

A CHINESE WEEKLY OF NEWS AND VIEWS

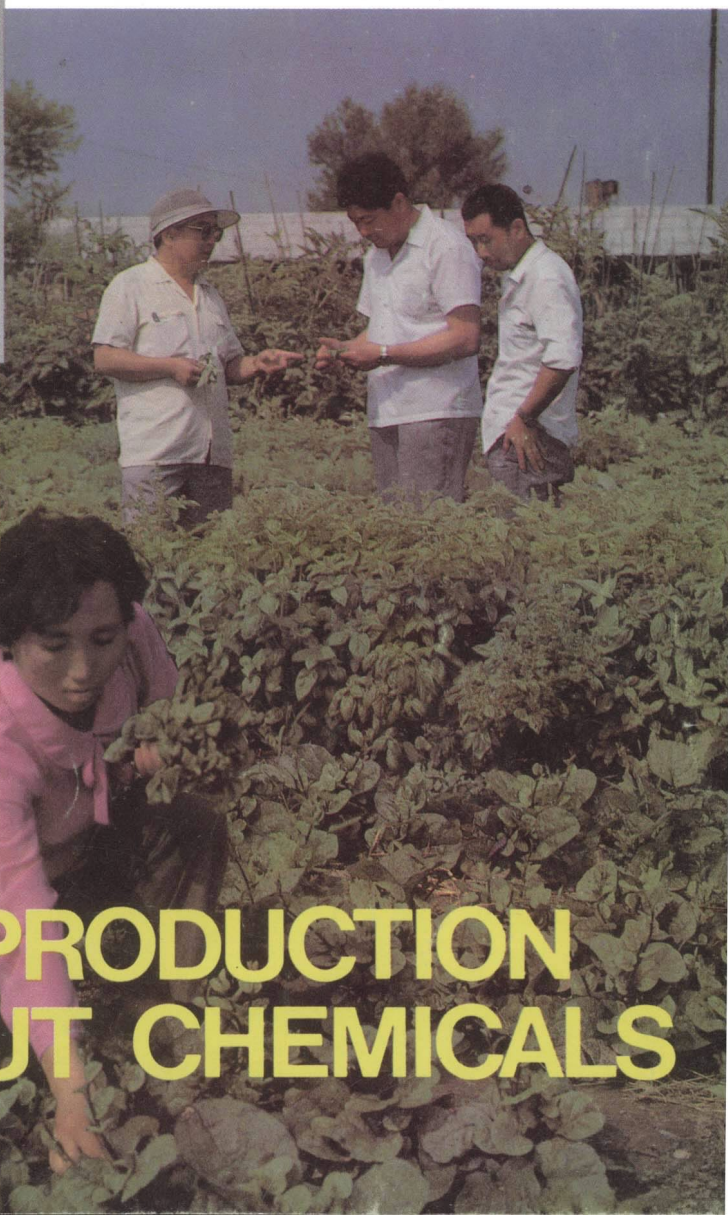
Beijing Review

北京周报

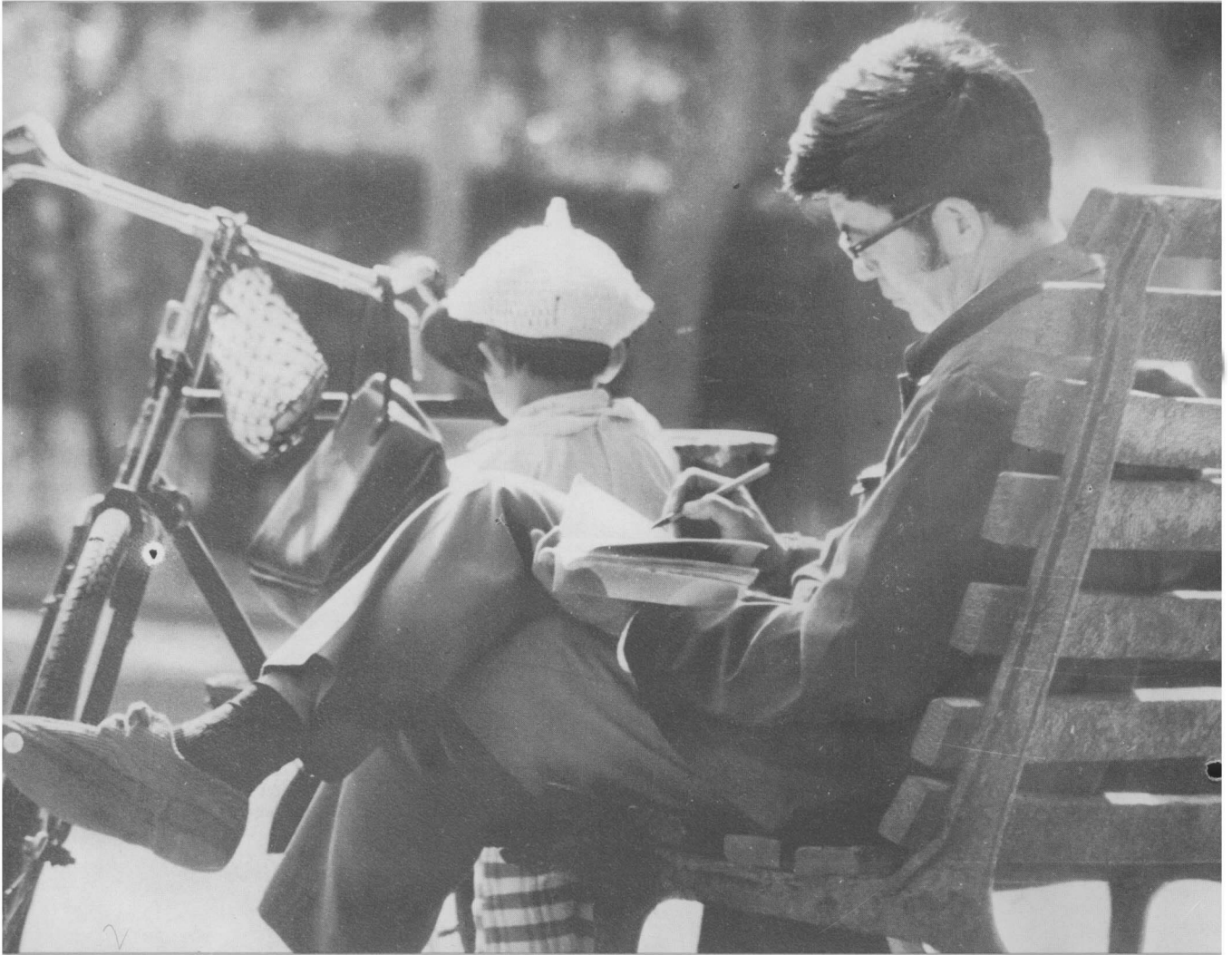
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China's Reunification Policy



**FOOD PRODUCTION
WITHOUT CHEMICALS**



Taking time to do some reading.

Photo by Sun Yi



'One Country, Two Systems': The Way to Reunification

□ This article discusses the concept of "one country, two systems," its connotations and theoretical basis. The concept, put forward by Deng Xiaoping as a means for China's reunification, was adopted under the new situation that emerged in 1978 as a policy for the mainland to reunite with Taiwan (p. 14).

A Guarantee for Quality Exports

□ The export of some counterfeit and sub-standard commodities since 1988 has caused serious complaints from foreign businesspeople and threatened to blur China's reputation in the foreign trade market. As part of the effort to improve the economic order, China is taking effective measures to maintain its reputation and raise the competitiveness of its commodities on the international market (p. 4).

World Economic Prospects in the 1990s

□ The world economy in the remaining years of this century will be characterized by several features, including the formation of regional trade blocs, the increasing role of transnational corporations and the widening gap between the North and the South (p. 12).

Summer Grain Output Hits Record-High

□ Both China's summer grain output and rapeseed yield hit a record-high this year. The former reached 99.35 million tons, 6 percent more than in the previous record year of 1989, and the latter totalled 6.408 million tons (p. 8).

