

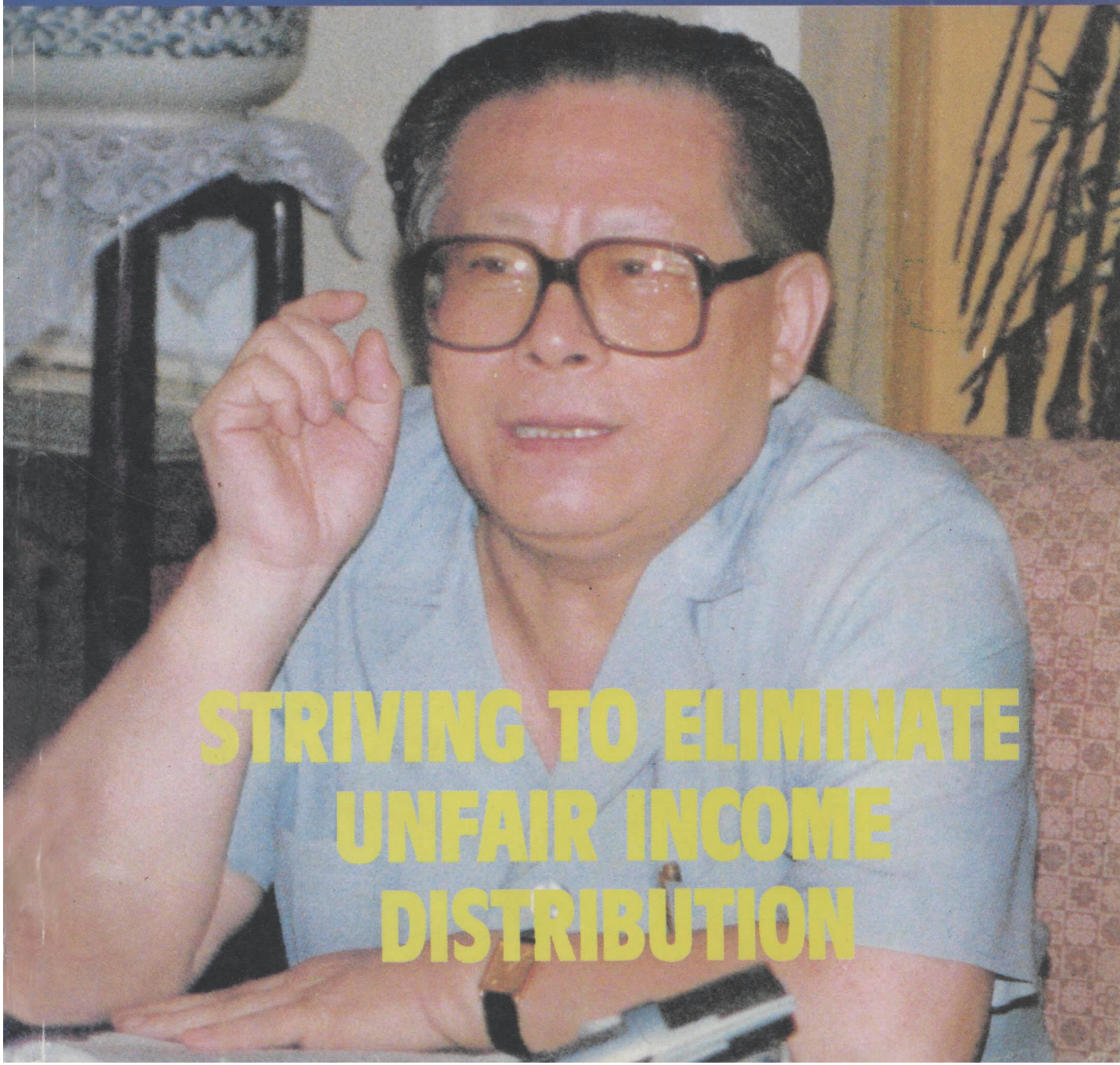
A CHINESE WEEKLY OF NEWS AND VIEWS

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Chinese Foreign Minister Visits Africa



**STRIVING TO ELIMINATE
UNFAIR INCOME
DISTRIBUTION**



Farmers beating waist drums to celebrate a good harvest.

Photo by Xi Beigao

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COVER: Jiang Zemin, General Secretary of the Chinese Communist Party Central Committee (July, 1989).

by **LI SHENGNAN**

Striving to Eliminate Unfair Income Distribution

□ This article was written by Jiang Zemin when he worked in Shanghai. Now general secretary of the CPC Central Committee and member of the Standing Committee of the Political Bureau, Jiang was elected to these positions at the recent Fourth Plenary Session of the 13th Party Central Committee. In the article, he makes a detailed analysis of the sensitive problem of unfair income distribution, outlining its manifestations and causes as well as effective ways to solve it (p. 15).

Qian Visits Southern Africa

□ During his stay in six southern African countries, Chinese Foreign Minister Qian Qichen told leaders of these countries about the situation in China following the quelling of the counter-revolutionary rebellion. They supported and understood the measures taken by the Chinese government. Qian also exchanged views with them on bilateral and international issues and found there was agreement (p. 10).

Premier Sets Economic Priorities

□ According to Chinese Premier Li Peng, stable price tops the list of China's economic tasks for next half of this year. Other major goals are the achievement of a good harvest and the reduction of supply and demand imbalances (p. 4).

Lhasa: Growing Pains

□ Luo Ga, mayor of Lhasa, talks about the pressing tasks confronting him. Stress will be laid on the development of agriculture and animal husbandry, and finding solutions to the housing shortage, the supply of drinking water and other problems of vital concern to Lhasa residents (p. 21).

State Fines Major Firms

□ Five major corporations, including Kanghua Development Corp., have faced stiff fines for illegal deals in the light of China's rectification drive (p. 6).

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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Li Stresses Stable Economy



Li speaks at the State Council meeting August 15.

GUO ZHANYING

Price stabilization remains one of China's economic priorities during the next half of this year, Premier Li Peng told a State Council meeting in Beijing on August 15.

Other major goals on the list include the achievement this year of a good harvest and the reduction in the imbalance between supply and demand, Li said.

He called reforms, the open policy and improvement of economic environment the basic guiding policies for the remainder of this year and said that they would be pursued without restraint.

The premier also urged the State Council and local governments to make every effort to control prices.

Prices under state control cannot be raised without the State Council's approval and violators will be duly punished, Li stressed. Control of prices under local and enterprise management should also be tightened with a price declaration system that is backed up by supervision.

Li told the meeting that the summer crop was good and a good harvest for the whole year is important for national stability.

He urged the government and its departments at all levels to provide good management and services for this purpose.

To reduce the imbalance between total supply and demand, Li proposed continuing to cut the scale of investment in fixed assets. He also called for continued austerity in bank credit and fiscal policy in a bid to rein in the excessive growth of consumer spending.

He said that institutional expenditures should be strictly limited and tax collection strengthened.

Turning to industrial production over the remaining months of this year, Li said the overall requirement is to avoid major decreases and maintain an appropriate growth rate.

Meanwhile, the premier noted, production management should be strengthened and favourable policies in capital, energy and transportation should be continued to facilitate trade, business and the construction of major projects.

China will continue to carry out all measures for reform and opening that were put forward before the Fourth Plenary Session of the 13th Central Commit-

tee of the Chinese Communist Party and approved by the Party Central Committee, the State Council or the National People's Congress, Li declared at the meeting.

The law governing the state-owned industrial enterprises and regulations concerning responsibility system of factory directors, workers' congress system and the work of the enterprise Party committee, will continue to be implemented, said Li.

He said that contract responsibility systems involving local government financial revenue, foreign exchange earnings of foreign trade organizations, railway transport and coal production, will remain unchanged.

Production systems contracted by enterprises will be carried out.

The launching of further reforms, he added, will depend on the outcome of trials made in some units.

Reviewing China's economy during the past seven months, the premier said the situation has been both stable and favourable without any occurrences of economic collapse or stagflation as some people had predicted. Industries sustained a growth rate of 10.6 percent, he added.

Inflation has been fairly well controlled, Li said. Although the price index of retail sales in the first half of this year rose by 25.5 percent, he said, 18.5 percent of it was caused by the price increases of last year, while the actual price increase this year was only 7 percent. Urban residents are satisfied with vegetable prices which have remained stable.

Compared with last December, Li said, the average price rise of basic daily necessities up to now in China's urban areas was 1.4

percent, obviously lower than the last year's rate of increases.

Furthermore, agricultural production has been good, Li said. The total output of summer grains reached 93.55 million tons, 2.57 million tons more than the previous year — the largest in China's history. Autumn crops are growing well at present and this year the state is expecting a good harvest unless calamity strikes.

According to the premier, supply and demand problems have been mishandled. Though great

effort has been made to scale down investment in capital construction, Li said, the planned 20 percent decrease has not materialized, and this year's total is expected to match last year's.

Meanwhile, funds available for consumption still remain high, increasing at a rate of over 20 percent. This is greater than the growth rate of the national income and state revenue.

Still other problems remain unsolved, Li said, such as the unfair distribution of income and goods among the population. □

State Fines Major Firms

Five large corporations in China will hit with a total of 51.33 million yuan in fines for illegal profiteering, China's auditor-general declared after heading a 10 month investigation.

The five corporations that were audited since last October were listed in Auditor-General Lu Peijian's August 15 report to the State Council's plenary session as China Kanghua Development Corp., China International Trust and Investment Corp (CITIC), the Everbright Industrial Co., China Incomic (Industry, Commerce and Economy) Development Corp (CIDC), and the China Rural Trust and Investment Corp.

Lu said that although these firms have played positive roles in foreign trade through applying foreign investment, the importing of technology and machinery, and helped economic development since their establishment, audits revealed that their activities violated both administrative and management regulations.

Although the State Auditing Administration has finished its audit of the five corporations and their 52 branches, their overseas branches still have not been

audited.

Lu said that Kanghua's problems stem mainly from its use of US\$5.5 million to illegally speculate in foreign currencies.

One branch of the corporation, Kanghua Metal Development Co, for example, exported 10,000 tons of sheet metal and deposited its profit, an estimated sum of US\$1.09 million, in a Shenzhen business's account. The Kanghua branch later illegally sold the sum without permission at an illegal rate to the company.

Since its establishment, the

corporation has speculated in state monopolized production materials profiting to a tune of 3.31 million yuan.

Kanghua has been fined 12.18 million yuan for both the illegal deals and tax evasion.

But according to Lu, Kanghua's auditing problems arose mainly in its branches.

Meanwhile the auditing administration decided to fine CITIC 18.81 million yuan, Everbright Co. 19.17 million yuan, and CIDC 1.17 million yuan for tax evasion and illegal speculation in foreign currency.

The auditors also found that Rural Trust and Investment Corp illegally lent 100 million yuan to an automobile business. In another case the audit showed it had illegally drew 64.5 million yuan from the deposits of government and military units in direct violation of state regulations.

Those responsible for such violations will be dealt with by the state supervision and judicial organs, Lu said.

The auditor-general also stressed that regular auditing and supervision will be conducted on all state-run corporations from this year on. □

Yuan Mu on Fang & Turmoil Problems

The solution to the Fang Lizhi lies with the US government, said Chinese State Council spokesman Yuan Mu to Japanese reporters on August 16.

Asked by reporters from the Japanese newspaper, *Yomiuri Shimbun*, how the problem of Fang Lizhi's taking refuge in the US Embassy in Beijing can be solved, Yuan said, "Whoever started the trouble should end it."

He said that Fang violated Chinese law and there is a warrant issued for his arrest by the Ministry of Public Security. The

US Embassy in China provided refuge for him on the pretext of so-called protection of human rights. This is interference in China's internal affairs, he added.

Yuan pointed out that the US government in delaying a solution is actually making a burden for itself.

The spokesman said that the Chinese government will not use force to pry Fang from the US Embassy, but it will also not allow the US Embassy to move him to any so-called neutral country.

He said that in this matter there is not such concept as a "neutral country." If the US sent Fang to a third country, then that country would no longer be "neutral," for it would have interfered in China's internal affairs.

In regards to China's foreign policy, Yuan Mu told reporters that China will not change its foreign policy despite the current wave of anti-Chinese propaganda in some countries.

He said some western countries stirred up a wave of anti-China feeling after China quelled the counter-revolutionary rebellion in early June. Nevertheless, the Chinese government has not changed its basic evaluation of the world situation and therefore will not alter its foreign policy.

As the foreign interference does not come from the whole western world, Yuan said, China is still willing to develop relations with western countries on the basis of peaceful co-existence. It is willing to develop economic, trade, technological and other forms of exchange and cooperation with these countries on the basis of equality and mutual benefit.

During the interview, a Japanese reporter said that although the 13th National Congress of the CPC stressed the separation of the functions of the Party from those of the government, after the quelling of the counter-revolutionary rebellion the consolidation of the Party and leadership was re-emphasised.

Asked if this meant that the idea of the separation of the functions of the Party from those of the government has been dropped, Yuan said that the Party's consolidation efforts are aimed at solidifying the Party's ideology and purifying its organization. This does not run counter to the separation of the func-

tions of the Party from those of the government, he explained.

The lesson drawn from the Beijing turmoil was that the Party's construction and leadership had been crippled, he said.

He said that the enhancing of Party construction is directed at bringing into fuller play the three roles of the Party, namely its pivotal role in political life; its central active force at all levels of government organs, organizations and enterprises; and the pioneering and model role of Party members.

Speaking on revolt, Yuan said that Beijing's turmoil which occurred two months ago was in fact manipulated by a very small number of people who attempted to overthrow China's legal government by terrorist means and violence.

The counter-revolutionary rebellion not only ran counter to China's Constitution and China's criminal law but it also violated

the "European Declaration of Human Rights." Such acts would never be tolerated by any country in the world, he added.

As for martial law, Yuan reiterated that the enforcement of martial law declared by the State Council in parts of Beijing is in line with the Constitution.

He pointed out that the enforcement of martial law was not a military take-over following a loss of control by the government. This is different from what some western media have been saying, he stressed.

The enforcement of martial law in parts of Beijing is helping to stabilize the situation. In fact, he added, martial law includes a guarantee of safety for foreign embassies, foreign business offices and foreign residential compounds.

Yuan declined to say when martial law would be lifted, except that it is required for the duration. □

State Cuts Food & Car Perks

Special privileges that went to some Chinese leading officials consisting of small amounts of food and the use of high-quality imported cars were ended this August. These officials will now have to buy the same food at the same prices as everyone else and ride in domestically made cars.

The moves have been taken in accordance with a decision by the Party Central Committee and the State Council.

Previously the Beijing Foodstuff Supply Department served much of their needs. That department, which was set up in the 1950s, is in charge of the food supply to activities at the state level, hotels open to foreigners, foreign experts and overseas students and foreign embassies. And it has introduced a policy of unifying the sources of

goods and supply.

