacher in her next feature. □

Behind the 'Petty Action' of Some Americans

JINGJI CANKAO
(Economic Information)

At the press conference held in Beijing on March 27 for the Second Plenary Session of the Seventh National People's Congress, a Voice of America reporter asked Chinese Foreign Minister Qian Qichen why Chinese astrophysicist Fang Lizhi had been prevented from attending a banquet held by US President George Bush during his recent visit to China. He suggested this incident would be unfavourable for the development of Sino-American relations.

Qi's answer was considered very clever. He said this matter was "only an episode, and was already over." But, added the Chinese foreign minister, there were always some people in the United States who liked to support those Chinese who were not satisfied with the Chinese government. Qi said it was this kind of "petty action" that was unfavourable for the further development of the Sino-US relations.

What is implied by this kind of American "petty actions?" A close analysis reveals three things.

First, the spectre of hegemonism has always lurked in the minds of some Americans. Indeed, hegemonism is a traditional characteristic of the United States. Over the past 100 years, these insufferably arrogant people have continually used American muscle to boss others around. They have striven their hardest to get their hands on the "vital organs" of other countries and then make them act in accordance with America's will. This time, some Americans, showing a total disregard for diplomatic etiquette, revealed their hegemonistic psyche by inviting Fang Lizhi to attend a banquet at which the Chinese

president and premier would also be present.

Chinese senior leader Deng Xiaoping recently said that although the Chinese people have already stood up, there remain people who want to bully us. These people, in my view, include those Americans who wish to make other countries operate in accordance with their own will.

Second, China will never allow itself to be trodden upon again. Since the founding of the People's Republic in 1949, China's history of being trodden upon, dismembered and made to swallow various insults has been rendered a thing of the past: it will never return. Countless facts have proved that all pressure on China, whether from the east, west, south or north, has ended in failure. Nobody can underestimate the importance of this development, which has nothing to do with Chinese magnanimity and the demeanour of the ruling Party. But, those who don't understand the times we live in can only harvest their own bitter fruits.

Relying on foreign forces as a source of strength is an inherent part of some people's psychological makeup. From the Qing Dynasty (1644-1911) to the present day, some people have depended on foreigners to win promotion or get rich. Others have relied on them to secure fame. Foreigners and such Chinese people have worked together for their own ends and benefit. But they have damaged China. With the changing times, their methods have altered, but the substance of their psychological dependence on foreigners has not. With the implementation of the open policy, such people will appear from time to time. And we should not forget them in our efforts to observe social phenomena. This is

the third point we should draw from the incident involving Fang Lizhi and the obstruction some Americans claim prevented him from attending the aforementioned banquet.

(March 29, 1989)

Workers' Enthusiasm Blunted

ZHONGGUO XINWEN
(China News)

A survey conducted by the All-China Federation of Trade Unions (ACFTU) shows that only 12 percent of the employees in the study considered that they have been giving full play to their initiative. The investigation was conducted among over 210,000 workers in 400 enterprises in 17 cities. The evidence indicates that there is a huge potential of employee enthusiasm which has gone untapped.

Many state-owned enterprises have management problems, and this throws a wet blanket over the workers in production. The state policy offers more advantages to township enterprises than to state-owned ones where the wages of workers are not linked up with enterprise performance. During readjustment of the pricing system, some state-owned enterprises gain, but others lose. In some cases, there is a six- or seven-fold difference in pay for two workers who do the same amount of work.

In addition, undemocratic practices and discrepancies that exist in reform of the labour system have also exerted an adverse influence on employees' enthusiasm for work.

(January 4, 1989)

CORRECTION:

In the article titled "Deng Xiaoping on Peace and War" in our last issue, the second paragraph in the right column on page 16 should read, "East-West, between the socialist countries and the monopoly capitalist countries, with the relationship between the two superpowers being the most outstanding."

Sino-EC Symposium on Law, Investment

More than 700 representatives—almost half of them from European Community countries—turned up at Beijing's Sheraton Great Wall Hotel recently for a joint Sino-EC symposium on the Legal and Practical Aspects of Investment in China.

The symposium included an introduction to China's investment law and investment environment, and then divided into four groups to discuss issues such as China's legal and judicial structure, intellectual property rights, the transfer of technology and dispute arbitration.