'Green-Label' Food On Way to Market

□ China's state farms and land reclamation system has set up enterprises to produce high-quality and nutritious food, free from chemical additives and contamination. Produced according to strict sanitation standards, the "green-label" foods will soon be available on the market (p. 22).

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COVER: <i>Right:</i> a "green label" state farm at Dongbeiwang in the suburb of Beijing. <i>Left:</i> China's "green label" food logo.	
Photo by Hu Chao	

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A Guarantee of Quality Exports

by Yao Jianguo

As part of the effort to improve the economic order, China's foreign trade departments are taking effective measures to restore the country's foreign trade reputation and raise the competitiveness of Chinese commodities on the international market.

At the national working conference on foreign trade held in early August, Minister of Foreign Economic Relations and Trade Zheng Tuobin called for strict management, supervision and examination of export-oriented enterprises so as to improve the quality of exports and fulfil contractual obligations in time. At the meeting, those enterprises that had done well in their foreign trade business were praised while those which were found to be exporters of counterfeit and sub-standard commodities, thereby undermining China's reputation, were singled out for punitive action.

China's commodities have long been well received on the international market. Such commodities as cotton yarn, cotton grey, cotton-polyester yarn and cotton-polyester grey have been rated internationally as "24-karat gold" and are marketed in many countries around the world. Beginning in 1988, however, the expansion of China's trade with other countries, combined with the delegating of export power to the local level, resulted in a confused foreign trade order and the introduction of counterfeit and sub-standard export products. This has brought serious complaints from foreign businessmen and blurred China's credibility in the foreign trade market.

To improve the situation, the Chinese Ministry of Foreign Economic Relations and Trade in August of last year released the Regulations on Strictly Banning the Export of Counterfeit and Sub-standard Commodities and Strengthening the Management of Export Contracts in order to institute a quality control system for the whole process, ranging from production to purchase and storage of commodities of unstable quality. The object of the regulation was to modify examination standards, enlarge the categories of commodities subject to legal examination and expand the system of quality permits for export commodities.

The results have been gratifying. The once confused management situation in foreign trade has taken a turn for the better and there are now fewer complaints from foreign businesspeople. Strict control over counterfeit and sub-standard commodities has earned exports dramatically higher profits. The "Yuexiu" cement producer, for example, located in the southern province of Guangzhou, improved not only the quality of its product but also the packaging. Despite twice marking up the price, orders for its product have continued to stream in.

According to a release of the Ministry of Foreign Economic Relations and Trade, China's exports in 1989

came to US\$43.4 billion, up 10.5 percent from 1988. In the first six months of this year, exports reached US\$24.05 billion, up 21.7 percent from the same period last year. In the first half of this year, China's fulfilment of its foreign trade obligations increased 5.5 percentage points over the corresponding period last year.

However, there is still much to be done regarding export quality and fulfillment of contractual obligations. These issues, which need to be dealt with seriously, were addressed by the Ministry of Foreign Economic Relations and Trade at the meeting last August when it decided upon the following measures:

—Strengthening management and supervision over exports and adherence, to the letter, of all related rules and regulations. All producers are required to institute a quality control system throughout the production process; foreign trade enterprises must have an examination system for export commodities; and commodity inspection departments must take samples and check and endorse export commodities according to related regulations and standards. Enterprises will have their export permits cancelled if products are found to be below standard.

—Administrative departments in charge of the various levels of foreign trade should oversee the quality of export products and the way an enterprise honours its contractual obligations by using such administrative means as planning, export quotas and issuance of export permits. A reduction of export quotas or a ban on exports may be imposed on enterprises found to be manufacturing sub-standard products or not in timely compliance with their contractual obligations.

—The need to continue to run well all export-oriented factories and workshops producing standard commodities. At the same time, foreign-funded enterprises should be encouraged to manufacture standard commodities with their sophisticated technology and equipment.

—Instituting a rigorous reward-punishment system and a quality checking system, using the quality of export commodities and credit as an important condition for the contracted management of enterprises and for rewarding and selecting pace-setting enterprises.

At the meeting, 17 enterprises were rewarded for their excellence, 60 others cited for their close attention to quality, and five enterprises criticized for poor quality products. The export licence of the Taiyuan Cotton Textile Mill was cancelled while other makers of sub-standard products and enterprises which broke their contracts received varying degrees of censure.

These measures indicate China's determination to improve the quality of its export commodities and maintain its reputation in the foreign trade market. ■

Tibet: Stability Is Order of Day

Jiang Zemin, general secretary of the Central Committee of the Communist Party of China (CPC), has reiterated that the central government will continue to implement special policies and flexible measures in the Tibet Autonomous Region in order to accelerate the region's economic development.

There will be no changes to any of the policies made by the CPC Central Committee, the State Council and its various ministries and commissions that have proved to be beneficial to the development of Tibet's economy and to the improvement of the lot of the Tibetan people. Jiang made his remarks during a July 20-30 inspection tour of the region.

The CPC Central Committee and the State Council, he said, will as always give the necessary help to Tibet in manpower, materials, finance and other aspects and continue to mobilize various provinces, municipalities and autonomous regions to aid Tibet in a planned way.

During his visit, Jiang listened to a report on the work of the Party and government leadership of Tibet, which was presented by Hu Jintao, secretary of the CPC Tibet regional committee. He also met with the region's Party, governmental and military leaders at and above the county level.

Jiang said the CPC Central Committee and the State Council are fully confident of Tibet's stability and development and place great hopes with the region's people.

On the future work of Tibet, he stressed that stability continues to be a top priority, because it has an important bearing on not only Tibet but also national unity.

Jiang urged the Party and governmental organizations at all levels to pay special attention to this matter and handle it seriously. He also stressed that it is imperative to take resolute measures to crack down on separatists at home and abroad who are bent on creating disturbances and disrupting social order.

On Tibet's economic construction, Jiang pointed out that efforts should be concentrated on laying a foundation for further development.

It is necessary to put emphasis on agriculture and animal husbandry, on the construction of energy and communications projects, and on the training of personnel, he said.

The Party general secretary affirmed the region's strategic programme on comprehensive development of the valleys of the three rivers of Yarlung Zangbo, Lhasa and Nyang Qu, saying the programme will usher in a new stage in the region's economic development.

Jiang also pointed out that upholding the leadership of the Party is the basic guarantee of the victory of the revolution and construction in Tibet and, in the long run, is the correct choice of the whole Chinese nation, including the Tibetan people.

He urged that developing education should be listed as a strategic task to raise the scientific and cultural quality of the people of various nationalities in Tibet.

Jiang also looked into the implementation of the Party's policies towards nationalities and religions. He visited the Jokhang Temple and the Potala Palace in Lhasa and held talks with religious personalities.

Further correctly carrying out the Party's policies towards nationalities and religions, Jiang said, is the key to strengthening the region's autonomy, un-

iting members of various nationalities and religious circles, maintaining permanent stability and promoting the development of the national economy as a whole. ■

Beijing Marks PLA's 63rd Anniversary

Jiang Zemin, chairman of the Central Military Commission, reviewed the achievements of the People's Liberation Army (PLA) in a televised speech on the eve of August 1 that marked its 63rd anniversary.

Through 63 years of hard struggle, the PLA has faithfully safeguarded the interests of the Chinese people. By surmounting untold hardships and enormous difficulties, it has developed itself and made indelible contributions to the national defence and building of China and the maintenance of world peace.

During the unrest early last year, Jiang said, the officers and soldiers of the PLA defended the socialist system and the achievements of China's modernization and reform with their loyalty and devotion.

The Party chief attributed the PLA's success to Mao Zedong and other senior proletarian revolutionaries.

He said Deng Xiaoping has put forward a series of principles for improving the quality of the armed forces, principles that will be carried forward from generation to generation.

He pointed out that as China's modernization drive cannot be carried through without the condition of social stability, it is necessary to maintain a powerful armed force and build up a strong national defence.

Jiang reiterated that the absolute leadership of the CPC over the army is the prerequisite for strengthening China's defence



Top Party and government leaders Jiang Zemin and Li Peng (left) congratulate the artists on their performance at an evening party to celebrate the PLA's 63rd birthday on August WANG JIANMI

forces.