The department was also put in charge of the food supply to some leading officials — this part of supply composed about one percent of its annual sales.

The supply department would sell its food at fixed state prices.

Although these leading officials were entitled to buy such food, they were still governed by grain and edible oil rationing. The big exception was that each family could buy each month an additional 0.75 kilograms of edible oil at the state-fixed price outside the rationing limit while the supply of pork, sugar and eggs to these officials was unlimited.

Since the cancellation of the "special supply" the preferential supply of edible oil to each family has been stopped, and the supply of meat, sugar and eggs

has been rationed.

According to the decision, members of the Political Bureau and Secretariat of the Chinese Communist Party Central Committee and the Executive Meeting of the State Council replaced their high-quality imported cars with home-made ones.

In addition, some other offi-

cial have also applied to change their cars. A source in a government department pointed out that replacement of cars needs a lot of money and that since there are not enough domestically-made cars to go around, many officials are hoped to go on using their imported cars to avoid creating even more waste. □

square, and he also witnessed soldiers firing into the air and at the loudspeakers.

Hou left the square on a stretcher with some other people. "I was covered with an overcoat. I was frightened when I heard guns firing. But the doctor beside my stretcher comforted me with words that the guns were firing into the sky."

Hou said that he had detailed a record of what he saw and heard during that time in the form of diary, which he left in the foreign institution where he had stayed.

That account will be published abroad. He also agreed to publish it domestically.

"Many friends were very surprised after they read my script," Hou said. "They say that the facts in the script are quite different from what they have heard. Yet, I have written what I really saw."

Hou went into hiding in the foreign institution on June 4.

He said that during his period of hiding, he decided to return home after he contacted the government department concerned and got to know the outside situation. □

Hou Appears From Hiding

Hou Dejian, a famous composer from Taiwan, returned his home in northwest Beijing August 16 after being in hiding since the June 3 turmoil.

Hou, 33, was one of the four non-students who started a Tiananmen Square hunger strike on June 2 and was one of the last to leave it in the early hours of June 4 as martial law troops were moving in. He had been hiding in a foreign institution in Beijing for more than 70 days.

When interviewed on August 17, Hou said, "I'm all right."

Hou said that the night of June 3, the square was in great confusion. Many people, including himself and others chiefly in their 30s, were upset at a possible confrontation with the PLA until two doctors from the Red Cross Association suggested them make representations to martial law troops. Taking the suggestion, Hou and another hunger striker, accompanied by two Red-Cross doctors, went to the troops in an ambulance.

They were stopped at Changan Boulevard in front of the square and were told that the way out for the students was at the square's southeast corner.

After Hou returned and spoke in favor of evacuating square, the students held a voice-vote.

Hou said that he could not make out which had greater support. He had no time to care. He pulled up the students he could

reach and persuaded them to leave.

Many students had begun to withdraw.

Both the students and the soldiers were keyed up, Hou said. Neither of them knew what the other would do.

Hou gestured to some soldiers to point their guns upward. Most of them did so.

Hou said, "During the whole withdrawal process, I didn't see a single student, other citizens or soldiers killed in the square. Nor did I see any armoured troop carriers rolling over people." But he saw three or four tanks stop outside the square, he added.

He saw tear-gas bombs used at the southwest corner of the

Cities Clamp Down on Water

In the face of water shortage much of urban China has begun monitoring industrial water quotas. The new system that slaps triple rates on those exceeding their allotment has proven a success in building a new respect for water.

Many Chinese cities have established quota systems to regulate water consumption.

The Shanghai municipal government, for instance, closely supervises dozens of big industrial facilities that each consumes more than 100,000 tons of water a day. With monitoring, these factories saved an average of

400,000 tons of water a day last year.

Other city governments have also set strict water consumption quotas for industrial and other institutions from June through October.

Changsha, capital of Hunan Province, is another city with water monitoring. Those who exceed their water quota must pay fines of double to five times over the set water rate.

In Jinan, capital of Shandong Province, each resident is allowed to consume three tons of water a month. Families with excessive consumption must pay

double or triple the usual water fees.

Meanwhile, many cities have been investing huge sums of money and labour in new water treatment and supply projects.

Qingdao, Shandong's chief port, has invested more than 1 billion yuan in a project to divert water from the Huanghe (Yellow) River to the city.

A dozen cities are using foreign loans to build water treatment plants to increase their supply. Two major water supply projects in Beijing are under construction.

These efforts have assisted 101 million urban residents in the country, or 82 percent of China's urban population, to use treated water.

Despite these efforts, water shortages are still pestering people and endangering urban development.

Last summer when a scorching heat wave blanketed many cities, 420,000 residents in Harbin, capital of Northeast China's Heilongjiang Province, did not have enough drinking water.

In Kunming, capital of Yunnan in Southwest China, residents in highrise buildings had to wait until the early hours of the morning to get water for the day.

Water supply facilities in many cities were overworked. In Changsha, water treatment plants designed to supply 440,000 tons of water a day pumped out 740,000 tons of water each day. Even then, many residents had to line up with buckets at night to get water.

One survey puts urban China's water shortage at as high as 12 million tons a day.

Moreover, water shortages will continue to plague China for a long time.

According to surveys, about 2.5 trillion to 2.8 trillion tons of water are available in China a year. That amounts to about 2,380 tons for each resident in

the country, or 20 percent of the world supply.

Water distribution in China is uneven. The south is rich in water resources while the north, which occupies about 60 percent of the land area, has only 20 percent of the country's water resources.

Industries in Beijing, Tianjin and other cities in North China contribute about 18 percent of the country's industrial earnings. The area's population makes up more than 10 percent of the nation's total. However, the areas has only 1.8 percent of the country's natural water resources.

China has discovered about 870 billion tons of underground water but the water level is dropping. In the past, people in Beijing could find water at 5 metres below the ground surface. Today, they have to dig down 50 metres.

In Shijiazhuang, capital of Hebei, the underground water level is falling at a rate of 2 metres a year. At this rate, all the wells will be dry in less than 10 years.

Serious water pollution is also hampering efforts to increase water supplies.

Several other factors have contributed to the current water shortage and the accompanying problems.

For years, urban water supplies have been regarded as a kind of welfare. The government charges very little, about 15 *fen* or 3 or 4 cents for a ton of water, although the cost to treat and supply water is increasing. Most water treatment plants are operating at a loss.

Because of the low water cost, factory managers are reluctant to invest in waste water recycling systems. Urban industries in the country only recycle about 30 percent of the water they use, while industries in developed countries have been recycling more than 60 percent of their water since the early 1970s.

Moreover, urban water supply facilities are not well managed. Some industrial facilities that use an enormous amount of water have been constructed far away from water resources.

In face of this many government and industrial institutions have built their own water supply facilities. As a result, public water treatment management doesn't have jurisdiction over the water consumption over these enterprises.

These problems point to the stark fact that industries as well as urban residents must make greater efforts to save water. □

VD Babies Pock Future

VD Babies,"—that's what you could call them. Syphilis is being discovered among babies still at their mother's breasts while gonorrhoeal infections are showing up on children in China's vast kingdom of kindergartens.

These infected babies, medical experts warn, are omens of a VD (Venereal Disease) plague that is threatening to affect China's future.

The real picture comes clear with a glance at the facts. Authorities say the number of Chinese VD cases are yearly multiplying by 3.12 times. When you put that with last years figures, (160,619 cases recorded in 1988 and the first half of 1989) and extend it into the future, the scenario is shocking.

The rapid spread of VD has shaken the medical profession, public security and news agencies. VD monitoring networks have been set up in an attempt to prevent and cure some cases.

In addition, the procedure, once common of reporting the VD patient's ailment to his work unit, is now often being dodged

in view of the dread held towards public exposure. Special VD clinics have also been opened that promise to keep their patient's identity a secret.

China once proudly declared to the world that it had basically eradicated VD from within its borders in 1964. But sexual illnesses have crept back with open cities, and special economic and tourist regions and it is rapidly invading new areas.

In only one case it was reported that 212 out of 750 vagrant women detained by Public Security in Guangzhou were found to be VD carriers.

Tactics in fighting VD seem to have sparked controversy. Public security departments have targeted prostitution with tougher enforcement and laws.

Medical experts have pointed out that VD is a social disease that affects every strata of society and that a campaign to weed it with cops, courts and doctors alone will prove extremely difficult.

The medical field has called for a combined effort of public education, legal control and an increased emphasis upon prevention and treatment. □

News in Brief

Plain Living & Hard Struggle Encouraged

The goal of rectifying the economic order and deepening reform and the realization of the four modernizations can not be achieved without the spirit of plain living and hard struggle, a commentary in the *Renmin Ribao* (People's Daily) said on August 15.

"Educating people to work arduously and live plainly is necessitated by the difficulties and tasks China is now facing," the paper said.

Hard struggle and plain living are not only requirements for the people, but especially for the lead-

ers. The declining spirit of hard struggle and plain living in society has a strong relationship with the corruption of government officials, the article added. □

Free College Education Becomes History

Students entering most Chinese colleges and universities this autumn will have to pay part of their tuition fees with only a few being guaranteed job assignments at graduation, *China Daily* reported on August 16.

The amount of fees the freshmen must pay ranges from 50 to 150 yuan per semester, accounting for roughly 7 percent of the total costs of educating each student. But the change will not affect upper classmen, the paper said.

Meanwhile college applicants will be encouraged to specialize in such fields as education, agriculture, forestry, metallurgy, mining and geology, subjects that will continue to be offered at full public expense, it added. □

Oil Tank Blaze Toll at 19

A huge fire at the Huangdao oil depot, Qingdao City, Shangdong Province, took 19 lives and injured 74 others. The fire started August 12 when lightning struck an oil storage tank and was extinguished on August 16. □

13 Foreigners AIDS-Stricken

Thirteen foreigners have been found infected with the AIDS virus in Beijing, said an August 15 report submitted to the Municipal People's Congress Standing Committee Session.

The report said that there is still a potential danger for an outbreak of the disease among the Chinese population. □

34 Died in a Plane Crash

Thirty-four people were killed and the rest six have survived in a plane crash in Shanghai on August 15. The victims include six crew members, two Japanese and 26 Chinese passengers.

The plane, identified as an

An-24, plunged into a river after an aborted take-off on a scheduled flight from Shanghai to Nanchang, capital of Jiangxi Province.

A two-day investigation has ruled out the possibility of sabotage. The cause of the accident is still under investigation. □

Drought Hits 10.6 Million Ha. of Land

Vast areas of China have experienced irregular rainfall and some areas have been hit by severe drought since July, according to a report by the Ministry of Water Resources cited in *Renmin Ribao* on August 16.

By August 9 the total afflicted area had reached 10.6 million hectares with Shangdong Province being the most seriously hit by drought. In that province more than 4 million people have had difficulties in finding drinking water. The problem also exists in Guizhou Province. □

13 New Panda Reserves to Be Started

China has decided to set up 13 new giant panda protection areas totalling 4,081 square kilometres — 11 in Sichuan Province, the home of the precious animal, and one each in Shaanxi and Gansu provinces.

According to a plan of the Ministry of Forestry, 15 panda migration corridors will be built to facilitate breeding between different groups.

In the past few years China has already established 13 panda reserves, covering a total of 5,827 square kilometres.

Deteriorating ecological conditions have reduced China's panda population to around 1,000. □

CORRECTIONS:

The 21st and 22nd lines, column 1, p. 34, issue No. 33 should have read, "years, more than 1,000 patients, including those suffering from cancer, have received Li's wai."

On p.3 of our last issue, "5.3-kilometre land" should have read "5.3-square-kilometre land."

— Ed.

Chinese Foreign Minister Tours Africa

by Chang Qing

To promote friendship, deepen understanding and strengthen co-operation between China and southern African countries, Chinese Foreign Minister Qian Qichen recently visited Botswana, Lesotho, Zimbabwe, Angola, Zambia and Mozambique.

During his tour, Qian exchanged views with their leaders on bilateral relations and international issues and especially on the latest development of the situation in southern Africa. He also told the leaders about the situation in China following the putting down of the counter-revolutionary rebellion in June.

Zimbabwean President Robert Mugabe told Qian that Harare supports China's move to stabilize her domestic situation. Angolan Foreign Minister Pedro Vandunem expressed support for, and understanding of, China's resolute measures to put down the counter-revolutionary turmoil and criticized Western interference in China's internal affairs. Zambian acting Foreign Minister F. Hapunda expressed satisfaction and understanding, saying that "after the Beijing incident, some people in the world thought China's role in the international arena would be weakened. They were wrong."

Western Countries Criticized

At a press conference held in Harare, the capital of Zimbabwe, Qian

said it was dangerous that some Western countries had worked out their policies towards China based on false reporting and mistaken information. It was not strange that some foreign people were unhappy about what took place in China or misunderstood it. However, governments should work out their policies on the basis of facts. Of the 137 countries which had established diplomatic relations with China, only some 20 had reacted adversely to what had happened. The majority, including African countries, neighbouring Asian countries, Latin American countries and socialist countries considered it was China's internal affair and that other countries should not poke their noses into it.

China's foreign policy and policy of reform and opening up to the outside world had not changed, Qian said, and it

wished to set up and develop friendly and co-operative ties on the basis of the Five Principles of Peaceful Coexistence. This, of course, required efforts by both sides. But one thing was certain. Any sanctions against China would be futile.

The purpose of his tour, Qian said, was to get first-hand information since the situation in southern Africa had changed significantly and express clearly the support of the Chinese government and people for the struggle of the southern African people for independence and against racial segregation.

Asked whether some contacts had been established with South Africa, Qian said that China had never set up any official contact or tie with the South African authorities. However, some travellers from South Africa and some Chinese in South Africa who wish to visit their relatives in China were not refused entry and some South African scientists attended international seminars on science and technology in Beijing.

Stand on Southern African Problems

During his visit, Qian issued a four-point statement on the situation in southern Africa and China's basic positions on the resolution of the region's problems.

1. Today the southern African countries and people, who face more encouraging prospects

Chinese Foreign Minister Qian Qichen at his press conference in Harare, capital of Zimbabwe.



for peace, are continuing to solve the problems related to this region by various means such as negotiation and dialogue.

Nevertheless, it must be pointed out that tension and turbulence are yet to be removed. Economic problems loom even larger. The struggle for and against control, threat and subversion is still going on. The struggle for a durable peace and stability in southern Africa, which is an arduous one, still calls for unremitting endeavour.

The Chinese government and people highly appreciate the efforts made by the southern African people towards a political settlement of their regional problems and will, as always, firmly support the correct policies and tactics they adopt in light of the realities in their respective countries and in the region as a whole.