Many of the European representatives, who included lawyers, businessmen and international traders, also gave talks about the legal and business practices of their own countries.

Since 1979, China has passed more than 260 laws and regulations concerning foreign economic business and trade. They include:

- Sino-Foreign Joint Venture Law (1979).
- Overseas Economic Contract Law (1981).
- Foreign-Funded Enterprise Law (1986).
- Law Concerning Enterprises of Sino-Foreign Co-operative Management (1988).

Some of the other laws passed relate to overseas business, tax regulations, customs, trademarks, patents, control of foreign exchange, bank credit, import-export management, labour management, foreign permanent representative organizations and China's special economic zones. Currently, the country's foreign trade law, maritime law, nego-

tiable instrument law and company law are being drafted.

China now has more than 200 law offices employing more than 1,000 lawyers in Beijing, coastal port cities and the special economic zones.

According to Qi Ruiqing, deputy director of the Department of Treaties and Law at the Ministry of Foreign Economic Relations and Trade, the government protects foreign investment in China through its own laws and by signing bilateral agreements and becoming party to international treaties.

Since 1981, China has signed 22 bilateral agreements aimed at encouraging and protecting investment with other countries, including eight EC members. It has also become party to the Convention Establishing the Multilateral Investment Guarantee Agency, and the government hopes that approval will soon be given for China to sign the Washington Treaty (the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States). Qi said this would help provide the legal framework for settling disputes between the Chinese government and foreign investors in China.

As China's investment environment has improved over the last few years, so foreign investment in China has risen. Last year, 5,890 foreign-funded enterprises involving more than 50 countries and regions were given approval for establishment in China—164 percent more than in 1987. Among them, 410 were wholly foreign-owned enterprises.

Pledged investment totalled

US\$5.2 billion (42.4 percent more than in 1987), of which US\$2.4 billion was actually invested (up 12.8 percent on the previous year).

EC investment in China now stands at US\$1.8 billion, making it the fifth biggest overseas investor after the United States, Japan, Hong Kong and Macao.

State Councillor Wang Fang said at the symposium that the State Council has a foreign investment work group responsible for guiding and coordinating China's programme of attracting foreign capital. Already it has drafted the State Council's Provisions to Encourage Foreign Investment, whose major points include:

- Expanding local powers to examine and approve foreign-funded projects, including extending the range of processing projects that can be approved at local level.

- Encouraging foreign investment in export-oriented and technologically advanced enterprises by offering them preferential treatment such as reduced labour costs and site use fees, and tax reductions or exemptions.

- Increasing efforts to ensure foreign-funded enterprises have the necessary operating and production conditions and do not face administrative interference.

- Ensuring foreign-funded enterprises have their decision-making powers fully protected by China's laws and can manage their companies according to international norms.

- Asking governments and departments at all levels to simplify their procedures and raise efficiency so as to provide better services for foreign-funded enterprises.

by Han Baocheng

Large Fines for Faking IBMs

Five Shenzhen companies have been fined 662,696.35 yuan for assembling and selling fake IBM computers.

Shenzhen Baohua Science and Technology Development Partners Co., Shenzhen Chaoqun Scientific and Technological Co. Ltd., Shenzhen Zijin Electronic Industries Co. Ltd., Shenhan Electronic Technology Co. Ltd. and Shenzhen Micro-Computers Ltd. were all found guilty of infringing IBM's exclusive right to use its registered trade mark.

Li Jizhong, director of the Trademark Office at the State Administration for Industry and Commerce (SAIC), said the five companies had bought 347 unassembled fake IBM computers from traders in Hong Kong. The computers were then assembled and 223 were sold for 3.23 million yuan.

When it discovered the violations of its trade mark, IBM filed charges with Shenzhen's Administration for Industry and Commerce, which then conducted an investigation.

Li said the fine imposed was the legal maximum and the companies had been ordered to remove all fake IBM trade marks from their computers and destroy all packaging marked with the logo.

Wilson S. Wang, deputy chief of IBM China Corp., praised the prompt handling of the case. He said it was the first action IBM had taken in China to protect its trade mark.