Only under the Party's leadership can the army maintain its proletarian character, serve the people and preserve a correct political orientation under complicated circumstances, Jiang said.

Therefore Party leadership should remain unshaken under all circumstances, he stressed.

Jiang also said that unity between the army and the people's government, and between the army and the people is an important factor in maintaining social stability.

On July 31, the Ministry of National Defence held a reception in Beijing honouring the PLA's anniversary. Defence Minister Qin Jiwei, proposing a toast, said that today the PLA shoulders a great historic mission with China undergoing a very important period of development.

He vowed that the PLA will "always be under the absolute leadership of the CPC."

He described the present-day international situation as "changing constantly and highly complicated" and urged the PLA to remain vigilant.

"We must carry forward the

glorious tradition of being loyal to the Party, the motherland and the people and to our socialist system, and spare no effort to build our army politically," Qin said. "We must try to bring even closer the relations between officers and soldiers, and the army's ties with the government and the people. We should serve the people wholeheartedly and see to it that the PLA is always qualified politically." ■

Party Session Will Stress Economy

China's Eighth Five-Year Plan (1991-95) and a ten-year development programme are to dominate the Seventh Session of the Chinese Communist Party's 13th Central Committee to be held later this year, a senior Chinese official said.

The date of the session will depend on the speed of preparations, said Yuan Mu, a spokesman for the State Council, in a July 28 interview with Kazuhiko Mitsumori, Beijing bureau chief of the *Japan Economic Journal*.

The five-year plan and the 10-year programme to cover the

1990s will be the session's central topic. To focus a Party session on economic matters, according to Yuan, "indicates the increasing political, economic and social stability in China."

"This shows that the Party and government will strive to rally the whole Party and nation to achieve the goals set for the four modernizations," he said. "Therefore, it will be a forward-looking session."

Asked why China needs to combine the five-year plan with a 10-year development programme, Yuan said that years of experience have shown that it is not enough to foresee issues over a mere five years when drawing up medium- or long-term development programmes for the national economy.

On the one hand, he explained, some big projects cannot be completed in five years. On the other, economic development is a continuous process. Thus, in drafting the five-year plan, the longer prospects of economic development need to be taken into account, he said.

"While drafting the Eighth-Five-Year Plan, we will look into the trend of development in the entire decade of the 1990s," he said. The 10-year programme will provide the framework, and the five-year plan will be a detailed one, but the two will be linked, Yuan added.

The Eighth Five-Year Plan will continue the effort to coordinate the economy and improve efficiency, with priority given to agriculture.

In opening up to the outside world, China will continue to carry out its economic development strategy in coastal areas with emphasis on the construction of the Pudong development zone in Shanghai.

Asked whether China will establish diplomatic relations with Singapore in the near future, Yuan said that both China and

Singapore are preparing to do this. He added that China shares Premier Lee Kuan Yew's hope that the diplomatic relationship will be established in two to three months' time.

Asked if heads of state and leaders of other Asian countries and regions will come to the opening ceremony of the 11th Asian Games in September, Yuan answered in the positive, adding that the forthcoming Asiad will be a magnificent sports meet designed to promote unity, progress and friendship among Asian countries.

Because China does not have authoritative relations with South Korea, he said, China has no plans to invite South Korean President Roh Tae-woo to attend the Asiad's opening ceremony.

Yuan also said that China believes in peace and stability on the Korean Peninsula when it looks at relations between the two halves of the divided peninsula.

He noted that there are people-to-people relations, including some economic and trade contacts between China and South Korea.

Speaking of the economic sanctions imposed on China by Western nations after last year's crackdown on anti-government riot, Yuan said they were actually political sanctions and "absolutely unreasonable." He added that although the economic sanctions have had some negative effects, China is capable of overcoming the difficulties by itself.

Yuan also pointed out that the Houston Summit had the seven industrialized nations loosen up the so-called sanctions, but this step didn't go far enough. China, he added, appreciated Japan's positive stand on the sanctions issue. And China, he stated, will definitely send high-ranking officials to Japan for the coronation of Japan's emperor, Akihito. ■

Britain's HK Act: A One-Way Traffic

The Chinese government will not accept the British Nationality (Hong Kong) Act 1990 adopted by British Parliament, said a Chinese Foreign Ministry spokesman on July 28 in Beijing.

The British Parliament adopted the act on July 23 to unilaterally change the nationality of a number of Hong Kong Chinese citizens. The spokesman said the Chinese government cannot but express regret over it.

He argued that the nationality of Hong Kong Chinese compatriots is a matter that falls within China's sovereignty according to international law and the Nationality Law of the People's Republic of China. The Chinese and British sides had long reached a common understanding in this regard in their negotiations on the question of Hong Kong, and on this basis, exchanged memoranda with each other.

In its memorandum, the Chinese side solemnly pointed out that under China's Nationality Law, all Hong Kong Chinese compatriots, whether they hold the "British Dependent Territories Citizens' (BDTCs) passport" or not, are Chinese nationals. The British side in its memorandum clearly undertook not to confer on people who were former BDTCs the right of abode in the United Kingdom.

Then, in order to honour the British commitment, the British Parliament enacted the Hong Kong Act 1985 and promulgated the Hong Kong (British Nationality) Order 1986. However, only a few years after that, the British side went so far as to publicly break its solemn commitment by enacting the British Nationality (Hong Kong) Act 1990 in an attempt to accord a number of

Hong Kong Chinese citizens full British citizenship, including the right of abode in the United Kingdom.

This action of the British side contravenes the spirit and essence of the relevant agreement between China and Britain and the Sino-British Joint Declaration on the Question of Hong Kong and stands to impair China's sovereignty, said the spokesman. It is unacceptable to the Chinese government, the he added.

Therefore, the Chinese government solemnly states that it will not recognize the "British citizenship" granted to any Hong Kong Chinese citizens by the British government according to the act. After the return of Hong Kong to China on July 1, 1997, the United Kingdom will not be in a position to provide consular protection to any Chinese citizens in the Hong Kong Special Administrative Region and other parts of China, and no Chinese citizen will be allowed to use "British citizens' passport" for entry into and exit from the region and other parts of China.

This erroneous action of the British side on the question of the nationality of Hong Kong Chinese citizens will inevitably cause confusion in Hong Kong society—to the detriment of smooth transition, stability and prosperity of Hong Kong. By looking for "beneficiaries" of the act in key posts in Hong Kong, the spokesman said, the British side is obstructing the implementation of the Sino-British Joint Declaration.

Therefore, the British side must bear all the consequences arising from its action, the spokesman added. The Chinese government reserves the right to take further measures in response to the British action at an appropriate time.

The Chinese government has all along scrupulously abided by

the international law. Whatever difficulties it may encounter, the Chinese side will as always earnestly implement the Sino-British Joint Declaration and adhere to the principle of "one country, two systems."

The Chinese government hopes that the British side will take into consideration the interests of bilateral relations and maintenance of Hong Kong's stability and prosperity, and make efforts to develop cooperative relations between the two countries. ■

Arms Shipments Halted to Iraq

Placing an arms embargo on Iraq, China has urged Iraq to stop its invasion of Kuwait immediately.

Li Daoyu, Chinese Ambassador to the United Nations, told a meeting of the UN Security Council on Iraq's invasion of Kuwait on August 2 that China has consistently maintained that disputes between nations should be settled by peaceful means instead of force.

Expressing his regret over the Iraqi invasion of Kuwait, Li said that Iraq should cease its invasion immediately and withdraw its forces to where they were before the invasion.

He expressed the hope that Iraq and Kuwait, with which China enjoys friendly relations, would co-exist in a peaceful way and settle their disputes by peaceful means.

At the meeting, China voted on UN Security Council Resolution 660 against the Iraqi invasion, and on August 5 declared that it would stop selling arms to Iraq.

A Chinese Foreign Ministry spokesman also spoke of the Chinese government's concern over the invasion, saying that China "appeals for an immediate end to the military action and for

settlement of the dispute through peaceful negotiations." ■

Summer Grain Output Hits Record-High

China's summer grain output hits a record-high of 99.35 million tons this year, 5.595 million tons or 6 percent more than in the previous record year of 1989, according to the State Statistics Bureau.