2. The key to realizing peace, stability, development and prosperity in southern Africa is to eliminate completely the biggest source of turbulence in the region — South Africa's apartheid system. Facing the resolute struggle of the South African people and pressure from the international community, the South African authorities have changed somewhat their tactics in terms of domestic and foreign policies. But, on the fundamental issue of abolishing apartheid, they have adopted no substantive policies or measures.

The South African authorities should get a clear view of the situation and, in conformity with the historical tide, adopt enlightened policies and renounce apartheid and all laws and decrees of a racially discriminatory nature.

They should also unconditionally release the jailed leader of the African National Congress, Nelson Mandela, and other political prisoners and recognize the national liberation organizations in South Africa such as the Afri-

can National Congress and Pan-African Congress, with whom they should hold dialogues on the establishment of a unified, democratic and free South Africa where all races enjoy equality.

3. The issue of Namibian independence is always a major one in the southern African situation and it is also one of concern to the international community and African countries. China is glad to see that ten years after the adoption of UN Security Council Resolution 435, it has been implemented as of April 1. The beginning of the Namibian independence process signifies that the African continent will victoriously finish its historical task of de-colonialization. As a permanent member of the UN Security Council China will, as always, continue to play a positive role in promoting the realization of Namibian independence as scheduled. China will respect the choice of the Namibian people. If the general election is free and fair, China will consult with the elected government on the establishment of diplomatic relations on the basis of the Five Principles of Peaceful Coexist-

ence.

4. The development issue is a major one facing southern Africa. The Development and Coordinating Conference of Southern Africa has made collective efforts to rejuvenate the regional economy and get rid of South African control. China hopes that the international community, and particularly developed countries, will adopt wise and far-sighted policies and take practical and effective measures to improve the external environment which has seriously limited African economic development, and provide energetic support and adequate aid to the southern African countries. Within the range of its capabilities, China will continue to provide assistance to them and consolidate and develop friendly and cooperative relations with them on the basis of equality and mutual benefit.

Qian's visit to the six countries has further strengthened the mutual friendship between China and them and promoted cooperation. All this will play a significant role in the development of Sino-African relations. □

Multi-Polar Tendency in The World Economy

The current international situation is a time of many changes among which the multi-polar development of the world economy and its possible influence on international relations can be considered the most important.

by Huang Suan

To the whole world, the multi-polar development of the world economy is the negation of the bipolar economic system of the postwar world. To the West, it is the negation of the system with the United States as the centre. The multi-polar de-

velopment of the world economy is mainly reflected in the Western world that is changing from a unified domain under the leadership of the United States to one with the United States, Europe and Japan, the three forces, confronting each other. The rise

of Japan has been the most spectacular. Although the change is not something new because it began at the end of the 1960s and in the early 1970s, the 1980s have seen many developments of great importance.

New Developments in the 1980s

(1) The tendency of the world economy to develop into regional groups is strengthening and going deeper. The movement of the European countries to establish economic integration has recovered vigorously in the middle of the 1980s after a cooling-off period of seven or eight years. The European Economic Community (EEC) has not been satisfied with the current forms of economic union at a low level and has decided to explore ways of establishing one at a higher level. In recent years, Japan has taken the initiative in pursuing the establishment of an "East Asian economic circle" which will include the five nations of the Association of Southeast Asian Nations (ASEAN) and the four little Asian dragons — South Korea, Singapore, Hong Kong and Taiwan. In addition, Japan has been trying to promote economic co-operation among the countries and regions in Asia and the Pacific. It wants to set up an economic group with itself as the centre to confront the United States and the EEC. In the 1980s, the United States has changed its traditional policy of arranging multilateral negotiations and opening up to the whole world and gradually turned to implementing a policy of bilateral, mutual benefit. The changes in US policy are more important and of deeper significance for setting up regional economic groups than the efforts of the West European countries to establish a single market and Ja-

pan's plans to establish an East Asian economic circle.

(2) The functioning of the global multilateral economic system has been greatly weakened. In the early postwar years, the United States, in order to establish a unified world market under its own domination, had taken the lead in setting up a global system on the basis of free trade and convertible currencies. The system included the General Agreement on Tariffs and Trade (GATT), the International Monetary Fund (IMF) and the World Bank. Now more and more parts of the system have been harmed and replaced by regional multilateral and bilateral arrangements. Some international trade principles put forward by the United States, such as the holding of multilateral negotiations, freely opening up trade and non-differential treatment have gradually lost their meaning. The international currency market dominated by the US dollar is unstable and confused. The unified world economic system has been further weakened.

(3) The situation where what the United States said counted for much in deciding issues of great importance to the West has been replaced by a process of consultations among most of the Western countries. Regular consultations among the heads of seven countries — the United States, Japan, West Germany, France, Britain, Italy and Canada — where they make decisions on important economic issues have been established since 1975. In 1985, the United States, Japan, Federal Germany, France and Britain established a system of consultations among their financial ministers to decide questions of currency and trade. The United States holds discussions with Japan before the Western countries begin their economic talks so as to gain

its support and ensure co-ordination with it. This shows that power in the world economy is being dispersed among many centres and the economic hegemony of the United States is on the decline.

It is necessary to point out that although the multi-polarization of the world economy has close relations with the development of regional economic systems, they are not the same thing. The reason why Western Europe and Japan can become poles in the world economic system is that they have enough economic and technological strength to confront the United States and form their own economic systems which have great attraction to neighbouring countries. Their efforts and plans to establish regional economic groups are not the reason. For example, although many third world countries have set up all kinds of economic regional groups, it is difficult for them to become one centre of the world economy because they lack the economic and technological strength of Japan and Western Europe.

A Tide Difficult To Reverse

There are many long-term and short-term factors that are promoting the development of a multi-polarized world economy. The long-term ones can be catalogued into the following aspects:

(1) The United States will have less strength to support and maintain a unified world economy. Under these conditions, it is impossible for other Western countries not to seek their own path and try to establish their own economic systems to defend their interests.

(2) The rapid scientific and technological development has strengthened the imbalance of economic strength of various

countries and caused uneven development within a country. It has also stimulated the rise of new technological power or flourishing regions. The speed at which old industries change into new ones has also been accelerated. In the current scientific and technological revolution, the crisis in the adjustment of the structures of declining industries and unemployment arising from this has increased the burden of the Western countries which they all want to transfer to other countries. In addition, the West has been experiencing economic depression in the last 10 years. As a result, economic nationalism and trade protectionism have been quickly gaining ground. Along with economic and technological competition becoming increasingly intensive, the West is seeking ways to get rid of its troubles by forming regional economic groups.

(3) The internationalization of world economic activities has complicated even further these economic relations. The world economic system established in the early postwar years is not suited to the current changes in the situation. The United States is also unable to deal with these changes. Transnational activities in trade, production, management, scientific research, service industries and banking have increased. The production of each country has become more specialized and the international division of labour has intensified. The extension of world economic activities which have become more complicated has brought many problems difficult to solve on a worldwide scale. Western countries all hope to find more satisfactory ways to solve these problems within a region.

It can be said that economic groups are the product of mutual interaction of the intensive

scientific and technological competition and the internationalization of world economic activities. The idea of economic groups was advanced when there was intense economic and technological competition and protectionism flourished, and it was a way of achieving internationalization of economic activities and strengthening the policy of opening up and co-operation within an area. It advocates opening up to each other as much as possible within the group so they can implement non-differential treatment among themselves and reach a high level of free trade. Externally, it pursues the policy of limited opening up and applies differential treatment. Making use of the differences in its internal and external policies, it can not only confront world competition but also satisfy the demand for the internationalization of world economic activities.

(4) The easing of world tension will help reduce the threat of the Soviet Union to the West. So it will be more difficult for the United States to put Western Europe and Japan under its control on the promise of providing military protection. The independent tendencies of Western Europe and Japan will be further strengthened in the coming years while the idea of accelerating unity in the Western alliance will be weakened.

The main short-term elements which have promoted the multipolarization of the world economy are the uneven economic development of the West, especially the big trade and budget deficits of the United States which will harm the interests of its trading partners and worsen its relations with them while it deals with these deficits. This will encourage the other Western countries to get rid of its

control and go their own ways.

Intention and Goal of Each

Both the United States and Western Europe as well as Japan do not want to see the division of the world market. Western Europe and Japan still do not want to assume the role of the United States in maintaining the world economic system. They have their own intentions in establishing regional economic groups apart from the common goal of promoting the internationalization of economic activities.

The United States is still insisting on maintaining a unified world economic system, advocating multilateral trade talks and giving full play to the functions of the GATT and IMF in regulating world trade and finance. However, it is also pursuing a mutually beneficial policy in bilateral trade and a regional preferential policy. In 1982, it appealed for the re-opening of talks within GATT which later were called the "Uruguay round." However, in 1983 it established a Caribbean preferential trade zone and signed bilateral free trade agreements with Israel in June 1985 and Canada in January 1988. It is planning to sign a similar agreement with Mexico. It is promoting multilateral global talks and bilateral talks at the same time so as to realize the so-called free trade it has been pursuing.

The US signing of the free trade agreement with Canada was designed to put pressure on Western Europe and Japan.

Japan advocates holding multilateral global trade talks and does not agree with the United States on establishing a system of bilateral free trade. It has been hoping to strengthen economic co-operation in Asia and the Pacific. In recent years, it has speeded up its effort to establish

the East Asian economic circle. The efforts of Japan can be considered a response to the movement in Europe to establish a single market as well as an attempt to deal with the ideas of the United States to establish bilateral free trade.

The aims of the West European countries in promoting economic integration and a regional economic group is to heighten their ability to compete with the United States and Japan and change their backward technological situations. They want to unify their enterprises and high-tech research works through strengthening the unity of the market and in this way increase the competitive ability and strength of their enterprises and speed up the development of their economies. They also want to promote their political and military co-operation and strengthen the position of Western Europe in the world through their efforts to promote economic unification and their regional economic group.

Influence Upon International Situation

The decline of US world economic hegemony, the polarization in the world economy and the balanced development of economies in various other countries have, generally speaking, had a good influence on the world situation.

The pursuit of more free and open policies within various economic groups will probably speed up the circulation of commodities, services, capital, technology and labour forces, reduce circulating funds and decrease both the cost of products and their prices. With the internal division of labour within regions and competition among enterprises deepening, productivity of all member nations will be

raised. Through transnational alliances and co-operation between the enterprises of various member states, large benefits of economy of scale can be gained. The enterprises will be stronger and their ability to develop sophisticated science and technology will be increased. With the establishment of new institutions to solve economic and trade disputes, protectionism and economic contradictions within the economic groups will be eased. In a word, economic growth will be promoted and more employment opportunities be created.

Meanwhile, because of the economic development of the various groups their total trade volume will increase and the absolute volume of foreign trade may well increase, thus partially compensating for any decrease in foreign trade share as a member of a group. Furthermore, economic amalgamation will also stimulate the exchange of capital between various countries and between member states and non-member states, strengthen economic ties between them and promote mutual economic development.

In the 1990s there will exist in the West favourable economic factors for a turn for the better. The two fundamental ones are the vigorous growth of the industrial and technological revolution and the great success of Western economic readjustment. A new upsurge will probably come despite the twists and turns. The polarization and amalgamation of the world economy will probably exert a positive influence to a certain extent on this new upsurge of the Western economy as a whole and have an obvious and favourable influence in regional areas.

In the political fields, the polarization and amalgamation of the world economy will lead to

the reorganization of the forces of the big Western countries. The United States cannot on its own maintain its position of world hegemony and it has to use outside forces to preserve its leading position. It should ally with both Western Europe and Japan. However, the objective situation forces it to pay more attention to dealing with the vigorously developing Japan and to settle its relations with that country. The situation in which the United States and Japan will strengthen their alliance at the same time competing with each other will be noteworthy in East Asia and the world.

The polarization of the world economy and the balance of the economic strength of the big countries will surely increase the contradictions and competition between them or between the blocs of which they are members. At the end of the 19th century and early in the 20th century, the first polarization of the world economy and the balance of the economic strength of the big countries led to intensive competition and two world wars between the big powers. There were serious confrontations between the economic groups in the 1930s. Since World War II, the world situation has undergone great changes. The current polarization of the world economy and the equipoise of economic strength between the big countries cannot lead to the confrontation of economic groups such as occurred in the 1930s and to war. On the contrary, it will draw the superpowers into economic competition, thus helping strengthen the easing in the world situation and peace. The polarization of the world economy will simultaneously lead to international competition and co-operation. This will be a major trend of international relations in the 1990s. □

Eliminate Unfair Income Distribution

The problem of income distribution is a focus of much discussion in China today. In this article the author analysed the question and posed an answer. At the time, Jiang Zemin was a member of the Political Bureau of the CPC Central Committee and Secretary of the Shanghai municipal Party committee. At the end of June this year, at the Fourth Plenary Session of the 13th Party Central Committee, he was elected General Secretary of the CPC Central Committee and member of the Standing Committee of the Political Bureau. This article was first published in the fortnightly magazine "Seeking Truth" (Qiushi), No. 12 this year.—Ed.

by Jiang Zemin

At present the problem of income distribution is a focal point of concern to all social strata.

New Situation, New Problems

Since the Third Plenary Session of the 11th Party Central Committee in 1978, incomes have risen substantially on the basis of continuing, steady increase in the national economy. According to statistics the average income of Shanghai employees was 2,181 yuan in 1988, representing an increase of 3.2 times over the 1978 income of 672 yuan, or an average annual increase of 12.4 percent. Deducting inflation, the real annual income of workers and staff rose 6.9 percent from 1978 to 1987, while in 1988, it increased by 1.1 percent over 1987. The average yearly per-capita net income of suburban residents was 1,301 yuan in 1988, a rise of 3.4 times over the 1978 figure of 378 yuan, or an average annual increase of 13.2 percent. Deducting inflation, the increase was 11 percent annually for the first nine years, with a 3.7 percent rise in 1988. As incomes increased, living standards of both urban and rural people improved markedly. By the end of 1988, their savings deposits had reached 14.1 billion yuan, an increase of 7.8 times

over 1978.

With the total increase in income of urban and rural residents, disparities between individual incomes have grown somewhat wider, and the composition of each individual's income has undergone some change. That is to say, the past form of income from wages alone is gradually giving way to multiple forms of income, which include not only wages but other funds, property, management, income gained through the hiring of labour as well as various subsidies and welfare payments all existing simultaneously. The proportion of income from other than wages is rising gradually, and forms an important part of some people's sources of income.

The government's method of regulating individual incomes, characterized by highly centralized and unified control of income and distribution, is changing from direct control, to indirect control. Through a policy of macro-regulation, the state stresses the principle of "to each according to his work" in respect to individual income from labour, making sure as far as possible that an employee's wages are linked to the economic performance of the enterprise; excessively high personal incomes are being regulated through tax collection and other economic levers.