In the corporation's experience, he added, when countries were prepared to protect trade marks with the law, they encouraged investment from large companies like IBM. He also disclosed that IBM would

increase its investment in China because of the successful outcome of the case.

Wang said IBM had found violations of its trade mark and copyright in other areas, especially concerning computer software. He hoped the Chinese government would pass a copyright law as soon as possible to protect corporations like IBM.

Following the settlement of the IBM case, Gan Guoping, SAIC's deputy director, said the practice of manufacturing poor-quality goods and then selling them with fake trade marks was rampant in China.

He said SAIC was paying

great attention to the problem, and cited the successful prosecution of cases involving fake Sharp radio cassette recorders and imitation TDK and Sony audio and video tapes. He added that China's Trade Mark Law needed further strengthening and stronger powers of punishment.

Since the introduction of the Trade Mark Law in 1983, applications for registration have increased rapidly. By the end of last year, 15 percent of the 210,400 registered trade marks were for foreign companies, mostly from the United States, Japan, Britain, the Federal Republic of Germany, Switzerland and France.

by Li Ping

Tianjin to Host Power Show '89

Power '89, China's International Electric Power Exhibition, has been scheduled for September 4-9 in Tianjin. Vice-Minister of Energy Resources Shi Dazhen announced recently at a press conference in Beijing.

Organized by the Ministry of Energy Resources, the China Electricity Council and Hong Kong's Coastal International Investment Co., one of the show's main aims is to encourage Sino-foreign technical exchanges and economic co-operation. Invitations will be sent to energy administrators, engineers and entrepreneurs from both China and abroad.

Shi said that although China's energy output increased last year, the national economy grew much faster. This led to acute shortages of coal and electricity, with many factories working four days a week. He said this hampered the

economy and disturbed daily life.

To improve energy supplies, the Chinese government has taken steps to cool off the country's overheated economy and speed up the development of its energy industry.

The government intends to import advanced equipment unavailable in China including low-coal consuming power generating units, high capacity hydro-turbines for use on the Changjiang (Yangtze), Huanghe (Yellow) and Hongshui rivers, power network automation equipment and pump storage generating units.

Shi concluded by saying, "Any offers of co-operation from foreign governments and companies, including loans, the supply of equipment and technology and investment for power stations, will be warmly welcomed."

by Lou Xinyue

Life's Last Struggle to Build Stelae

An ancient Chinese fable tells a tale of an old man who tried to remove two mountains. The story ends on a happy note with God taking mercy on the "Foolish Old Man" and intervening to help him.

Old man Li, in the same tradition, has struggled to move his rocks from morning to night for five years. All of Kaifeng in central China's Henan Province know what he's up to.

If Li's not moving a mountain, then he's doing something awfully close. In 1985, Li Gongtao, then 59, decided to use his golden years to do something that would bring meaning to the lives of ordinary people. He was going to build a stone tablet forest.

A worker gives one final polish to a completed tablet.



The tradition of tablet forests, that to many foreigners look like funny shaped tombstones left by some crazy giants, go back a millennium. Most carry calligraphic verses commemorating important events or carvings of classic pieces by famous scholars; and many Chinese take pleasure in looking at them just for that

"scribble." The tablets often take on a historical importance of their own, such as those built since the Tang Dynasty in western China's Xian.

Li, now 63, says he has cherished and loved paintings and calligraphy since he was a child but only in these late years has he had the chance to begin his life project.

At first it all looked hopeless. He was in poor health. His family had to lead a frugal existence after he poured all their savings of RMB into the project.

But then wheels started turning like God's miracle in the "Foolish Old Man," things started happening. Folks started praising the thing. Then the local press gave it a report.

This attention



Li Gongtao (Centre)

Photos by WANG XIUQIN

brought money and volunteers to his side. Kaifeng's citizens, old and young, social celebrators, social units, and the disabled all came to offer their money for building his dream of China's largest tablet forest.

After the national and foreign press picked up the story, supporters came from countries and regions like Japan, Singapore, Malaysia and Hong Kong.

The whole project, which is one-third completed, includes calligraphic sections representing the Song Dynasty, successive emperors and high officials and Dr. Sun Yat-sen.