Of the 25 summer grain producing provinces, autonomous regions and municipalities, all but four — Henan, Shaanxi, Gansu and Jiangxi — reported increases in summer grain harvests.

Figures provided by the bureau show that the rapeseed yield totalled 6.408 million tons this year, 22.1 percent, or 1.159 million tons, more than last year's.

Analysts attributed the bumper harvest this summer to the increase of sown area, higher per-unit yield, better application of agro-technology and favourable weather conditions.

The area sown to summer grain in the country totalled 32 million hectares this year, 600,000 hectares more than last year; the per-unit yield averaged 207 kilogrammes, 4 percent higher. ■

Mainland Welcomes Direct Taiwan Flights

The Taipei sports delegation can fly direct to Beijing for the 11th Asian Games if the Taiwan authorities clears the self-imposed obstacles before it is too late, said a spokesman from the Civil Aviation Administration of China (CAAC) on July 30.

Noting that CAAC has always advocated the inauguration of direct air service between the two sides of the Taiwan Straits, the spokesman pointed out that the Taiwan authorities are still setting up hurdles for its realiza-

tion. Moreover, they have objected to the sports delegation flying directly to Beijing on a charter flight to the forthcoming Asian Games but demanded the delegation fly via Hong Kong, he added.

"A detour to Hong Kong costs extra time, energy and money, and takes much more trouble," he said.

In a bid to further promote the exchanges between the two sides of the straits and allow the athletes to compete in an atmosphere of peace and national unity, the spokesman said, the CAAC decided to make a special concession to allow chartered planes carrying the Taiwan athletes to fly to Beijing via Hong Kong.

He pledged that the CAAC will handle, according to the relevant regulations, all the necessary formalities for the chartered planes. However, the chartered planes would only be used to carry the athletes, coaches and team leaders, and only on this one occasion, he stressed.

During the Asian Games there will also be a contingent of Taiwan compatriots coming to Beijing, including news correspondents. The CAAC spokesman said he hoped the Taiwan authorities would allow chartered planes from one of China's airlines to fly them direct to Beijing.

The spokesman reiterated that any airline, organization or individual willing to make concrete contributions to realizing direct air services between the two sides of the Taiwan Straits will be encouraged and supported.

Approval of applications for direct charter flights by Taiwan organizations during the Asian Games will continue to be valid, and the CAAC will extend all necessary assistance, he added.

The CAAC will, as always, give enthusiastic support to all applications for direct charter flights presented by any Taiwan airlines. ■

The United States' 'New Economic Partnership'

by Guan Yanzhong

On June 27, US President George Bush proposed "a new economic partnership" with Latin America, known as the "Enterprise for Americas Initiative." Reflecting American policy trends towards Latin American countries in the 1990s, it has caused strong repercussions in Latin America.

Bush pointed out that his initiative had three key elements: To strengthen trade, to improve investment conditions and to ease the debt burden of Latin American countries.

To encourage the current tendency of free market reform that is emerging in the Americas, the United States has formulated a three-point plan. In it, Washington has pledged to co-operate closely with other countries in the Western Hemisphere in the GATT Uruguay Round to realize free and equal trade. The United States is also ready at any time to sign free trade agreements with Latin American countries in order to achieve its ultimate goal of a free trade system encompassing the whole of North and South America. And for those countries that are not ready to join a free trade agreement, the United States will negotiate with them to open up their markets and develop closer trade relations.

While calling on Latin American countries to "turn around the conditions that have discouraged both foreign and domestic investment," the United States is prepared to co-operate with the Inter-American Development Bank to formulate a new loan

plan catering to those countries that have taken important measures to clear away international investment barriers. Bush proposed a new investment fund for the Americas be created. This fund, administered by the Inter-American Development Bank, would provide up to US\$300 million per year in grants in response to market-oriented investment reforms and progress in privatization in Latin American countries. The United States intends to contribute US\$100 million to the fund and will seek matching contributions from Europe and Japan.

The United States planned to increase its efforts to reduce Latin America's debt burden in order to create a climate attractive to new investment. Bush proposed the Inter-American Development Bank participate in efforts by the International Monetary Fund and the World Bank in supporting commercial banks' reduction of Latin America's debt burden. Washington would reduce Latin America's official debt of nearly US\$12 billion owed to the US government. Meanwhile, the United States would support the creation of environmental trusts where interest payments owed on restructured US debt would be made in local currency and set aside to finance environmental projects in the debtor countries in the form of preferential loans and commercial loans according to the Brady Plan. (This plan, announced in March 1989 by US Treasury Secretary Nicholas Brady, was to reduce or remit

part of developing countries' foreign debts. It encouraged commercial banks to cancel part of these debts.)

US Concerns

Bush's initiative was proposed at a time when the United States faces enormous challenges and changes in the Western Hemisphere. It was also a move by the United States, as tensions ease in US-Soviet relations, to retain and strengthen its position in Latin America as "backyard."

It was necessary for the United States to adjust its relationship with Latin American countries to the needs of long-term strategic benefits, thereby improving its ability to compete at world levels and helping in its move towards developing an economic trade bloc. It was obvious that the American proposal to build "a new economic partnership" with Latin American countries and move towards establishing a free trade system was aimed at forming a powerful economic bloc to challenge the European unified single market (which will be formed in 1992) and Japan. American analysts think that Washington's Latin American policies are shifting from security issues to economic issues. Currently, the hot spots in Central America have already cooled down, and major Latin American countries are dedicating themselves to developing economy and national stability. These formed important basis for Washington's shifting its Latin America policy.

Because Latin American countries are badly in need of funds and their foreign exchange reserves are low, they have been anxious to get foreign investment and more loans. They have been quite vocal in their requests to ease their debt burdens and expand foreign trade. While Latin American countries placed hope in US aid, they also worried that the United States and other West-

ern industrialized countries would transfer funds and technology to Eastern Europe. Therefore, Bush's initiative pandered to the economic needs of Latin American countries and showed that the "new economic partnership" was sincere, dispelling their misgivings and mending relations that had been damaged with the American invasion of Panama. It also creates a cordial atmosphere for Bush's visit in September to the Latin American countries of Venezuela, Brazil, Argentina, Chile and Uruguay.

Latin America's Reaction

In general, Latin American countries have welcomed Bush's initiative, believing the plan to build a free trade zone will provide chances for regional integration. They also feel the suggestions to ease their debt burdens and increase investment were positive, indicating that Washington had reconsidered and attached importance to relationship with Latin America.

But businessmen and some newspapers warned that Bush's initiative shouldn't be touted too loudly. Some Latin American countries worry over whether they will have an equal position and obtain mutual benefits in any future trade bloc encompassing North and South America. They have also realized that the US proposals to ease the debt burden and increase investment have strings attached. And there are differences in the economic development level and policies of Latin American countries, a fact that will be an added restriction in realizing a free trade bloc. Other negative factors in realizing the goal include huge US financial deficits and the wait-and-see approach of US private capital.

Although Latin American countries hope the "new economic partnership" will become a reality, they are fully aware that there will be no major changes in the short term. ■

OPEC Raises Price of Crude Oil

by Chang Qing

For the first time in four years, the price of crude oil has been raised to US\$21 a barrel from US\$18. The price hike was agreed upon at the recent two-day 87th OPEC (Organization of Petroleum Exporting Countries) ministerial conference held in Geneva. The daily output quota has also been increased, to 22.491 million barrels from 22.086 million.

The oil pricing issue was the main topic at the conference because of a continuing decline in the price of crude oil on the international market. The price per barrel had fallen below the official OPEC price.

This decline caused major economic losses to oil-producing countries. It is reported that each day Ecuador was losing US\$850,000, Colombia US\$800,000 and Mexico US\$1 million. Losses for the Gulf nations were even heavier. OPEC President Sadek Boussena, the Algerian mines minister, warned that if OPEC did not take effective measures to prevent oil prices from falling, it would lose US\$7 billion annually.