As reform of the income distribution system continues to deepen, the phenomenon of "big pot" equalitarianism which prevailed in the past has begun to change somewhat. This has played a positive role in stimulating employee enthusiasm, and in raising labour productivity of enterprises and enhancing overall social economic results. But because the government's direct control over income distribution has weakened perceptibly, while the new indirect macro-control system and methods have not yet been completely established, the original problem of income distribution has not really been thoroughly resolved. Meanwhile some new contradictions and problems have arisen which show up conspicuously in the following two aspects.

First, the stubborn malpractice of equalitarianism has not been eliminated but has even increased and expanded in certain departments and some other spheres. This problem is particularly evident in the distribution of wages in state enterprises and institutions. First and foremost, wage disparities for various members are narrowing day by day. According to a survey of 48 cities made by the State Statistical Bureau, comparing January-April 1988 with 1985, the wage disparities between trainee researchers and researchers in

scientific research institutes diminished from 1:3 to 1:2; hospital practitioners and senior doctors, from 1:3 to 1:2.2; the third-grade middle school teachers and top teachers, from 1:3 to 1:1.8; university assistant teachers and professors, from 1:4.1 to 1:2.1; staff members in government departments and directors of bureaux, from 1:3.1 to 1:1.6. Second, the proportion of issuing bonuses on an average basis is on the increase. Some departments show that at present, the proportion of issuing bonuses on an average basis has already exceeded 50 percent in many enterprises, in some of which it has reached even 70 percent or above. Also, bonuses in government departments and institutions are generally issued equally. Third, various subsidies, allowances and welfare for labour protection and materials in cash or in kind increased rapidly, becoming an important component part in the income of workers and staff members. However, these gains outside the basic wages are issued equally to each person, regardless of how great or small his or her contribution.

The "big pot" form of distribution has encouraged the spread of equalitarian ideas and weakened wage incomes' function of incentive. The rational high salaries received by model workers, skilled technicians and enterprise managers fail to be understood, and often inspire ridicule or slander. This dampens their enthusiasm and capability for creation. Some people are keen on getting high incomes without bothering labour results, thus encouraging the expansion of consumer funds, curbing the development of production and giving rise to various complaints and dissatisfactions.

Second, income disparities between some moonlighters or freelancers and the vast majority of cadres and staff members are great. For example, some on-the-

job workers engage in other business without a licence or act as brokers for large "kick-backs" and fees for "helping out"; some other working personnel who take on a second job earn thousands of yuan, even tens of thousands of yuan a year; while the income of the great majority of people doing hard work at the frontline of production, scientific research and teaching is too low as compared with theirs. The phenomenon of reverse relationship between the amounts of income for mental labour and physical labour, complicated and simple labour is fairly widespread. Incomes of people invited from other provinces or cities and personnel working in the commodity circulation sphere are conspicuously much too high. Particularly some illegal business people and peddlars adopt unlawful methods to encroach on the interests of the state and the people, such as: speculation, (cross-trade), price-gouging, and tax evasion as well as cornering the market, so as to obtain huge profits. According to a survey made by a certain department, at present about 70 percent of the private undertakings in Shanghai have been taxes evading and the cases of tax-evasion by individuals doing business without a licence are even more prevalent. Now their individual income, according to their own report of business turnover, is more than 5,000 yuan a year on the average, and 10 percent of them are "10,000 yuan households." In some small commodity markets, about 80 percent of the individuals have an yearly income exceeding 10,000 yuan. What's more, households making over 100,000 yuan or more a year have come to light.

Steep income disparities seriously dampen the enthusiasm and initiative of the large majority of workers and staff members in their work. Most of those who

violate the law to get rich during the transition from the old to the new structural system have had very little education. They live extravagantly, instead of relying on their own hard work to earn what they have. This is not only a serious affront to workers, farmers, intellectuals and all the various salaried social strata who work for a living, but also a blight on the general mood of society, leading to social instability and directly undermining the next generation's standards of value. This is not beneficial to the advance in overall economic performances in the nation as a whole, to the deepening of the reform and opening to the outside world, to smooth progress in curbing total demand and tightening control over inflation or to the work of improvement and rectification.

Unfair Income Distribution—Its Manifestations and Causes

What is justice in income distribution? This concept is difficult to understand. Theoretically, social justice based on equal rights is restricted by the development of a society's economy and culture. Also, in different stages of development, the connotations of social justice are elaborated differently. However, by our standards, the measurement of social justice must be based on whether it is beneficial to development of the social productive forces and progress of society. In a socialist economy of public ownership, the broad masses of people are the masters of the means of production, and the main principle of distribution is "to each according to his work." Since the Third Plenary Session of the 11th Party Central Committee, our Party has followed a policy of allowing some areas, a part of the enterprises and a part of the population to get rich first

through hard work and thereby bringing over all the Chinese people to take the road of common prosperity. This is in line with the principle of distribution according to work. Implementation of the policy will allow for differences in income because of differences in ability and contributions in work; it is only fair that some should prosper before others. Generally speaking, differences among people in ability and contribution are limited, so carrying out the principle of distribution according to work would not lead to polarization between rich and poor. Equalitarianism does not allow for differences in income; this is one of the manifestations of unfair distribution.

Now our society is still in the primary stage of socialism, where public ownership exists as the main form together with other forms of ownership. Correspondingly, a policy has been taken to allow, in part, for the existence of unearned income to help enliven the social economy as a whole. However, for all members of society, the chance to receive income other than from their own work is unequal and the gap between this kind of income and that based on one's own labour can easily widen. Therefore, the Party and government also have set necessary limits on distribution methods, taxation policy, price policy, and industrial, commercial, administrative and managerial conduct. So long as business people observe the law, it will be hard for them to reap staggering profits. The problems we face at present are that a small number of people have raked in ill-gotten wealth through such illegal means as tax evasion, market manipulation, price gouging, abusing power for personal ends, dereliction of duty, graft, bribery, and smuggling. This is another important manifestation of unfair distribution, and one

which has aroused more than a little discussion.

What has brought about the manifestations of unfair distribution mentioned above? Let's first consider equalitarianism. Equalitarian ideas stem from China's small-scale peasant economy which has a long history. It will take quite a long time to eliminate this influence which is so prevalent in people's minds. Second, China is still now in the primary stage of socialism; its level of productivity is still very low. In this situation, it is really important to work out a principle of distribution which embodies social justice, that is, one which provides the broad masses of people with ample food and clothing, with life and work in peace and contentment. But a tendency towards equalitarianism is often easily generated by stressing fairness to the neglect of economic results. Furthermore, creating equal opportunity all-round is a prerequisite to implementing the principle of distribution according to work. But labourers lack equal opportunity in competition. They are restricted by the old management system and price policy, by the lack of rules and climate of competition on an equal footing between different professions, units, trades, and areas. Under the circumstances, it is quite easy for inconsistency to arise between pay and the work done. For example, some people who do work requiring little knowledge or skill can earn a fairly high income, while those who engage in complex work which requires more knowledge and experience cannot receive the pay they deserve. Therefore the income gap which exists on this account is unreasonable. Because an effective income-regulatory system has not been set up as yet, more often than not a trend of equalitarianism in income is present in places under the direct income-distribution

control of the state, especially in state-owned enterprises and institutions.

A wide gap in income among some people is not necessarily a direct result of the Party's policies, but the result of a small number of people's violating the law and discipline and taking advantage of loopholes in state policies. It also should be noted that in the process of reforming the old system and exploring and perfecting the new ones, the existence of a dual system and imperfections in reform policies really do leave loopholes for some people to exploit. Moreover, practice in actually carrying out reform of the distribution system is still being hampered by three factors—the stage of economic development, degree of maturity of the new systems, and the force of habit together with social traditional ideas. This results in some drawbacks in certain particular policies for reforming the distribution system. At the same time, the state does not have enough power to effectively control and regulate income. This leads to the continuation of equalitarianism within the limits of state control, while beyond the limits of state control, or in the units over which the state has indirect control, but, in fact, cannot as yet effectively control, the income from some economic activities is extremely high. Experiences gained by other developing countries show that in the initial stage of economic growth, differences in income are apt to widen. If things go wrong, it will affect social stability; on this account, we must heighten our vigilance.

Equalitarianism and a wide income gap interact on each other. For example, we want to solve the problem of equalitarianism, but the over-wide gap between incomes acts as a hindrance to allowing for a reasonable gap. This is because an excessively wide gap in incomes undermines social

justice and saps people's morale. Especially when the old and new systems coexist, the situation quite easily encourages the trend of equalitarianism as well as the negative scramble for income, not for making a contribution. This will only result in a new pattern of "eating from the same big pot" at a higher income level. On the other hand, equalitarianism also will foster disparities in income because equalitarian trends impair economic results and stifle labourers' enthusiasm. Moreover, it would encourage some people to be at odds with public ownership, even more to whet the ambitions of some people to seek selfish interests by illegal means. From this, we can see that unjust distribution in the form of equalitarianism and another kind of unfair distribution manifested by a wide gap of income reinforce each other, and are interdependent. To both of them, we must pay much attention.

In addition, the current serious inflation is a factor leading directly to intensifying the contradiction of unfair distribution. Inflation has the effect of redistribution. With the sustained rise in prices, there is a universal increase in people's living expenses. However, people in different departments and trades have different sources of income, and their ability to compensation to maintain their real income depends on the state. However, this kind of compensation is often late or incomplete. As to enterprises and productive departments, they are able to compensate workers and staff for real income through various channels, even by giving above-quota compensation. In doing so, the income gap between the workers in some production departments and the employees in state organs and institutions has become conspicuous, because the wage increase for the workers and staff during the period of

inflation actually played a role, to a large degree, in making up the loss in their real incomes, rather than serving as an incentive to work hard; therefore, the trend of equalitarianism among employees in state organs and institutions has spread. Taking advantage of price hikes, some businessmen engaging in illegal resale activities to gain staggering profits, as well as a number of persons with high incomes, increased their incomes at an even faster speed. Inflation has made the income gap larger than even between the people engaging in economic activities within the limits of state control and those outside the limits of state control. As a result, the contrast between equalitarianism and an excessively wide income gap is further deepened.

Avoiding any ideological deviation is very important for us in reaching a correct understanding of the phenomenon of unfair income distribution. We should admit that corruption and a wide gap in income are focuses of strong resentment on the part of the broad masses of people. People want to change the inequality in opportunity, and hate the small number of people who reap ill-gotten wealth. Only when these problems are solved, will it be possible for us to create a better social environment and to encourage people to compete in raising efficiency. Therefore, we must take these problems seriously. At the same time it is worth noticing that while comparing gains with other economic departments or competing with them, traditional equalitarianism still has a great influence on people's minds. Once reform brings about an important readjustment in interests, this point of view will emerge as if right out of the subconscious and become a major psychological block obstructing the reform programme from going further. Particularly, a

number of people like to make horizontal comparisons on the basis of their own subjective impressions, looking at changes in the relationship of interests among people in a static way, ignoring the distinction between reasonable and unreasonable, legal and illegal differences in income. With a correct understanding of the social and psychological factors involved in income distribution, and by making an objective and just analysis, we will have a clearer idea of how to deal with problems arising in distribution. If we look at the income gap in the reform only from our own subjective impressions, if we seek only income parity, and deny the regulatory role of market mechanism, the process of reform will be retarded and the national economy as a whole will stagnate.

Reflect Fairness on the Premise of Efficiency

"Our distribution policy should, on one hand, help the well-managed enterprises and honest labourers get rich earlier to reasonably space out a gap between incomes and, on the other hand, prevent any great disparity between the rich and the poor, sticking to the principle of all getting rich together. On the premise of raising efficiency, social fairness should be shown," the report to the 13th National Congress of the Communist Party of China (CPC) pointed out.

Because the national economy is an organic whole, the only way to eliminate equalitarianism and excessive disparity in incomes lies in the deepening of a supplementary reform, i.e. finding a way out in a comprehensive way.

Enterprises owned by the whole people must be further revitalized and a system of markets must be fostered at a faster pace. The regulatory system of the macroeconomy must be improved,

and reforms on planning, investment, materials, taxes, finance and prices should be properly dealt with. Besides, the legal system must be strengthened. The basic framework for a new system of the planned commodity economy must gradually be set up, creating conditions for equal competition and offering a sound political, economic and social environment for carrying out the correct distribution policy.

Distribution depends on production. Only by substantially raising labour productivity and economic efficiency through reform is it possible to bring the distribution system and policy into full play and create a material foundation for the elimination of equalitarianism and great income disparities.

Also, the distribution system itself is important. At present, the key to this aspect is to improve regulating measures and adopt appropriate specific policies in accordance with the different forms of income distribution under the double system.

Within the limits where the state can directly control the distribution of income, including state-owned enterprises and institutions, stratified management under macro-control should be practised, with the stress on eliminating equalitarianism. In primary distribution, the state must link the total payroll of an enterprise up with its economic efficiency and relate an individual wage with the contribution the employee has made to the enterprise. In re-distribution, the state must solve problems in institutions such as the inconsistency between the workers' labour and the low pay they receive. At the same time, we must pay attention to readjusting the production and management conditions among enterprises so that there can be a proper environment for fair and equal competition and for further carrying out the policy of dis-

tributing according to work.

Specifically, the following relations should be properly dealt with.

First, we must correctly handle the relations between the enterprise and its workers in terms of distribution. While the employment and recruiting systems of the enterprise are under improvement, the distribution system within the enterprise must be reformed. Subsidiary expenditures must gradually be reduced while the stimulating effect of bonuses on raising productivity should be restored and strengthened. Various forms of distribution system based on effective social labour time should be explored. There must be reasonable gaps between workers' incomes, and workers making greater contributions to the enterprise should be encouraged to get rich earlier.

The second point is to properly handle relations between the state and enterprises in respect to the distribution of income. It is important to define a set of rational measures for the enterprises' economic efficiency so that a close relationship between an enterprise's increase of income and payroll and its economic efficiency can be established on the basis of science and reasonableness. For instance, under the principle of keeping the increase of the workers' real income lower than the increase of labour productivity, an index of labour productivity calculated in terms of constant prices should be added to the gauge between an enterprise's total payroll and its efficiency. While some enterprises can study ways of linking the total payroll with the quantity of goods produced, some can connect the total payroll with the trade's profit rate on capital or profit rate on wages. It should be noted that in respect to taxes, price policies and production elements (labour, capital, production materials, land and technology), differ-

ent enterprises have different conditions and situations that lead to disparities between individual incomes. This demands that the government regulate them through effective economic means.

The third is to properly deal with the relationship of distribution between brain workers and manual workers. According to Marxism, complex labour is a multiple of simple labour and thus complex labour should be paid more than simple labour. But it is just the opposite in China and this is an outstanding problem in unfair distribution of income. In the days to come, in order to solve the problems caused by this upside-down distribution of income, we must gradually improve the treatment of intellectuals. In addition, the current wage system in institutions must be further reformed and improved.