The dream that Li built will open in 1995 with 3,500 stone tablets, which are numerically more than those in Xian and Qufu (hometown of Confucius in Shandong Province).

Despite the suffering he and his family have endured, they vow they will not make a cent from it since he's giving it all to the state. At the beginning of the project, Li set a family code which stipulates: "Always give, never take."

by Lu Huiyou

Shen Begins to Show Talent

Shen Junyi is the latest winner of stardom, capturing loyal audiences both on the silver screen and over Chinese TV. When awarded the double fortunes last year of the TV Golden Eagle Prize for being the best supporting actor and of being the most popular TV star, few would know of his long struggle to fame.

Shen was born into an army family. His father had met his mother while on his way south to mop up the bandits left in southern China. In the 1960s, Shen came with his family to live in Beijing. On graduating from middle school, he joined the PLA and after three years of it he switched to being a subway signal repairman.

His first streak of luck came in 1983, when a director casted him for a part-time film career. In 1986 he took his big chance and quit his subway job to concentrate on cracking the film world.

Although his personal experiences differ with his film roles like heaven and earth, he vividly portrayed his characters. So far, he has played roles in more than ten films and a 50-part TV series.

Viewers comment that while acting Shen gets carried away with emotion and his eyes light up and glow with conviction.

Although most Chinese professional film actors and actresses hold the status of state cadres enjoying various privileges Shen has been shut out since he's a freelancer.

Shen drew attention in his 50-part TV series *Suppressing*

Bandits in Wulong Mountain (1986) by portraying a gang leader of the early 1950s. Although China had been liberated from KMT forces these rag-tag fragments left behind in the mountains of Hunan went on fighting a lost cause.

His acting showed the contradictions and complexity in



Shen Junyi in "Murderer's Sentiment."

a villain's mind, giving method to the gang leader's madness. Despite the leader's cruel attitude, Shen's skilful acting brought forth a believable human being.

Before shooting one that showed the leader killing a captured Miao girl, Shen pleaded with the film's director, "Bandits also have human feelings. How about I handle the scene like this. First, open up the city gates. Have the Miao girl running away. Instead of cold heartedly killing her, I'll be forced to

do this--to defend my honour before my soldiers... I just can't kill her in cold blood. I've taken care of her for three years."

The scene, handled in Shen's manner, gave a pretence for the murder and left the viewers a deep impression of the villain.

When filming the last scene of the series, Shen is shown as the leader cloaked in his bandit's clothes and shackled in a prison van, on the way to the execution ground.

Staring up at heaven, Shen exclaims a sad aside, "After 30 years I'll be another man." So vivid was this scene that many old women working on the film's location spontaneously recalled how they had lost husbands and sons during past battles with the bandits. Forgetting this was "just a film," they followed the van weeping, hoping to fake revenge on the "villain."

Although Shen Junyi stands 1.82 metres tall, you can't say he's handsome. With his streaks of white hair, or as often with a shaved head, de-

pending on the role he's playing, he succeeds in giving new depth to film.

The Chinese film and TV audience are tired of simple and formulaized performances that simply have good guys being all good, and bad guys—with or without the black hats—being bad. These characterizations of the past with rigid and dull standards were divorced from reality. Hopefully the future will capture a new truth and a new realism.

□

A Soviet Reader's Opinions

Beijing Review needs to do something about its printing quality! And the outside back cover should be more diverse.

But can I offer you some glasnost: I'd like to hear more of the different points of view now existing in Chinese society—be more open! It would be more interesting to see the faces of Chinese people, not just the government's.

It also would be good if you included some articles written by well-known foreign politicians, including ones from the USSR, on international and Chinese issues.

I'd welcome the appearance of critical essays concerning life (political, economic, social, etc.) in other socialist countries, including the USSR, and about China's relations with these countries. I am especially interested in your opinions on Viet Nam, Albania and Cuba, as well as Kampuchea and Afghanistan.

Please, give some information about university life and Chinese youth in general—I would very much like to hear the voices of young Chinese people through your magazine.

Also, could you tell me about computing centres in China and their capabilities.