At the beginning of the Geneva conference, the oil ministers were unanimous in believing that it was necessary to raise the official price of crude. And, after analyzing supply and demand and considering the interests of the oil-producing countries, OPEC's member nations finally reached a consensus on the price.

To guarantee a rebound in oil prices on the international market and the realization of a new benchmark price, OPEC decided

to limit the daily ceiling at 22.491 million barrels. Though this number is higher than the current quota of 22.086 million barrels per day, it will reduce nearly 1 million barrels of the actual daily output of the first three months of this year, or about 500,000 barrels of OPEC's current daily output.

It was in 1960 that the oil-producing nations took the initiative and set up the international organization of OPEC to oppose the plundering of their resources by international oil capital and safeguard their common interests. For 30 years, members of OPEC have cooperated to achieve great successes in a series of world political and economic struggles. But during the 1980s, OPEC's influence shrank because of an increasing number of disputes within the organization and member states failing to reach a consensus on many issues.

However, OPEC Secretary General Ali Subroto has noted that OPEC's success is unrivalled in the history of third world economic development because no other group of developing countries has successfully used its natural resources to challenge the predominance of consumer nations by providing them with the raw materials they need.

Regarding global consumption, Subroto said that the demand for oil worldwide has been on the upswing since 1986 and the world will increasingly depend on the oil cartel to cover future demand. He added that nearly 80 percent of the planet's proven oil reserves are located in OPEC member nations. ■

German Merger Brings Problems

by Wang Defeng

A rising inflation rate, enterprise bankruptcies, unemployment and worsening social order have occurred in the German Democratic Republic since the Deutschmark replaced the Ostmark in July.

A state treaty between the two Germanies on their economic merger took effect on July 1, formally unifying the two currencies into one common German mark.

West German commodities flooded into East Germany, almost dominating the markets. In major department stores in Democratic Germany, more than 80 percent of the goods were from West Germany or other Western countries via West Germany, elbowing local products from the shelves.

In order to earn more West German marks, the commercial sector, in both wholesale and retail sales, unilaterally terminated order contracts signed with local production departments. This caused an excessive stockpile of light industrial and textile products in local warehouses, resulting in a serious shortage of floating funds in enterprises.

Meanwhile, Democratic Germany's agriculture reached a state of crisis in July, and the government was forced to provide 800 million West German marks (about US\$473.4 million) as emergency loans to finance the country's ailing agricultural sector.

More than 5,000 businesses are struggling for survival, burdening the government with a request for 15.7 billion West Ger-

man marks (about US\$9.3 billion) in loans. The government promised only five billion West German marks (about US\$2.96 billion).

In addition, the state reduced subsidies to enterprises that export to the Soviet Union and other East European countries. Surviving on state loans, enterprises have incurred a debt of 130 billion West German marks (about US\$76.96 billion) to the state.

All these difficulties have forced many enterprises to declare bankruptcy, raising the number of the unemployed from 142,000 at the end of June to 220,000 by the end of July.

An average of 4,000 to 5,000 people are losing their jobs in Democratic Germany every day. Regine Hildebrandt, Democratic German Minister of Labour and Social Affairs, said the number of unemployed will soon reach 1.5 million.

More worrying to East Germans is the fact that some enterprises, which were once considered very promising, have also begun to reduce the number of employees. In a sylvite mine — sylvite is Democratic Germany's major hard currency earner — rumours began to circulate in mid-July that half of its 30,000 miners would be jobless. Therefore, even those people who have jobs are worrying about their future.

East Germans are also experiencing confusion over commodity prices with the introduction of the West German mark. The jubilation and elation widely felt when beautifully-packaged

Western goods were first introduced soon gave way to complaints and discontent over inflation, which was almost absent in East Germany for more than 40 years.

Price hikes for staple foodstuffs such as meat and bread rose 50 to 100 percent following the German currency unification. The price for beef — almost a daily necessity for the Germans — increased three to four times. Furthermore, a commodity can be sold with a 50 to 100 percent price gap in different shops.

In the housing market, it is reported that home rental may increase four to six times beginning January 1, 1991, which means an average monthly rental increase of 300 marks (US\$175) per family.

The country also saw an increase in theft, blackmail and looting throughout July. Bank robberies, theft of police weapons and neo-Nazi activities have also grown considerably, threatening social security.

Observers believe enterprise bankruptcies will continue and so will the number of jobless over the next two years. Some predict that East Germany can make its economy expand again only when West Germany invests more than 50 billion West German marks yearly over the next three or five years.

However, others have cast doubt over such a prediction. Even Hildebrandt agreed that more and more people have lost hope of a bright future under the present situation. ■

World Economy in the 1990s: A Forecast

by Shi Min

Entering the 1990s, the world's economy is undergoing a transition. Several features characterize this transition, including the establishment of large trading blocs, who will become the driving economic powers, the increasing role of Asian-Pacific nations and the widening gap between the developed and developing countries. The most prominent features of this economic change are as follows:

The trend towards multi-polarization will evolve into several large regional blocs.

The European Community plans to establish a unified single market in 1992 and, after that, extend the market to countries of the European Free Trade Association and absorb some East European nations into the system.

In North America, the United States and Canada began to implement their free trade pact early in 1989. The United States is trying to sign a free trade agreement with Mexico in order to expand the US-Canadian free trade zone into a North American free trade zone.

In Asia and the western Pacific, economic and trade links between Japan and the "four little dragons" (South Korea, Taiwan, Hong Kong and Singapore) and other Southeast Asian nations are increasing rapidly. In recent years investment and trade between the region's countries and areas have expanded dramatically and intra-regional technological co-operation is increasingly developing. The volume of intra-

regional trade has reached nearly one-quarter of total world trade and is expected to reach one-third by the end of this century. In the 1990s, a large regional economic bloc is likely to emerge in the Asian-Pacific region.

These trade blocs, while adopting preferential policies towards member nations, will inevitably practise some discriminatory policies against non-member nations. However, in light of the growing internationalization of the world economy, the blocs will not become self-contained closed alliances.

The United States, Japan and Europe will play a decisive role in the world economy.

It is estimated that in the 1990s, the gross national product (GNP) of developed capitalist countries will continue to account for about 60 percent of that of the world, and the remaining 40 percent will be shared by socialist countries and third world nations.

In the 1970s and 1980s, Japan emerged as a world economic power. Japan's population is only half that of the United States, and its gross domestic product was only 20.2 percent of the United States' in 1970. But that figure rose to 60 percent in 1989. In terms of per capita GNP, Japan has already surpassed the United States. Financially, the world's top 10 banks are all Japanese. Japan has become the world's biggest creditor nation: In 1989, its net credits reached US\$400 billion. In trade, Japan has for years been the world's biggest surplus nation, US\$80 billion in 1987 and US\$71 billion in 1989, next to

that of West Germany. In science and technology, Japan has caught up with the United States in many areas, posing a grave challenge to the over-all superiority of the United States.

West Germany, meanwhile, is also closely following the United States. For many years West Germany has been the world's biggest exporter. When West and East Germany unite, the combined German economic might will approach that of Japan, threatening to become another major rival to Washington.

The United States' economic strength has been on the decline. Since 1985, it has been the world's biggest debtor nation — by the end of 1989, its net debts amounted to US\$600 billion — and the biggest trade deficit nation. However, in terms of its over-all economic power today, it still ranks No. 1 in the world.

Therefore, in the 1990s the United States, Japan and Europe will continue to be the dominant forces in the world economy. The growth rate of Japan and a united Germany will continue to be higher than that of the United States, whose economic position will continue to decline.

Asian-Pacific nations will continue to lead other areas in economic growth, becoming the most vigorous region in the world.

Included in the Asian-Pacific region are Japan and the "four little dragons." By the end of this century, the average per capita GNP of the "four little dragons" will be close to that of the developed countries and their industrial structure will also come close to that of the industrialized nations. In exporting goods, cap-

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ital and technology, they will compete with Western countries.

In Southeast Asia, where resources are rich and labour is cheap, the average growth rate of Thailand, Indonesia, Malaysia and the Philippines last year overtook that of the "four little dragons." In the future, they will maintain the momentum of growth through introducing foreign capital, accelerating structural adjustment and improving infrastructure. By the end of the decade, Thailand and Malaysia are very likely to become the fifth and the sixth newly industrialized nations in Asia.