At last, while employing economic, administrative and other regulating measures, we must strengthen our work in ideological and political work. People should be convinced of the harm both in vying with each other over income and blindly pursuing excessive consumption, as well as in giving up initiative in their work. They should work in a down-to-earth style and obtain their material gains through hard work, keeping their particular situations in mind. Our country is confronting difficulties caused by inflation, so it is all the more necessary for our people to be mentally prepared for a few years of austerity.

Within the scope where it is difficult for the government to exercise direct control over the distribution of income, including economic sectors other than those under state ownership and some economic activities, there are a small number of people illegally seeking exorbitant profits. To settle this problem, we must streng-

then the authority and functions of the government and try to manage and regulate the distribution of income by legal, administrative and economic means.

First and foremost, we must rectify the order of economy especially that of circulation. In screening and reorganizing companies of various types, doing well in the management of market and prices, and rectifying and improving some important means of commodity circulation, we have to resolve problems on the distribution of income in six fields: Tertiary industry independently run by an enterprise itself and horizontal joint operation; technology transfer, technological advice, technical service and training; the second occupation of workers and the re-employment of the retired; newly set-up companies; individual businesses and the income of various personnel. Among these, more attention should be paid to the supervision and management of the individual businesses, and the control and management of companies of various types.

Corresponding laws, regulations and policies must be made and perfected and market regulations must be established to limit the business scope and means of various business people. Also, effective measures must be taken to publicize, manage, regulate and control all kinds of economic activities.

In order to add transparency to individual incomes and further strengthen the work of levying a regulatory tax on high incomes, the system of declaring taxable incomes must be tried out as soon as possible in the Party and government institutions in big and medium-sized cities and some high-income trade.

Industrial and commercial administrations and other tax departments must strengthen their

organizations and take responsibility for enforcing the law strictly. Co-operating with every concerned sector of society, they should do their best in tax collection and management of the market.

Secondly, we must emphasize the building of an efficient and clean government and make efforts to find out and punish promptly and resolutely illegal activities such as graft, bribery, extortion, and abuse of power for personal gains. All unlawful business activities must be attacked ruthlessly and banned without question. All illegal incomes must be resolutely confiscated and heavily punished. As for serious economic crimes, we must be strict in meting out punishment under the laws and never adopt a soft attitude. At the same time,

we should conduct widespread publicity and education throughout society so that concepts of being honest in performing official duties, being law-abiding in doing business and paying taxes according to the laws will take root in people's hearts.

In short, we must resolutely protect lawful incomes, reasonably regulate excessively high incomes and strictly ban illegal incomes. From a long-term point of view, in order to solve problems caused by unfair distribution of income, a flexible employment system should be gradually established, in which labourers will obtain relatively equal opportunities in competition. Correspondingly, a system for social security must be established and improved. Although it is impossible to solve all problems immediately, we must do the best we can. □

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Lhasa: Growing Pains

by Luo Ga

Lhasa, capital of the Tibet Autonomous Region, has a history of more than 1,300 years. It is the holy city of Tibetan Buddhism and the cultural centre of the region.

Two years ago, I was elected mayor of Lhasa. The pressing task confronting me is to promote Lhasa's economic development and improve the living conditions for Lhasa dwellers.

Stress on the Development of Agriculture and Animal Husbandry

Towards the end of 1988, the Party Committee of the Tibet Autonomous Region decided that at the present stage the guiding thought for Tibet's development was to stress the development of agriculture and animal husbandry and economic construction. This conforms with Lhasa's real situation.

It has eight urban districts and

suburban counties, altogether covering a total area of 29,052 square kilometres.

Lhasa is situated at a high altitude and sprawls over a vast, sparsely populated stretch of land. The city has an urban dwelling area of 34 square kilometres, farmland of 39,000 hectares and grassland of 1.16 million hectares. Agriculture and animal husbandry predominate; there are now more than 220,000 farmers and herdsmen, accounting for 73 percent of its total population. Agriculture and animal breeding make up 82 percent of its total output value from industry and farming.

However, 15 percent of Lhasa's population, notably farmers and herdsmen, still live under the poverty line.

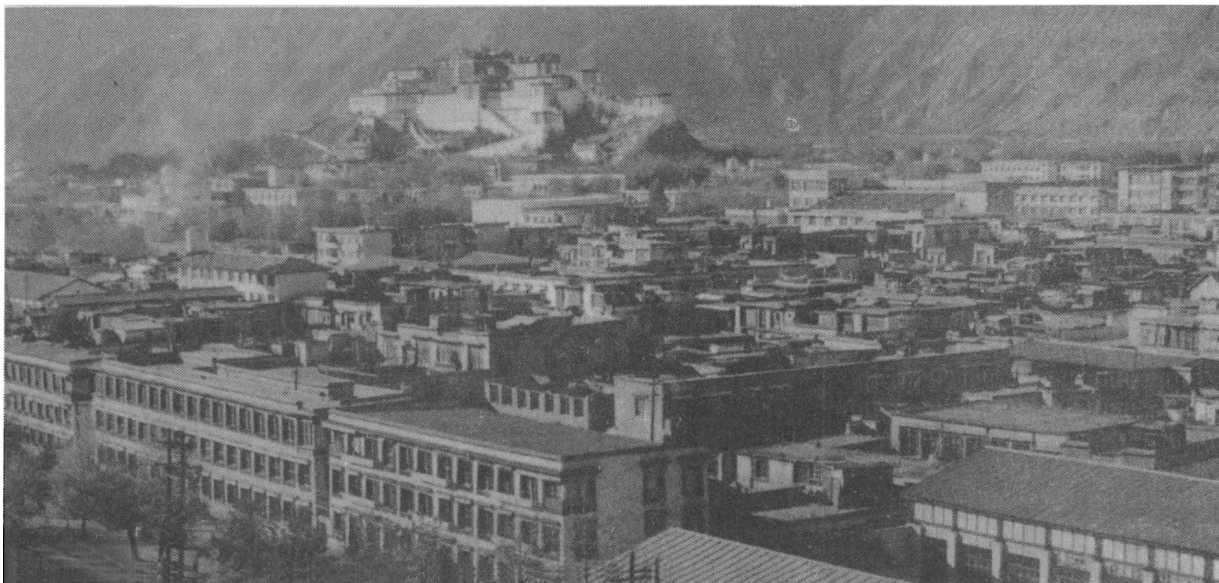
On the Lhasa market, the supply of farm produce and animal by-products, such as butter, beef, mutton and vegetables, which make up the daily necessities of the Tibetan people, is inadequate.

Therefore, the development of agriculture and animal breeding has much to do with the construction of Lhasa itself and the improvement of its people's lives.

In agriculture and animal breeding, Lhasa has great potential. To begin with, the surrounding vast stretches of wild, undeveloped terrain need to be reclaimed. A programme to harness and develop the Lhasa River valley, coded Project-3357, was begun this year as a joint venture between Tibet and the UN World Food Programme. We have begun planting trees and grass, building water conservancy projects, and reclaiming wasteland so as to ensure a comprehensive advance of agriculture, animal husbandry and forestry as part of an all-round scheme of development. This endeavour will not only improve Tibet's natural conditions and ecological environment but also promote the growth of Tibet's

Additional new Tibetan-style apartment buildings ensure Lhasa residents a living space of 6.33 square metres per capita.

TU DENG



processing industry.

Solutions to Problems of Common Concern

During the remaining three years of my term, I will come to grips with the shortage of housing, supply of drinking water and other problems of vital concern to the Lhasa residents.

Lhasa has publicly owned houses amounting to some 230,000 square metres, of which 130,000 square metres, largely clay-wood structures, are dilapidated, some on the verge of collapse, particularly during rainy seasons. More than 20 houses tumbled down during the rainy season last year, though no one was injured or died because of our advance preparations. Rents are low; only 80,000 yuan is collected a year from these houses. However, 400,000 yuan is allocated a year for their repair and maintenance by the city government, a sum only enough for tinkering with the problem. Although in recent years we have built many living quarters, there are still nearly 1,000 households waiting for a home of their own. Some of these households include ex-lamas who have married, new settlers returned from abroad or newly-weds. Last year, 400 young couples in Lhasa were issued marriage certificates but not allocated bridal chambers. We bear the weight on our shoulders, and we feel hard pressed.

We came to grips with the problem of run-down housing in 1987. Of the 130,000 square metres of dilapidated houses, we have so far revamped 50,000 square metres. We plan to spend another two years to renovate all the dangerous living quarters by the end of 1990. We also plan to commercialize all the houses through reform of the housing management system and pool together all the efforts of the state,



A holder of a doctorate degree in Buddhism, Cicheng Jiancan, a Tibetan, teaches Tibetan to a language class in Lhasa.

MA JINGQIU

collective and individual to overcome the housing shortage.

Another problem is the shortage of water. Lhasa has only one tap water factory piping water to only a minority of the families. Many of the residents still fetch water from wells, which is of poor quality and needs to be purified. There are only a few flush toilets. Lhasa has 140,000 permanent residents and somewhere between 60,000 and 80,000 transients, some of whom come to peddle their wares, and others to attend religious services. So drinking water presents a big problem, especially during the peak migrating seasons. Last year the government of the Tibet Autonomous Region invested 8 million yuan in a new tap water factory on the northern outskirts, which, when put into service next year, will do much to alleviate the problem of water shortage.

The supply of butter has been tight until recently when the city government established long-term supply ties with Inner Mongolia and Beijing. The cityhall now guarantees its residents 1.5 kilogrammes of butter per month per capita, at prices 2.5 to 3 yuan cheaper than at the free market.

Towards a Dynamic Economy

As things now stand, Lhasa's economic construction requires a stable social environment and an adequate supply of funds. With regard to the supply of funds, we do not think it will work to rely solely on the state. Most important is to enliven our economy. To this end, we have decided to develop education, energy and those projects with short lead time, and raise funds for the development of new products. Our measures are as follows:

1. To develop the aquatic resources of the Nam Lake and process aquatic products. We have already collected enough funds for this programme, which we expected will be started this year;

2. To develop mineral resources such as borax and lead; priority will be given to those mines with short lead time; we shall use the proceeds to develop other mines on a large scale;

3. To expand horizontal economic ties with other parts of the country; Lhasa knotted sister ties with Hangzhou, Zhejiang Province as early as 1983. We have since established economic relations of co-operation with more

than 30 provinces and cities and signed over 30 co-operative projects with them, and set up economic liaison stations in Beijing, Shanghai, Chengdu, Guangzhou and Shenzhen. Not long ago, one of our deputy mayors went to Jiangsu and Zhejiang provinces to solicit funds and new technology.

Moreover, we plan to make

full use of Lhasa's advantages, run tourism well, strengthen management of taxation and markets and mobilize all possible means and ways to develop production.

When asked whether I had any more ideas for Lhasa's development, I said I wanted to build Lhasa into a beautiful, affluent and distinctively Tibetan city on the roof of the world and to

further mobilize the advantage of Lhasa as a cultural centre of Tibet and turn Lhasa into a brain tank. Work on this task will take us far into the future. But it is significant. I'd like to contribute my part to it.

(This article first appeared in the magazine *Tibet, China*, issue No.2, 1989.)

The author, of Tibetan extraction, is mayor of Tibet. □

Notes on a Trip to Shenzhen (2)

Progress and Problems in Attracting Foreign Capital

This is the second report from the Shenzhen Special Economic Zone (SEZ) dealing mainly with the progress and problems in attracting foreign capital and foreign investors' experiences in the operation of factories in Shenzhen. The first report titled "Fruit of the Open Policy" was carried on our issue No.34.—Ed.

by Our Staff Reporter Jing Wei

As a Chinese saying goes, "When there are parasol trees in one's courtyard, one need not worry that a phoenix would fly in." Over the past few years "parasols" have been planted everywhere in Shenzhen—this means the implementation of preferential policies, improvement of investment environment and protection of investors' legal rights and interests—which have attracted a large number of "phoenixes" i.e. foreign investors.

Progress

Over the past ten years, the contract value of foreign investment in Shenzhen has exceeded US\$5 billion, of which US\$2.276 billion has actually been used.

In the first quarter of this year, foreign business people were still enthusiastic about investing in Shenzhen. During the

three months, 169 contracts were concluded, representing a 50 per cent increase over the same period last year. Some US\$72.52 million were actually invested, 65.1 per cent over the same period last year.

Shenzhen has witnessed rapid growth of foreign investment

and diversification of the sources of fund and investment orientation.

New sources of foreign funds. Initially foreign capital mainly came from business people of Hong Kong. But now investors came from 28 countries and regions, including Japan, the Unit-

General Manager Andrew May of the Hua-Mei Electroplating Technology Co. Ltd., a Sino-US joint venture, with Deputy General Manager Jiang Yuqiao.



ed States, Singapore, Australia, Switzerland, Sweden, Federal Republic of Germany, Britain, France, Canada, Thailand, Norway, Denmark, Belgium, Saudi Arabia and the Netherlands. Representatives of General Electric Co. and Du Pont Company of the United States, Toshiba Co. of Japan, Aluminium Co. of Canada, Hutchison of Hong Kong and other transnational corporations also came to Shenzhen for investment purposes.

An increase in the proportion of foreign investment in industry. During 1986 Shenzhen moved from basic groundwork to a new stage of promoting production, increasing economic returns and developing an export-oriented economy.

According to 1979-1985 statistics, foreign business people had invested a total of US\$300 million in Shenzhen's industry, representing 40 percent of the total investment. In 1987, the figure rose to 60 percent, and 72 percent in 1988. In the first quarter of this year, the figure was already 82 percent.

There are an increasing numbers of enterprises using advanced technology and producing export products. Initially, foreign projects using foreign funds were merely those with short-term investment, of a small size and labour intensive. However, recently, the investment orientation has turned to sophisticated, hi-tech projects of a larger size. The large, technologically advanced projects Shenzhen has include a printed circuit board production line, a computerized checking colour TV production line, a colour kinescope production line for microcomputers, paint-spraying manipulators, satellite ground-receiving production equipment, and a float glass factory.

In addition, the Shajiao B Power Plant with a capacity of 700,000 kw, (funded by Shenzhen and foreign investors), and the

An Introduction to Shenzhen SEZ

Shenzhen Special Economic Zone established in May 1980 is located in the south-eastern coastal area of Guangdong Province and borders Hong Kong's New Territories in the south. It is one of China's major trading ports.

Under the administration of Shenzhen city government, the special economic zone is divided into five administrative districts: Luohu, Shangbu, Nantou, Shekou and Shatoujiao. It covers an area of 327.5 square kilometres and has a population of 780,000, half of whom are temporary residents.