I think you should consider the possibility of establishing a Russian edition of *Beijing Review*. With proper advertising, I believe such an edition would find a large number of readers in the USSR. It would also considerably help mutual understanding and friendship between our two peoples and countries.

Kolganov Dmitry
USSR

Suggestions

As a South African working

in Hong Kong as a priest, I have now read three issues of *Beijing Review* and found them all very informative and interesting. The presentation of the articles, both domestic and international, compares well with *Newsweek* magazine and gives the public a clear picture of social and economic trends in China. As you know, most people, like myself, have very little knowledge of China's present situation. *Beijing Review* helps raise awareness in the first world by constantly improving the magazine.

Your magazine's major importance lies in presenting the opinions of the Chinese people on Western social and economic issues, explaining to us both the theoretical and practical approach of communism and China's present government.

I suggest *Beijing Review* should upgrade itself and emulate *Time* magazine with its wide and free range of articles on subjects such as religion, philosophy and medicine, and contain more pieces on ordinary Chinese people.

Cyril Axelrod
Hong Kong

I think your magazine needs colour photographs of scenic spots and Chinese arts. As regards the content, in my opinion there should be less argument and more facts about change in China. You need not go into too much detail in any one area.

Josef Kolbl
Federal Germany

Could you please add a section on sports? Or at least have more coverage of big sporting events such as the Olympic Games and the World Cup Football Championships.

Why don't you let more business organizations advertise in your magazine? Your readers can find out more about

the business scope and products of Chinese companies and *Beijing Review* can make more money.

George C. Baker
China

Chinese Perspectives

Your front cover is very good, but please print the names of any people in the pictures—it would make them seem like personal introductions to real people who could become friends if met in the flesh.

Please expand the *Weekly Chronicle* to include athletic and sports features.

Don't hesitate to include articles that express distinctively Chinese perspectives on the basic concerns of our human condition. I particularly appreciated the article on euthanasia in the September 12-18 issue.

Ed Steward
USA

Your front and back covers continue to be of their usual eye-catching high standard. I particularly like the Art Page and adverts on the back. The general layout is good and the photographs of a high quality.

I particularly enjoyed the article 'Who Will Be the Next US President?' in Issue No. 38, 1988 and the recent article on Hungary.

On domestic issues, I would like to see more on how workers and farmers have handled the changes that have come with the reforms and opening up of the last ten years. I also think you should extend your coverage of China's scientific breakthroughs.

On the whole your magazine provides an excellent reflection of the modernization that now is taking place in China.

Martin Clark
London, England



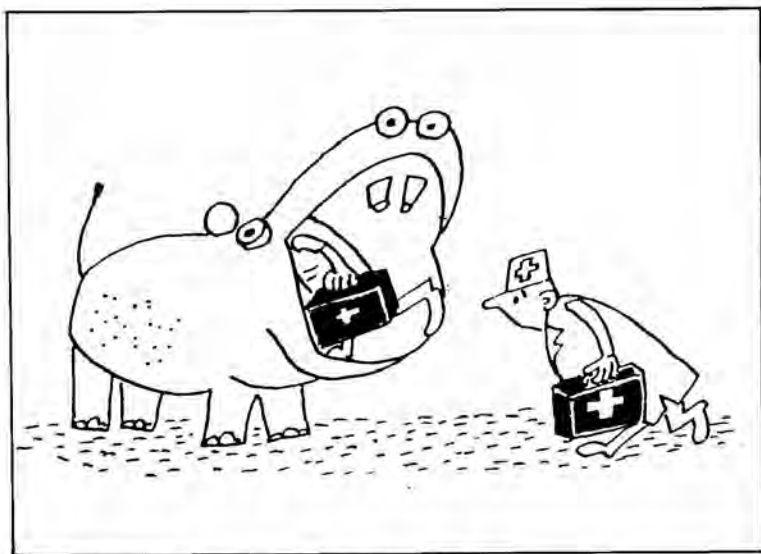
The Unexpected "Backdoor Shot." by Wang Lijia