A big power in East Asia, China has led the world in the past decade in economic growth. Though the rate dropped last year, China's economy will continue to grow steadily after measures to rectify the economic order, improve the economic environment, deepen the reforms and further open to the outside world are carried out.

Transnational corporations will play a bigger role and the interdependence of national economies will further increase.

Transnational corporations have played a major role in world economic development. With the mutual infiltration of international consortiums and the development of international joint ventures, a new "boundless economy" is taking shape.

Transnational corporations are instrumental in transforming the industrial structures of national economies by investing funds, transferring technology and monopolizing sales channels. This industrial shakeup will result in the formation of a new international division of labour, in which an "assembly line" connecting the parent corporation and the subsidiaries in various countries is looming.

In the 1990s, 40 to 50 percent of the spare parts and semi-finished products of US manu-

facturing industries will be supplied by overseas companies, mostly the subsidiaries in countries where labour is cheap. Currently in the United States, one-third of the 4 million spare parts of a jumbo airliner and of the 40,000 spare parts of a car are provided from overseas, and by the end of the century, this proportion is likely to rise to one-half.

Although developed countries are aware that this situation will make their domestic economies vulnerable, they cannot avoid it in order to gain maximum profits.

While promoting the internationalization of economies and raising international productivity, transnational corporations put third world countries in a disadvantageous situation, because the developed nations benefit the most — most of the consortiums are based in the West.

As the economic and technological gap between the North and South widens, so too will divisions within the developing nations.

The gap in technological development between developed and developing nations will widen in the 1990s for two reasons. Developed countries will continue to monopolize advanced technology and developing nations will be impeded in their efforts to develop in this field because of a lack of funds and a low technological base. Needless to say, this will result in a corresponding economic polarization.

Several other factors will play a role in the widening of the economic hiatus:

1. The third world's heavy debt burden, now standing at US\$1.3 trillion, and the ensuing shortage of funds will continue to hamper any further expansion of the economies of developing countries.

2. Developing countries' trading conditions will continue to

deteriorate. The continued slump in the prices of primary products will deprive most developing countries of a large portion of their foreign exchange revenues, with the exception of oil-exporting countries which will benefit from a considerable rise in oil prices. Protectionism will also become more fashionable, adding to the difficulties of third world countries in exporting goods.

3. Third world nations will probably stumble in their attempts to adjust their economic structures and explore new development strategies.

Within the third world, vast differences will lead to an internal polarization. In Asia, some developing countries, especially the newly industrialized nations and regions, are witnessing a rapid economic growth and a drastic increase in average per capita income. Several of these nations will probably join the ranks of developed countries. South Asia will continue to confront a slow economic growth rate, with some countries continuing to be the least developed nations. For sub-Saharan African countries, where economic development has been slow and population growth rapid, it will be remarkable in the 1990s if they are able to successfully feed their people while keeping the average per capita income at or slightly higher than the current level. Latin America used to be able to point to a sound economic base. But in the 1980s, a debt crisis and mistakes in economic planning in some countries brought down the economic growth rate. In 1989, average per capita income was down by 10 percent compared with 1979, making the 1980s a "lost decade." In the 1990s, if the downward trend can be reversed, a positive growth achieved, and rocketing inflation curbed, the region will enjoy a certain degree of prosperity. ■

'ONE COUNTRY, TWO SYSTEMS'

The Best Way to Peaceful Reunification

by Wen Qing

One country, two systems" is a scientific concept put forward by Deng Xiaoping for the peaceful solution to the issue of China's reunification; it is a new policy adopted by the Communist Party of China (CPC) towards Taiwan under the new situation.

Formation of the Concept

The "one country, two systems" concept was formed after repeated discussion and careful consideration.

On December 15, 1978, while speaking about the work related to Taiwan, Deng Xiaoping proposed a third round of Kuomintang-CPC co-operation to bring about reunification of the country. According to him, Taiwan's socio-economic system, lifestyle and foreign investment will remain unchanged and its army will become local armed forces. The watchword is patriotism, or, in Deng's words, "All patriots belong to one big family."

The Communiqué of the Third Plenary Session of the 11th Central Committee of the Communist Party of China, adopted on December 22, 1978, pointed out: "The normaliza-

tion of relations between China and the United States further places before us the prospect of the return of our sacred territory Taiwan to the embrace of our motherland and the accomplishment of the great cause of reunification."

On January 1, 1979, the Standing Committee of the Fifth National People's Congress at its Fifth Session published the Message to Compatriots in Taiwan, making known to the world the cardinal policy for reunification of the country. The message stated, "In accomplishing the great cause of reunifying the motherland, we respect the status quo on Taiwan and the opinions of people in all walks of life there; we adopt reasonable policies and measures in settling the question of reunification so as not to cause the people of Taiwan any losses."

On January 30 the same year, Deng Xiaoping told a meeting of the Sino-US Friendship Association and the All-America Chinese-Americans Association: "We no longer use the phrase 'liberate Taiwan.' So long as Taiwan returns to the embrace of the motherland, we will respect Taiwan's reality and its current system."

In a talk given on April 20, 1980, Deng Xiaoping stated: "Taiwan is allowed to keep its social system and lifestyle intact. It is even permitted to function as a local government and retain its armed forces, as long as the Taiwan authorities recognize Taiwan as part of the People's Republic of China. It is a local government with a wide range of autonomy."

In his interview with a Xinhua correspondent on September 30, 1981, the late Ye Jianying, chairman of the Standing Committee of the National People's Congress, elaborated on the policy concerning China's peaceful reunification, (referred to as the 'nine-article statement' for short). Article 3 says, "After the country is reunified, Taiwan can enjoy a high degree of autonomy as a special administrative region and it can retain its armed forces. The central government will not interfere with local affairs on Taiwan." Article 4 says, "Taiwan's current socio-economic system will remain unchanged, so will its way of life and its economic and cultural relations with foreign countries. There will be no encroachment on the proprietary rights and lawful right of inheritance over

private property, houses, land and enterprises, or on foreign investments." These two articles outline the basic content of the "one country, two systems" concept.

In his talks with foreign guests on January 11, 1982, Deng Xiaoping summed up for the first time the idea of "one country, two systems." He said, "The 'nine-article statement' made in the name of Vice-Chairman Ye (Ye Jianying was then vice-chairman of the CPC Central Committee), actually means 'one country, two systems.' Two systems are permissible. They (Taiwan) should not undermine the mainland's system, neither should we undermine theirs: Roughly speaking, these articles apply to not only the question of Taiwan, but the issue of Hong Kong as well." Since then, the CPC's concept for the solution to the Taiwan issue has basically taken shape.

In a meeting with British Prime Minister Thatcher in September 1982, Deng Xiaoping publicly presented the "one country, two systems" concept. He said, "...with regard to the recovery of sovereignty over Hong Kong, it can be resolved by following the 'one country, two systems' formula."

In June 1983, when meeting with Dr. Winston L.Y. Yang, professor of a university in New Jersey, Deng Xiaoping clearly noted that "after the reunification of the motherland, the Taiwan Special Administrative Region can have its own independence, practise a system different from that of the mainland, and its independent judiciary and right of final judgment need not reside in Beijing. Taiwan can retain its army so long as it does not constitute a threat to the mainland. The mainland will

station neither troops nor administrative personnel in Taiwan. Taiwan's party, government and army departments are managed by Taiwan itself. The central government will reserve some seats for Taiwan." Deng also pointed out, "The systems can be different, but only the People's Republic of China can represent China in international affairs."

On October 15, 1984, the weekly *Outlook* published an article quoting Deng Xiaoping as saying, "The 'one country, two systems' concept is an important strategic decision; it is not a measure of expediency."

On December 19, 1984, when the joint declaration on the issue of Hong Kong was signed in Beijing between China and Britain, the "one country, two systems" formula was written into an international accord for the first time. This fact proves the practicality of the concept.