Shenzhen is an economic, not political, special zone. The Chinese government exercises sovereignty over it, implements special economic policies, and protects, by legislation now in force, the invested resources, safety, due profits and other lawful rights and interests of foreign investors. All the activities of a foreign joint venture shall be subject to China's law and decree and the regulations of the special economic zone.

Characteristics of Shenzhen Special Economic Zone: construction funds come mainly from foreign capital; the economic structure is built primarily in the form of joint ventures, co-operative enterprises and foreign enterprises; the products are mainly for export and economic operation is regulated mainly through the market under the guidance of the state plan.

Preferential Policies: The special economic zone has the following major preferential policies and measures for foreign investors:

The rate of enterprise income

tax is 15 percent. Projects with a total investment of more than US\$5 million or projects involving advanced technology and long-term flow of funds may enjoy exemption from income tax for two years and 50 percent reduction for another three years. Enterprises whose annual export value exceeds 70 percent of the total output value in the same year shall pay a 10 percent income tax.

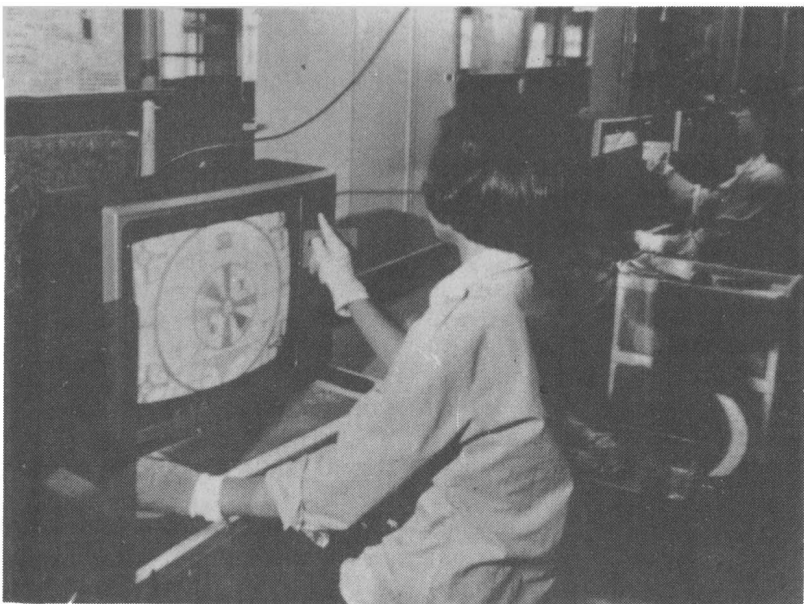
Export products are exempt from export tax. Production materials and items for personal use (excluding a few kind of articles such as tobacco and wine) are free from import tax.

Low land use fee. The land use fee for industrial use is only 1-1.6 yuan per square metre a year. Export-oriented and technically advanced enterprises may be exempted from land use fee for five years and a 50 percent reduction for another five years.

Products to be sold domestically should meet at least one of the following requirements: China needs their import; they are manufactured mainly with raw materials from China's inland; they are manufactured with advanced technology and equipment and products that are able to replace those listed in the state's plan for import.

Foreign enterprises have the right to employ and dismiss workers according to the requirements of operation. The worker's wage is generally 60 percent less than his Hong Kong counterpart.

The economic zone has opened "special channels" of entry and exit for the convenience of foreign businessmen who come and go between the mainland, Hong Kong and Macao. □



Colour TV production line in a workshop of the Huaqiang Sanyo Electronic Co. Ltd.

Shenzhen Daya Bay Nuclear Power Plant with a capacity of 1.8 million kw (involving investment from the state, Guangdong Province, the SEZ and foreign investors), are large, technologically advanced projects.

A number of international financial institutions have opened branches or representative offices in Shenzhen. Up to now, there are 22 foreign banks in Shenzhen. Among them are First National City Bank, Bank of Tokyo, Sanwa Bank of Japan, Commercial Bank of France, Banque Nationale de Paris, Banque de l'Indochine, Hongkong and Shanghai Banking Corp., Standard Chartered Bank, Royal Bank of Canada and Overseas Union Bank Ltd. of Singapore. All of them have extensive relations with other financial institutions in the world. For example, Chartered Bank's Shenzhen branch is equipped with computer access to the global "SWIFT" clearing system. This makes it possible for Shenzhen and the outside world to instantly realize fund allocation. These foreign banks in Shenzhen have facilitated foreign investment and

improved the zone's financial market.

Problems & Risks

There are also some problems in the import of foreign capital in Shenzhen. The main problems are:

- In the application of investment, more investment was used for importing processing lines than components, raw and semi-

Bus and taxi services provided by the Rongli Transport Company.



General Manager Koshi Sato of the Huaqiang Sanyo Electronic Co. Ltd.

finished materials; more equipment than technology; more lower-grade technologies than advanced ones and more new projects than technically upgraded enterprises. If the situation does not change, it will restrict improvement in the technical level of Shenzhen and therefore its competitive capacity on international markets.

- In the field of marketing, Shenzhen's capacity to develop markets is lacking. Most joint ventures, co-operative enterprises and wholly foreign-funded enterprises in Shenzhen rely on foreign partners to import equipment, raw and semi-finished ma-

materials, components and to sell their products abroad. Foreign partners make profits through transfer pricing. This increases the costs of the local enterprises, causing some to run at a loss.

● The risks of borrowing money from abroad. Prior to 1983, Shenzhen businesses did not borrow money from abroad, the foreign funds came mostly from direct investment. In 1984, the volume of foreign loans accounted for 8.5 percent of the total foreign investment actually used, however, by 1987, the figure exceeded 30 percent. Although foreign partners are the debtors, Chinese partners serve as guarantors for those loans. People worry that if foreign businesses are not successful and fail to pay their debts on schedule, the Chinese partners would become the second debtors, and liable for repayment of the loans. Over the past few years, about 75 percent of foreign-funded enterprises have made profits, however, 20 percent are making losses. Therefore, the SEZ must carefully monitor loan risks.

Weal and Woes of Foreign Business People

While covering Shenzhen, this correspondent interviewed directors and managers of foreign-funded enterprises. They talked about their weal and woes of doing business in the Shenzhen SEZ.

Hong Kong's transport man Fang Bingsen. Fang came to Shenzhen to engage in transportation soon after the special economic zone was established in 1980. Now he serves as a general manager of the Shen Kong Transit Bus Co. Ltd. and Wing Lee (Kong-Shen) Transportation Ltd. (Both are Sino-HK joint ventures).

He said, "I took a risk investing in Shenzhen. At that time, the preferential policy was not

clear and communications in the city were inconvenient. Anyhow, I took this opportunity and signed a five-year agreement with our partners. As a result, the two sides made much money from their business."

In 1986, he and the Shen Kong Vehicle Transport Company in the city of Shenzhen jointly established the Shen Kong Transit Bus Co. Ltd. The two sides agreed to invest KH\$ 10 million over 15 years. He said, with the passenger rate averaging about 70 percent, the result is obvious. The net profit last year reached HK\$1.5 million. We expect our investment can be recouped within six or seven years."

Talking about worries, Feng said frankly, "I very much want to co-operate with them in a long term, because they are very good. However, what I worry about is whether China's present policy would change and whether or not we are allowed to continue our business after Hong Kong returns to China in 1997."

Koshi Sato, general manager of Japanese side of the Huaqiang-Sanyo Electronic Co. Ltd. This company is jointly operated by Shenzhen's Huaqiang Electronics Industry Company and Sanyo Electric Co. Ltd. Starting in 1984, it has two factories producing radio tape recorders, colour TV sets and one plastic-moulding, painting and fitting factory. The company's production technology and equipment were mainly introduced by the Sanyo company.

Sato said, "working in Shenzhen, I feel that the Chinese people are very kind and we co-operate well."

When asked about the enterprise's economic efficiency, the general manager answered proudly: "excellent! As we pay attention to quality, it has a good reputation, so that it has a strong competitive power in international markets."

He also told the correspondent that most of the company's products were sold on international markets, and only a part was sold in China's domestic market. At present, they are not worried about the foreign sale, as they have many orders from foreign countries. In recent years, international sales increased at an average annual rate of 30 percent.

"The problem is in domestic sales," he said, "Trends in China's markets are not easily assessed. The products sold well in the first half of last year. Later, the government added 50 percent consumption tax, causing many difficulties in our marketing."

Andrew May of Britain. May is the general manager of Hua-Mei Electro-Plating Technology Co. Ltd. Established in 1984, the company was jointly run by the former technological research institute of China's Ministry of Electronics Industry, the development company of the Shenzhen SEZ and the OMI Chemical Co. Ltd. of the United States. Before serving as general manager in 1987, May worked as a technical manager from 1984 to 1986.

May said, "working here has been the most interesting five years in my life."

He said, "our company's efficiency is not bad. It began to make profits in the second year of operation. Our total investment can be recouped in another two years."

When asked why he selected Shenzhen to establish a joint venture enterprise, this 57-year-old general manager said, "I thought that Shenzhen then was the best place to open an enterprise in China. But now things are different. Our products are needed by many industries, which are located in China's industrial areas far from Shenzhen and the raw materials must be transported over long distances to us." "Anyhow, there are many

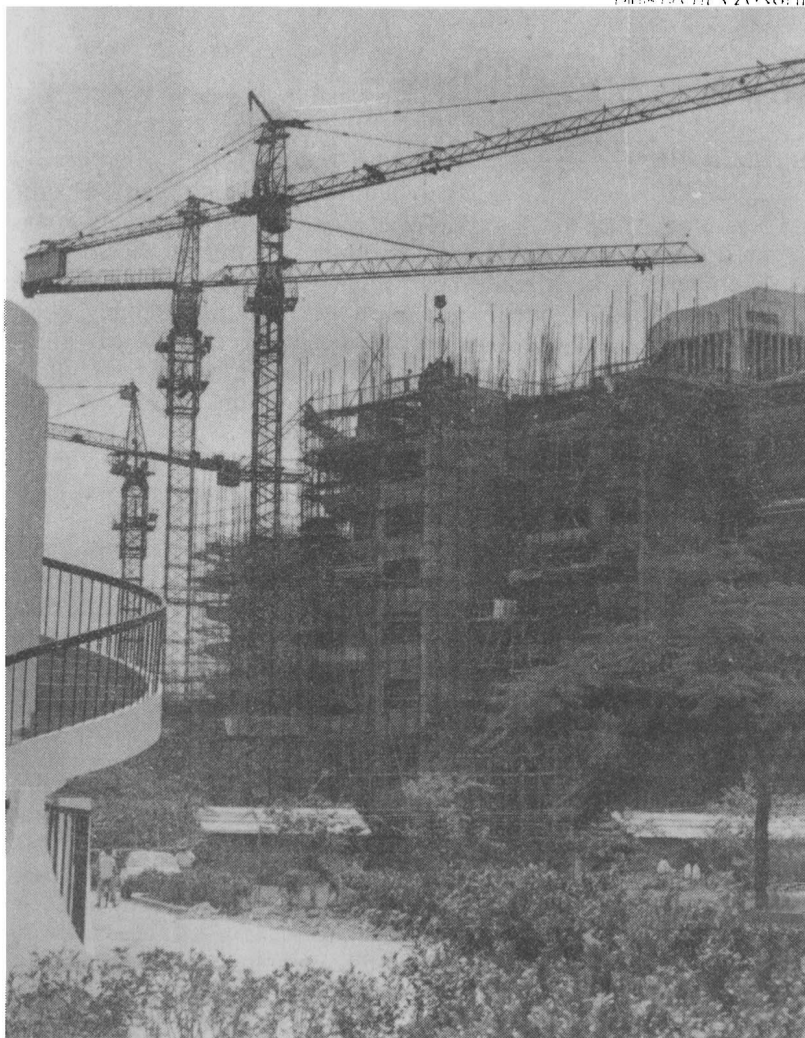
advantages. It is near Hong Kong and many technical problems can be solved conveniently."

Because the products are mainly sold in China's domestic markets, marketing is greatly influenced by the changes of the internal economic situation. General Manager May listed his various troubles: 1. The raw materials bought by the company on the mainland are at relatively high negotiated prices, which in turn influences our competitiveness in international markets. 2. From the second half last year, the number of debtors increased, so that we had to borrow money

to meet interest commitment. 3. Communications are not convenient. It is difficult to buy plane and train tickets, our marketing personnel cannot easily visit customers to solve their problems. All these factors have restricted our marketing capability. It seems that the general manager still has confidence in solving some problems existing. He said, "I know that China's economy is being improved and restructured. When this happens, the price of raw materials will fall and therefore the economic viability of our company might improve."

The Shekou Industrial District under construction in Shenzhen.

Photos by CHEN ZONGJIE



American Robert J. Niederberger. Niederberger is general manager of Guangdong Float Glass Co. Ltd, a joint venture between China, the United States and Thailand. This company, in Shenzhen's Shekou Industrial District, invested nearly US\$ 100 million. The operation began formally in 1987, producing high-quality glass.

Niederberger said, "I am very happy to work in Shekou. The city of Shekou is not big, but it is modern. In particular, we and the Chinese colleagues cooperate well. I am also impressed by the working style and the spirit of the workers and staff of the company."

He said, "The factory has now reached the designed capacity. Judging from the financial analysis, the efficiency is not bad. However, most of our investments are from banks where the interest rate is relatively high. So, after meeting interest repayments, the profit is limited.

Asked about what kind of trouble he had met while working here, he said, "the one and only thing that troubles me is exit formalities. He explained, because most of our products are sold abroad, we must be ready to quickly serve customers. However, it is very difficult for our Chinese staff to go abroad. It takes a long time to complete exit procedures, and so our ability to meet customers' needs is inhibited. Because of fierce competition in international markets, we have to meet customer service requirements. It would help us if exit procedures were streamlined.

He said with a confidence, "There is no second grade in our products. Only by reaching the international standard can they be sold. We try our utmost to provide the best services. We are trustworthy glass manufacturers." □

Call to Use More China-Made Goods

ZHONGGUO RIBAO
(China Daily)

Following is an article from *China Youth News*.

It is a tradition of Chinese-language newspapers to publish short commentaries written by editors and contributors that are brief, ironic and pointed. Here are a few examples:

The rapidly developing economy in the past several years has brought about an importing craze—a craze of importing cars, colour televisions and computers, which has cost an excessive amount of foreign exchange and has dealt domestic industry a severe blow.

In the past couple of years, China has imported cars worth several million American dollars. Now most units above the county level in China have luxury foreign cars. When the Second Session of the Seventh National People's Congress (NPC) was held in the Great Hall of the People, one reporter spent one hour outside the hall and found that of 556 cars parked there, 519 were foreign ones. If one stands on Tiananmen Square to count the passing cars, he will find that at least 90 percent of them are foreign made.

China has more than 40 colour television factories, probably more than any other country in the world. Yet in 1988 alone, it spent US\$237 million importing foreign colour TVs.