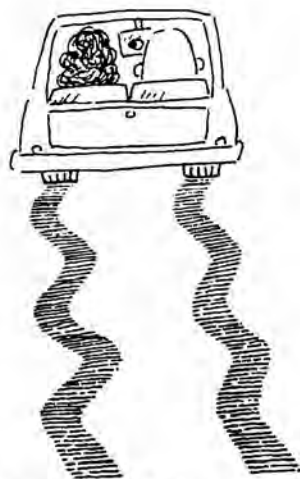
Two Little Fishes Flee for Their Lives, at the Quivering of a Big Fish's Breath.
by Qiu Zhixin

ART PAGE

Humorous Drawings



Veterinary Physicians Entering Their Profession.
by Bai Weichun

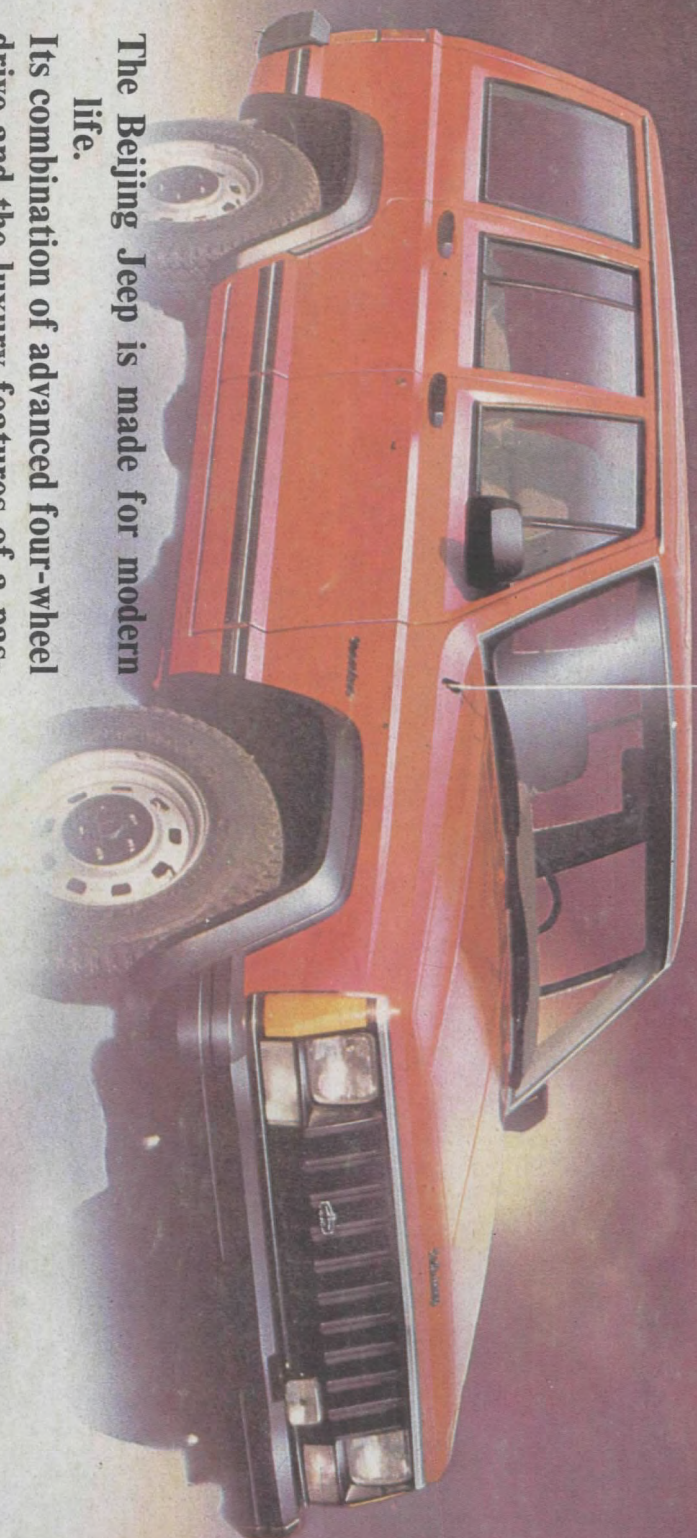


Beware of the Slippery Road.
by Pan Shunqi



Smiling Can Show Off My 24-Karat False Tooth.
by Lu Linxiang

北京Jeep Cherokee



The Beijing Jeep is made for modern life.

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