From the above fact it can be seen: First, the starting point of the "one country, two systems" concept is the solution to the question of China's reunification, that is, the solution to the issues of Taiwan, Hong Kong and Macao. Second, a comparison between the question of Hong Kong and Macao and that of Taiwan shows that they are different in two aspects: first is the difference in nature and second is that conditions for solution are different. Hong Kong and Macao are a matter of resuming exercise of sovereignty, which requires negotiation with foreign countries. Taiwan is a matter of internal affair among the Chinese, which is to be resolved through cooperation between the ruling parties of the two sides across the Taiwan Straits. With regard to the terms of solution, they are

more relaxed for Taiwan than for Hong Kong and Macao on matters such as the stationing of troops. Third, the "one country, two systems" concept is designed to address the issue of Taiwan, but it will first be implemented in dealing with question of Hong Kong. Fourth, "one country, two systems" is a strategic decision. In the course of resolving the Taiwan issue, the concept will be enriched, supplemented and brought to perfection in accordance with the different opinions of various quarters.

The Connotations

The contents of the "one country, two systems" can be summed up as follows: Within the unified People's Republic of China, the mainland practises socialism, while the current capitalist system of Taiwan, Hong Kong and Macao will remain unchanged. With socialism as the main, the whole country will include the three special administrative regions under a different social system.

The "one country, two systems" is, in the first place, one country, i.e., the People's Republic of China, not "two countries." This is the prerequisite, a precondition. There can only be one China in the world, there cannot be "two Chinas." There cannot be "two Chinas" in a disguised form nor can the "independence of Taiwan" be tolerated.

With regard to reunification with Taiwan, a few points have to be made: First, the reunification of China's mainland with Taiwan is China's internal affair which brooks no interference from outsiders. Second, China's peaceful reunification is in the interest of peace in Asia

and the whole world. With regard to China's peaceful reunification, we welcome efforts, if any, made by politicians and people of all circles in foreign countries to promote this cause through their own influence. Third, we firmly oppose any country or individual who obstructs or sabotages China's reunification in whatever manners. We will never tolerate any plot and act to create "two Chinas," "one China, one Taiwan," or the "independence of Taiwan." Fourth, under the principle of one China, the central government has no objection to Taiwan's economic, cultural and other non-governmental relations with foreign countries. Taiwan can join non-governmental or certain specialized international organizations in the name of "China's Taiwan" or "China's Taipei," attend non-governmental international conferences and take part in specific multilateral foreign affairs activities, but in doing so it must change its flag, anthem and emblem. This policy demonstrates the CPC's respect for reality.

The "two systems" is an important component of the "one country, two systems" concept. Without the "two systems," the concept would be non-existent. The "two systems" will continue at least 50 years as the Sino-British Joint Declaration clearly stipulates that after the recovery of sovereignty over Hong Kong, its capitalist system will remain unchanged for 50 years. After the reunification of Taiwan with the mainland, the duration of time during which it will retain capitalism will not be shorter than that allowed for Hong Kong. The Communist Party of China has long indicated that peacefully reunifying the motherland was an established policy

and that, after China's peaceful reunification, the "one country, two systems" would be put into practice.

The policy of allowing Taiwan, Hong Kong and Macao to keep the capitalist system for 50 years means that the mainland government will not force its system on them or interfere in their internal affairs. Reunification will be based on reality. It does not mean that one side gobbles up the other. Relevant stipulations have been laid down in the state's Constitution and specific policies.

With regard to the various factions and divergent opinions existing in Taiwan, Hong Kong and Macao, it is up to their respective authorities to handle. The central government is concerned with only two matters: one is that Taiwan, Hong Kong and Macao cannot be separated from the motherland; and, second, they should not constitute a threat to the mainland and should not serve as a base to subvert socialism and the People's Republic of China.

Theoretical Basis

There is a theoretical basis for the "one country, two systems" concept.

First, it was adopted after the Third Plenary Session of the 11th Central Committee, the Communist Party of China restored the ideological line of seeking truth from facts. At that time, the whole Party and the people of the whole country were confronted with "three major tasks for the 1980s": construction, combating hegemony and reunification. Although these tasks cannot be completed in the 1980s, they must be placed high on the agenda.

As far as "reunification" is

concerned, there are only two methods, through force or through peaceful means. But peaceful means are obviously the ideal choice. This is because, first, China needs a peaceful environment for construction, not a destructive war; second, any conflict between the compatriots in the mainland and Taiwan can only weaken the Chinese nation, to the benefit of outsiders; third, liberation by armed force will inevitably consume large amounts of human, material and financial resources and hamper the development of the Chinese nation; and fourth, Taiwan compatriots oppose the possible consequences of a war and do not want to change their present way of life. Peaceful reunification conforms with the wishes of the people on both sides of the Taiwan straits.

A peaceful solution requires consideration of the interests of the various related quarters, including the Kuomintang and other political parties, organizations and people of all strata. Of course, the overall interests of the Chinese nation are of paramount importance. Only the method of "one country, two systems" can make all this possible. This method enables Taiwan to return to the embrace of the motherland without suffering major turbulence and guarantees Taiwan's prosperity and stability. It helps accomplish China's reunification and allows Taiwan to remain in touch with the various parts of the world, particularly the capitalist world, and retain the necessary international conditions for further development. Although Taiwan is different from the mainland, the two can form close ties, complement and help each other for common progress.

Since a peaceful method is ad-

Beijing: Countdown to the Asian Games

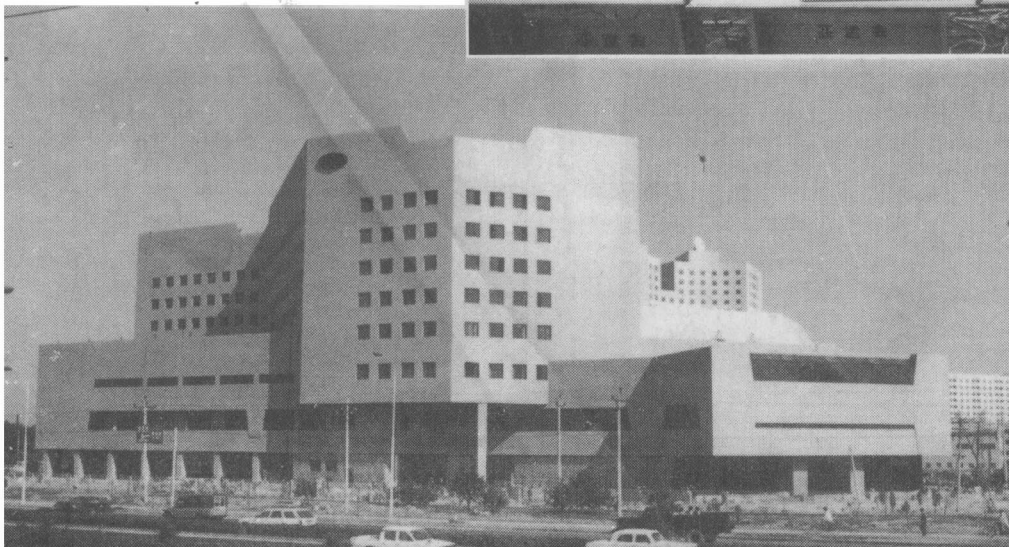
The 11th Asian Games to be held from September 22 to October 7, 1990 will be a grand presentation of both participants and the events. After two recent trail-runs, Beijing is ready to play host to visitors from the 38 members of the Asian Olympic Committee and make the Asian Games a success.



The Steroid Testing Centre. It has been approved by the International Olympic Committee and will be used for medical testing during the 11th Asian Games.

The Computer Centre.

The International Conference Mansion, the headquarters of the Asian Games Organizing Committee and the press centre.





This newly built pass-over links all the stadiums and gymnasia with the Village of Asian Games.