Even some small county guest houses have 20-inch colour TVs. Very cozy hotels in some developed countries such as Sweden only have 14-inch colour TVs.

According to an NPC deputy during the NPC's second session, in 1987 and 1988 alone, China spent US\$500 million importing fruits, beverages, tobacco, wine and cosmetics. An advertisement

carried in an issue of *Beijing Daily* in April said, "Heping Supermarket is selling over 100 imported products for kitchen use, such as clothes trees, gift-containing boxes and plastic goods made in the United States, Japan and Thailand."

China's export volume in 1988 was about US\$100 billion, less than that of Taiwan. Established in the 1950s and having suffered many reverses, China's basic industries have developed very slowly. They need investments of considerable sums of foreign exchange to import updated equipment and advanced science and technology. It is distressing to see

that the meagre foreign exchange the country has is spent buying foreign cars, colour TVs, tobacco, wine and cosmetics.

To change the situation, the country should tightly control the import of consumer goods, and spend foreign exchange rationally to reinforce its industry and agriculture.

Among the 1.1 billion people in China, over 200 million are illiterate. Its productive force is so backward that its GNP ranks 120th in the world. It is impossible to realize the four modernizations—modernization of industry, agriculture, science and technology and national defense—in the country if we do not have the spirit of hard work and plain living.

(August 12, 1989)

Money and Children

RENMIN RIBAO
(People's Daily)

It is not long since today's children donned the robe of a "little emperor." But already not only is his word law but he also has an emperor's salary. Look—

Big Sums at Lunar New Year

Here are some figures.

According to inquiries among more than 10,000 pupils by the Xiangxiang municipal government, they received 900,000 yuan at lunar New Year in 1989. This is the equivalent to the savings deposits in two of the city's banks in one day. And some 1,200 pupils at a primary school in the Shenzhen Special Economic Zone received 150,000 yuan.

Pupils at the Fengyousi Primary School in Nanjing deposited 21,000 yuan in one day. This had been received at Spring Festival and was a 25 percent more than in 1988.

An army officer took his nine-year-old son to visit his mother-

in-law during the Spring Festival and the boy had a Casio electric organ when they returned home. Another lieutenant has a nine-month-old daughter. She got an astonishing sum of money which matched her father's pay for a whole year including his allowance for rations.

The money which children get at lunar New Year now is much more than before. They use the money to buy crackers or balloons and to play video games. Some parents spend the money on daily living expenses and some on food and clothes for their children.

Distorted Scholarship

Surveys in Foshan, Shenzhen and Guangzhou show that some parents set up "scholarships" themselves to encourage children to study. Full marks in one subject, for example, earns an award of ten yuan. For 90 points, the award is eight yuan. For 70 points, one yuan. If the child

doesn't pass the examination, he is fined ten yuan. Most children can get their "reward" as the standard is not high.

A third-grade pupil said he had an oral agreement with his father. If he gets over 98 points in both mathematics and Chinese, he gets ten yuan. If the marks are lower than 95 points, he is fined ten yuan. If he is top in the class, he will get 100 yuan.

Money can stimulate pupils to get high marks, and can also be used to "buy" high marks. A 12-year-old boy, whose father is a company director, learnt from his father to advertise before a mathematics test. Two yuan for the solution of a problem, 20 yuan for all. In the classroom, whenever the teacher turned his back, notes were quickly passed to the boy.

If the motive to study is money, such education will surely be a failure.

In recent years, the number of children who drop out of school has rapidly increased. One important reason is that some parents cannot ignore the lure of money under the pressures of the commodity economy. They are making money out of children.

More Pocket Money

How much pocket money do pupils have? A survey of two classes at Jichanglu Primary School in Tangshan, Hebei Province, showed that students have an average of 86 yuan a month. This is more than a university graduate's salary for a month.

"I don't like the child spending so much money, but his grandmothers and grandfath-

ers indulge him from time to time. I can't make out how much money he has," a young mother complained.

There is a fish pedlar in Guangzhou. When he returns home each day, he puts bank notes soaked in the course of trading on a balcony in the sun to dry. He and his son who is studying in a primary school have an agreement that the boy can take money once each day. At first, the boy only took notes of a small denomination, but gradually he is taking money of bigger sums. His father pretends to see nothing.

Today, the spoiled "little emperors" have a large appetite. They spend money like water. A seven-year-old child, who comes from a private trader's family, often has several ten-yuan notes in his pocket. When entering a restaurant, he orders dishes more expertly than his father, asking for either sea cucumbers or prawns.

Problem and the Way Out

There are three reasons for the

leap in children's pocket money. The first is that people are getting richer; the second is conspicuous consumption; and the third is that there are faults in the education system.

The facts indicate that money has partly distorted pupils' mind. The rich students are popularly admired, the poor ones tend towards telling lies and some even towards stealing.

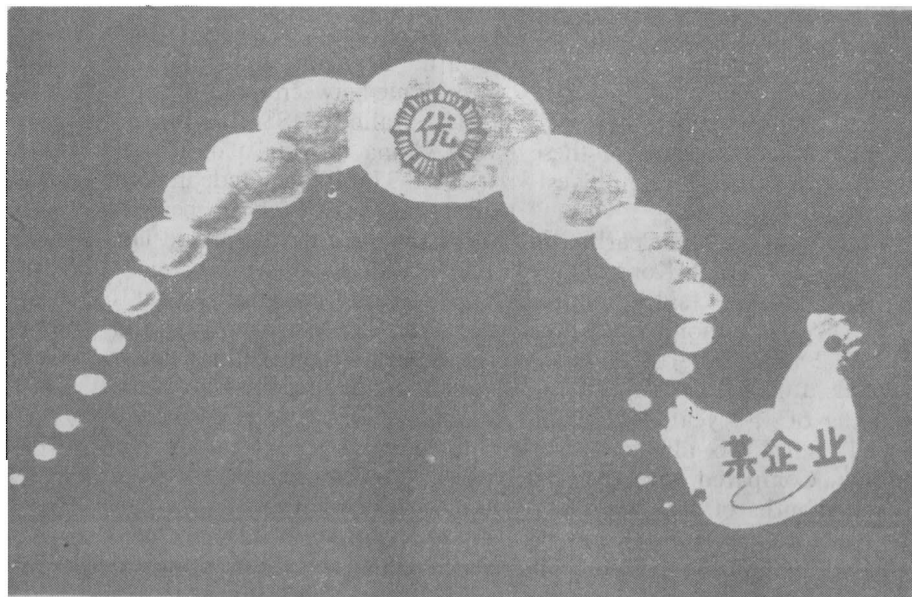
How to deal with such a problem?

A patriotic campaign for small deposits has been started in Tianjin. Red Scarf saving activities are organized in some Nanjing schools with the help of local communities.

In Jiaocheng City, Shanxi Province, there is a children's bank. The staff are students. There were over 100 little customers on opening day and more than 3,500 yuan was deposited.

It is only one aspect to encourage children to save money in banks. The education system, too, should take immediate account of this.

(June 25, 1989)



Before and after the making of a famous brand.
HONG TIAN BAO

Foreign Trade Rose to US\$9.59 Bn in July

China's imports and exports continued to rise last month according to figures released by the General Administration of Customs yesterday.

Trade value in July totalled about US\$9.59 billion, a 15.32 percent increase compared with the same period last year, a customs report said.

This figure includes an import value of more than US\$5.18 billion and an export value of about US\$4.41 billion, up by 15.95 and 14.59 percent respectively compared with July last year.

According to the report, between January and July, China's total imports were over US\$33.23 billion, 24 percent more than during the same period last year. Meanwhile, the country's exports increased by only 7.7 percent to reach about US\$26.66 billion.

Total trade volume during the first seven months of this year reached more than US\$59.89 billion, up by 16.63 percent compared with the January-July period last year, the report said.

The report explained that these figures not only include China's imports and exports, but also contain free aid materials, donations, and items of foreign-invested enterprises that passed through customs. Some of these items were part of foreign investment.

China's biggest trade partner in July was still Hong Kong. Trade between the two sides totalled over US\$2.97 billion. Among the US\$18.2 billion worth of goods traded during the first seven months of the year, China enjoyed a surplus of almost US\$4.4 billion. Compared with the first seven months of last year, China's exports to Hong Kong increased by 23.55 percent and imports by 14.69 percent, the report said.

The country's second largest

trade partner was Japan. Imports from and exports to Japan last month were US\$776 million and US\$685.11 million respectively. Between January and July, trade between the two countries amounted to US\$10.39 billion with China suffering a trade deficit of more than US\$1.87 billion. China's exports for the January-July period increased by only 4.3 percent over the same time last year while imports went up by 15.5 percent.

The third largest trade partner was the EEC, which imported US\$396 million worth of goods from China last month and exported over US\$709 million. Total trade volume during the first seven months of this year was US\$7.78 billion. China recorded a trade deficit of US\$2.73 billion. China's imports during the past seven months from the EEC increased by 36.74 percent while exports went up by only 2.06 percent over the same time last year.

The United States continues to be China's fourth largest trade partner. It imported US\$346.81 million and exported US\$476.33 million worth of goods last month. Between January and July, trade between the two countries totalled US\$6.17 billion with China bearing a deficit of US\$183.37 million. Trade in both directions was over 20 percent more than during the period last year.

Following the United States are the ASEAN countries and the Soviet Union. China's trade with them during the first seven months of this year was US\$3.46 billion and US\$2.11 billion respectively. China's imports from the Soviet Union during the period went up by 64.42 percent to reach US\$1.18 billion while exports increased by only 14.49 percent.

Last month, China exported

US\$10.57 million worth of goods to Taiwan and imported US\$14.93 million. Total trade during the first seven months of this year amounted to more than US\$1.06 billion. Of the figure, China's exports were US\$40.68 million, a 275.46 percent rise compared with the same time last year, the report said. □

Xiamen's Booming Land Market

Xiamen, southern Fujian Province's treasure, is attracting even keener interest from foreign real estate investors as reforms have gradually warmed up its investment climate.

On July 19 there was the case of the Taiwan businessman's request to buy up 20 percent of the mainland's 50 percent holdings in Xiamen International Trading Mansions.

Jointly constructed by Xiamen Real Estate Co. and a Hong Kong firm, the Xiamen International Trading Mansions with an equity investment of 120 million yuan had its stocks equally split between the Chinese and overseas partners.

Authorities have now approved that the Taiwan businessman's bid to buy up 20 percent of the stocks held by the Xiamen side of the venture.

Foreign businessmen started to invest in Xiamen's real estate sector from 1982 which has since seen 30 real estate deals worked out with the approval of the Xiamen municipal government. Altogether, a combined contract value of HK\$1.5 billion has been attracted.

Of these ventures, 16 valued at HK\$400 million are either finished or under construction.

Foreign investors have focused their investments on the construction of apartments buildings, office buildings, villas and

wineshops. The area covered by completed villas and apartments buildings alone is more than 70,000 square metres.

Xiamen has also decided to give a face lift to three of its old urban districts that cover about 110,000 square metres. The programme's first stage, the redevelopment of a 26,000-square-metre stretch of the Longzhe Park on Xiamen's famous Gulangyu Island, has already been approved. It is largely financed by Philippine investors who are pouring HK\$150 million into the project.

In addition some Taiwan businessmen have also applied for permission to build industrial works in Xinglin and Haichang, two newly opened investment zones especially allocated for Taiwan investors.

by Li Ming

Anti-VD Shampoo Hits Market

A Beijing-made herbal bath shampoo that will prevent gonorrhoea infection is attracting big attention from foreign businessmen from around the world including France, Japan, South Korea and Hong Kong who have bought it up for trial sale on their own markets.

The shampoo, sold under the name of *Guibao* (treasure for ladies), is a new product of the Beijing Huayi Cosmetics Factory.

Shong Shijie, Huayi's director and physician-in-charge, says that the shampoo's ingredients combine the distillates of 13 traditional Chinese herbs and does not use any chemicals in its making.

Besides killing gonorrhoea cocci, Shong says that *Guibao* also has a definite effect on other common gynaecological diseases.

Shong says confidently about *Guibao*'s future prospects that it will succeed "because it combines

health care with daily life it will certainly enjoy good sales."

by Yao Jianguo

Joint Venture Proposals

Casting With Supplied Scrap Aluminium

The Ningbo's Metal Refining Factory, with more than 30 years of production experience, mainly produces aluminium alloy and zinc alloy, worth 10 million yuan in annual sales revenue. The factory is equipped with a complete range of machinery including that used for classification, purification, shearing, lumping, smelting and casting. The factory custom-processes according to clients' requirements. It processes 3,000-5,000 tons of aluminium ingots annually.

Light Calcium Carbonate to Be Produced Jointly

Shandong's Zibo Zhangdian Hutian Chemical Plant wishes to attract US\$500,000 in foreign investment to expand its annual output of super-fine calcium carbonate to 100,000 tons. Foreign investors are welcome to discuss terms in sharing a part of this venture. The factory specializes in producing light calcium carbonate and fine chemical products, worth 3.25 million yuan in sales revenue annually. The enterprise, which has won awards for its quality products from the Ministry of Chemical Industry covers an area of 19,000 square metres and a production area of 5,000 square metres. We will provide the site, equipment, facilities and raw materials.

Expansion of Canned Food

The Xinghua Food Processing Factory of Jiangsu Province already has a high- and low-

temperature storage capacity of 600 tons and a freezing room with a 60 tons capacity. Our factory wishes to establish a joint venture for canned food production with an overseas partner to develop our production and expand our food processing capacity. With a production capacity of 3,000 tons, our factory invites foreign businesses to join us in providing advanced technology and equipment that will help our exports.

Co-Produce Gear Oil Pumps

Shandong's Xixia Hydraulic Pressure Component Factory invites foreign businesses to participate in its production programme. The factory already has fixed assets of 6.2 million yuan, and annually produces 100,000 gear pumps for power generating enterprises, worth 15 million yuan. Foreign businessmen are welcome to discuss terms for this co-operative management.

Furnace Transformer Technology and Equipment Needed

Jilin Province's Changchun Transformer Factory is a specialized manufacturer of large-scale and special transformers for electrical furnaces and ovens. With annual sales of 22 million yuan, the factory hopes that foreign investors can provide funds in a joint-venture management to import technology and equipment for producing 110kv and 63mva transformers. Compensatory trade and production licence transfer are equally welcome.

For further information please contact:

China Co-ordinating Centre For Business Co-operation, Information Office, Beijing.

Tel: 5002255 Ext. 4716

Fax: 5005908

Telex: 22942 CCBCC CN

□

Low-Temp Nuclear Heat on Horizon

After a year of hard work China's first low-temperature nuclear reactor was installed at Qinghua University on April 5. The Chinese designed reactor is going through its trial run at the university's Institute of Nuclear Technology before coming into regular operation.

The building of this reactor indicates a world breakthrough for China in the area of peaceful use of nuclear energy.

Chinese experts claim that the low-temperature nuclear reactor is both simple and reliable. The key feature, they point out, is the reactor's hydro-power control rod system that allows operators to side-step the former technical headaches of maintaining high temperatures, high pressure and proper sealing.

The 5 MW (Th) low-temperature heating reactor system is said to be the first of its kind in the world involving a hydro-power control rod with a simplified top structure and lowered height that should help prevent nuclear leaks.

Wang Dazhong, president of the institute, said, "After the So-

viet Union's Chernobyl nuclear reactor accident in 1986 many people go pale whenever the word 'nuclear' comes up. So the 5 MW (Th) low-temperature nuclear reactor puts its priority on safety."

To ensure the project's safety, Qinghua's scientists and staff spent three years drawing up a 2.5 billion character safety report which has been presented to the State Nuclear Safety Bureau.

After Qinghua's nuclear department first proposed the construction of a low-temperature heating reactor in 1981 its nuclear pool experimental pile was converted into a low-temperature heating reactor targeted at heating the institution's three main buildings.

The Qinghua project that was started in March 1986 had its basic construction finished by the end of 1987 and installed its 17 technological systems last spring.

The reactor might bring a new dimension to the Chinese nuclear field. According to experts low-temperature nuclear reactors hold much promise for north China's 175 big and medium-sized cities that require winter heating

for an equivalent of 1.25 billion square metres.

Already Jilin Province's Changchun No. 1 Automobile Manufacturing Plant is being used as a guinea pig for studying the feasibility of applying low-temperature nuclear reactor heat to a large-scale industrial use.

Prompting the nuclear breakthrough is China's dire need for more energy. Energy consumed by heating is three times that consumed for electricity generation. Such a need has created a great pressure to increase the industrial power supply. It is estimated that by the year 2000 there will be 2.6 MW (Th) of nuclear heating to be produced in China.

What has made the matter worst is that China's large-scale consumption of coal pollutes the air of many big cities with harmful substances that pour out of smokestacks darkening the skies. In some areas the contamination rate has even surpassed the state limit.

With this in mind Wang Dazhong argues that the nuclear industry is a benefit to mankind. He says that with the appearance of the low-temperature heating reactor many cities can benefit from its concentrated system of heating.

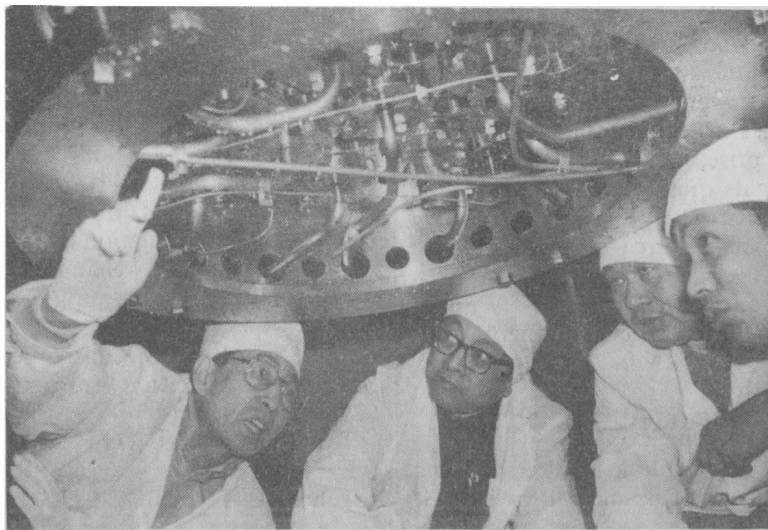
The cost of nuclear-generated heat is both cheaper and cleaner than that produced from coal, says Wang. The cost of nuclear heating is 30 percent less than traditional boiler-based heat sources. Nuclear heating reactor stations are also characterized by simpler equipment, shorter construction cycles and lower investment costs.

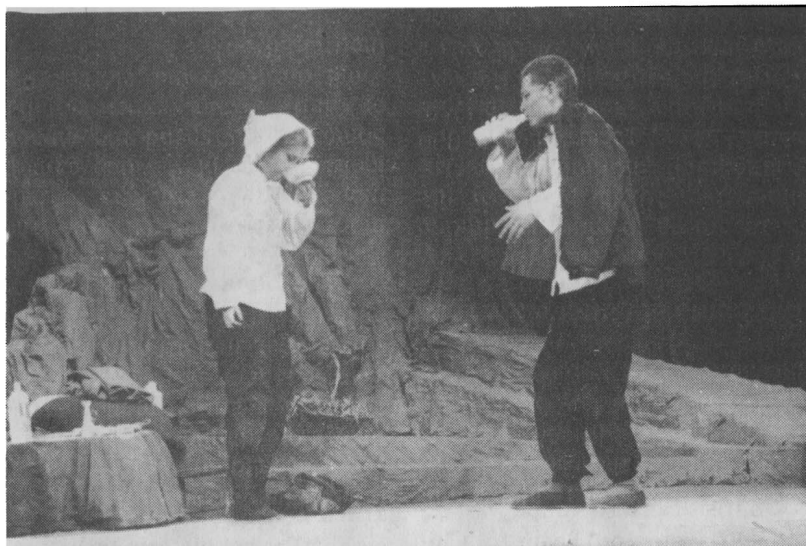
More than 10 countries have started studies of low-temperature nuclear heating though most of them are still at an experimental stage. These nations include the Soviet Union, Britain, the Federal Republic of Germany, France and the United States.

by Huang Wei and Ma Xuquan

Wang Dazhong and his co-workers check out the key parts of a nuclear system before its installment.

WANG CHENGXUAN





Staged Act of Suicide Shows the Remnants of China's Feudal Morality

Drama Exposes Feudal Traits

Late last May the Drama Troupe of Shanxi Province staged a new piece *A Widow Who Has a Husband* in Taiyuan, the provincial capital. The play explores the pressures of the feudal remnants upon the Chinese psyche. It is highly acclaimed for both its ideological approach and innovating artistic style.

The play tells the tragedy of a rural family in China's northwest. The plot revolves around elder brother Laoda who in order to get a wife for his lunatic second brother Laoer pretends to be the bridegroom in Laoer's place and succeeds in cheating Lingzhi, a beautiful and industrious girl who has never seen her bridegroom into becoming the wife of Laoer.

Mentally retarded, Laoer can neither care for himself nor have sex. In the end Lingzhi and Laoda, whose wife is a paralytic, fall in love. Though Laoda loves Lingzhi, he does not have the courage to make love.

Disappointed by Laoda and driven by her sexual desire, Lingzhi turns to the embrace of Laosan, the third son in the family. This affair is followed by a streak

of tragedies which in the end lead to Lingzhi and Laoda committing suicide.

"People in this family love each other but bring about their own downfall as a result of feudal codes and morality," said playwright Guo Ende. "This is a tragedy not only to that family, but also to the entire nation." Among the remnants of feudal culture that was created by the nation's thousands of years of feudal society are the many decadent moral and ethical codes.

Shi Qifa, the play's director, said, "The story covers a period of more than 30 years during which great changes take place in China's political and economic systems. However, the remains of the feudal culture still have a strong influence on the ideological mode and life style of the people. It distorts human nature and creates tragedies. It is the fetters that bind the Chinese nation.

Speaking about the artistic accomplishment of the play, Shi Qifa said, "The play tries to combine realism and expressionism into an artistic whole." The play's realistic feature is best shown in the completion of its plot, and the

realistic environment and detailed depiction of sharply contrasting characters.

The realistic approach allows the audience to empathize with the characters in the story. But by using expressionism, the play manages to keep the audience at a proper distance from the story so as to allow people to keep their own philosophical perspective. In one scene for example, the group dance serves as an interlude between acts. Repeatedly appearing on stage is a "mountain" and a big Chinese scholar tree that all create the kind of "distancing effect," a method strongly advocated by Bertolt Brecht.

One of the most successful parts is in the closing scene. Laoda and Lingzhi have committed suicide and Laoer appears on stage holding a radio. Blasting over it is a report of the Chinese Women's Volleyball Team winning the championship in the Olympic Games. The news, though appearing totally irrelevant to the play, has the effect of suddenly dragging the audience back to the real world and forcing them to see how the events in this play are so incompatible with the modern age.

The theme music is abstract but carries a strong local flavour. The words of the theme song are deliberately made incoherent so as to heighten the atmosphere and the mood. The characters in the play speak a local dialect of southern Shanxi Province which is close enough to standard Chinese but different enough to add a realistic touch.

The Drama Troupe of Shanxi Province is a professional troupe with a history of 36 years. It has staged over 100 Chinese and foreign plays, many of which have won awards at the provincial and national level.

Much of the reason for the play's success could be attributed to the young artists of the troupe who are allowed to display their outstanding talents of expression and characterization. □

World's Largest Mini-Compact Scenic Area

Tourists will now be able to tour China in almost a single day, thanks to the "Beautiful China" tourist area that will open along the banks of Shenzhen Bay on September 21 this year. Tourists that come here will not only be able to "tour" China in a short time but in a very economical way too.

The rich and colourful tourist area captures within its window display the best of Chinese history, culture and scenery.

Altogether the display, that epitomizes the essence of China will make up the largest and richest mini-compact scenic area in the world. It covers an area of 29 hectares which is composed of a scenic area, a commercial and food street and a scenic garden area.

By touring the 70-odd miniaturized scenic spots, reproduced according to the actual scenes, but on a smaller scale, tourists can take in China's exquisite architecture, its historical sites, and the people's lifestyles and folk customs from various regions and ages.

One can "tour" the famous Great Wall, Beijing's Palace Museum and the terra-cotta figures that are composed of an army of life-size warriors and their horses in Emperor Qin Shihuang's battle array.

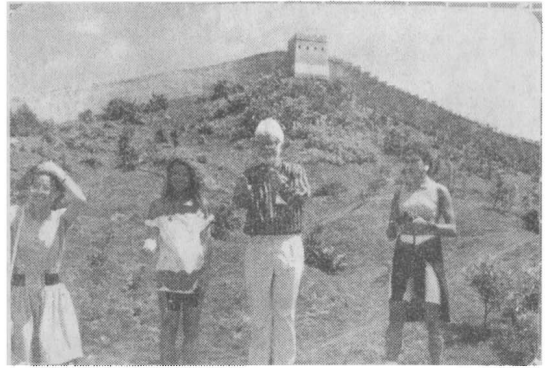
There is also the Giant Buddha of Leshan, the Longmen, Dunhuang and the Yungang Grottoes, Guilin landscapes, the Ancient Silk Road, the Inner Mongolian prairie, the classical gardens of Suzhou as well as settings of emperors' wedding and memorial services for Confucius at a Confucius mansion.

The commercial street is built in traditional Suzhou style that is inspired by the architecture south of the Changjiang (Yangtze) River. Here one can find over 10,000 kinds of goods including souvenirs, traditional Chinese arts and

handicrafts, Chinese pottery and porcelain, embroidery, calligraphy and painting, cultural relics, potted mini-landscapes and tonic medicines.

While they browse, tourists can also watch artisans skilfully apply their art and enjoy native folk dances.

Tourists can also sample vast regional flavours in "Beautiful China's" food street. Here you can nibble sweet and sour Cantonese or sizzling hot Sichuanese food or choose from a collection of



Tourists at the foot of the Great Wall. TANG JUN

Chinese snacks.

For plant lovers there is even a rich collection of flowers, each with its special blossoming season, that is displayed in the garden area.

by Han Baocheng

Science Lovers Get Tours

Those who love exploration and science will love the latest concept. It's the latest thing in tourism that aims at helping people rediscover nature through planned expeditions to the exotic and unknown fringes of science.

The new tourist-scientific group, the Chinese Scientific Exploration Association, (CSEA) will work on a personal level to help people explore China's natural phenomena, says its chairman, Prof. Liu Dongsheng.

One of the first steps CSEA will take is to set up an exploration station at the foot of Mount Qomolangma (Everest) with the aim of maintaining exploration interest in the Qomolangma. The spin-off will promote tourist activities in that area initiated from the station.

The CSEA will also help establish expeditions into the Taklimakan Desert in Xinjiang that will promote a better understanding of the desert while adding to the information on the changes and developments of the Silk Road.

Besides bringing tourism to the desert area, the venture will complement the resource exploration in one of the world's most forebod-

ing areas.

The aim of setting up the association, said Liu, is to delve into the mysteries of nature and accelerate the exploitation of natural resources, while promoting the development of science and technology. He also hopes that by combining sports with these science-tourism courses, it will encourage a new generation to undertake scientific exploration.

The association will conduct various science expeditions, some of which include mountaineering; scientific surveys through remote and dangerous areas, the study of the environment under special conditions such as on plateaus, in forests or deserts such as the gobi, marsh and sea areas. Other expeditions include flying and gliding in severe winter travelling through cave and deep water diving, dangerous topography as well as parachuting and riding in hot air balloons.

China with a vast territory has much to offer scientists and explorers with its varied topography and the CSEA is determined to tap these rich resources.

by Han Baocheng

Wooden Toys By Lu Yaoshi

Lu Yaoshi was born in Beijing in 1942. He is now an art editor of the Chinese Academy of Social Sciences Publishing House. One of his spare-time hobbies is making wooden toys.

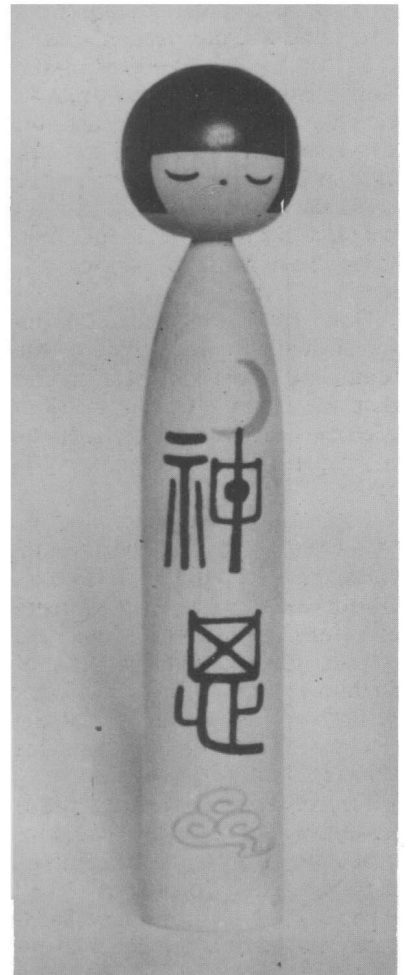
These wooden toys have been fashioned on a lathe. They show the influence of both traditional Chinese folk toys and Japanese wooden figurines in his work.



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Grandpa and Grandson.



Chinese Girl.

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