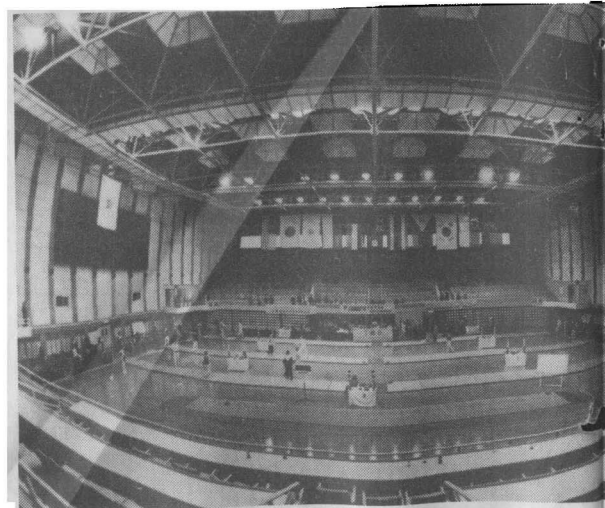
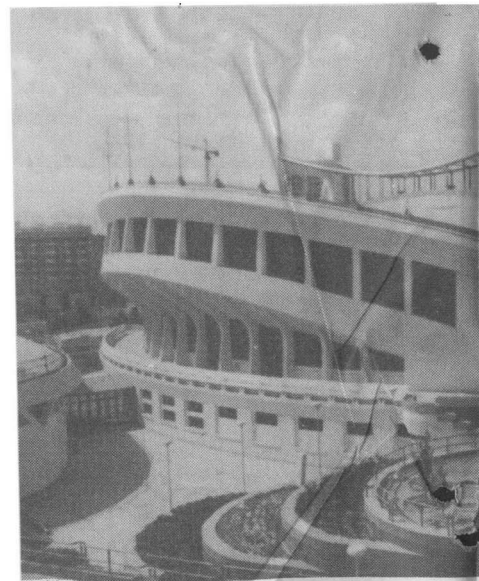
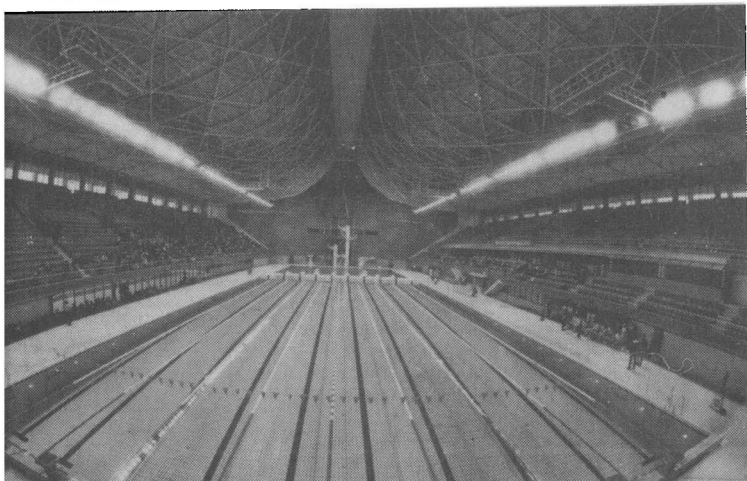


The Gymnasium of the National Olympic Sports Centre.



The Beijing Workers' Stadium where the opening and closing ceremonies and the final football match will be held.

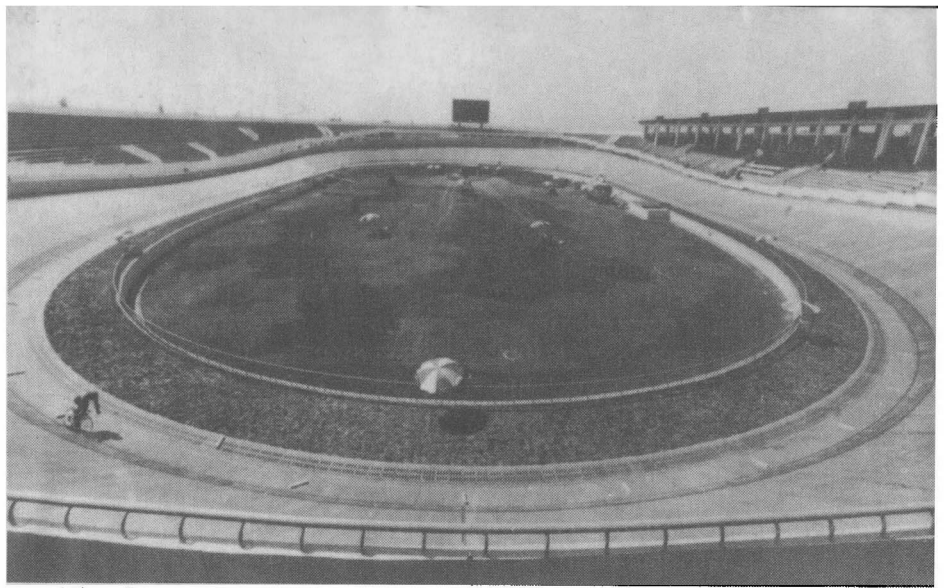
The Natatorium in the National Olympic Sports Culture Centre.



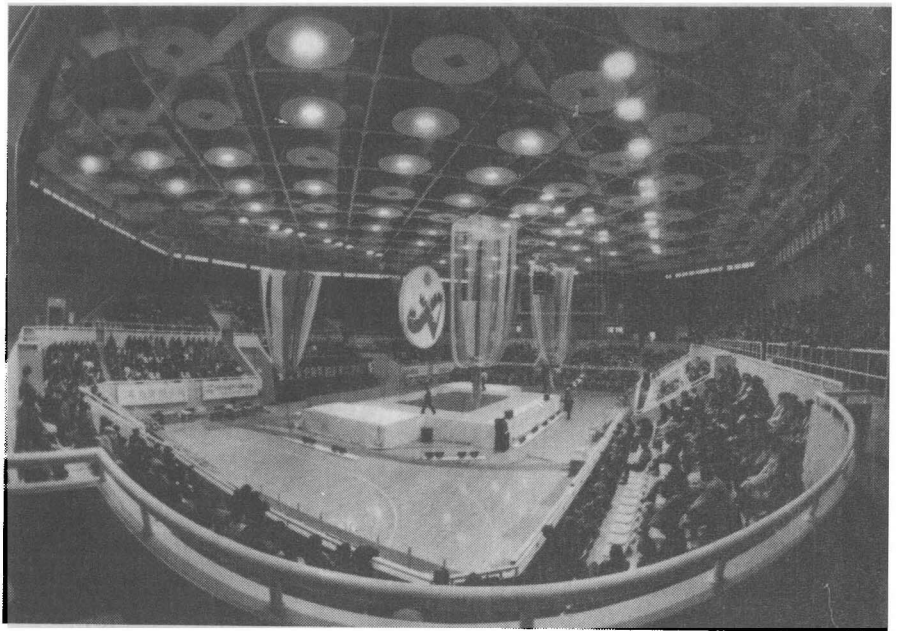
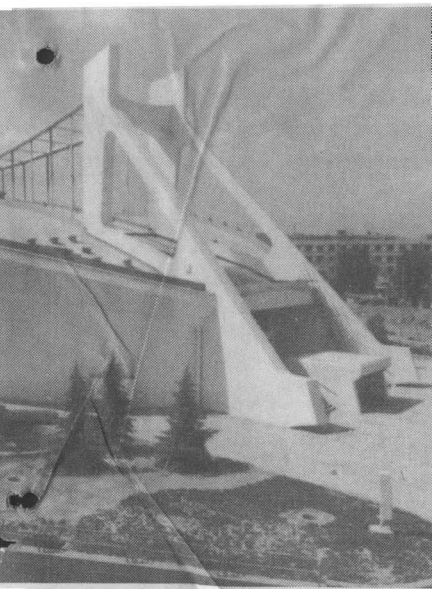
The Guangcai Gymnasium, to be used for fencing competitions, was financed by donations from individual labourers across the country.



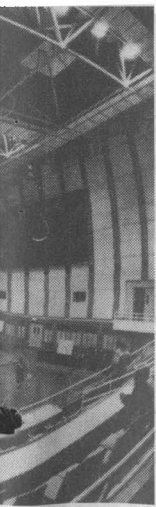
The uniquely designed Beijing Chaoyang Gymnasium will be used for volleyball competitions.



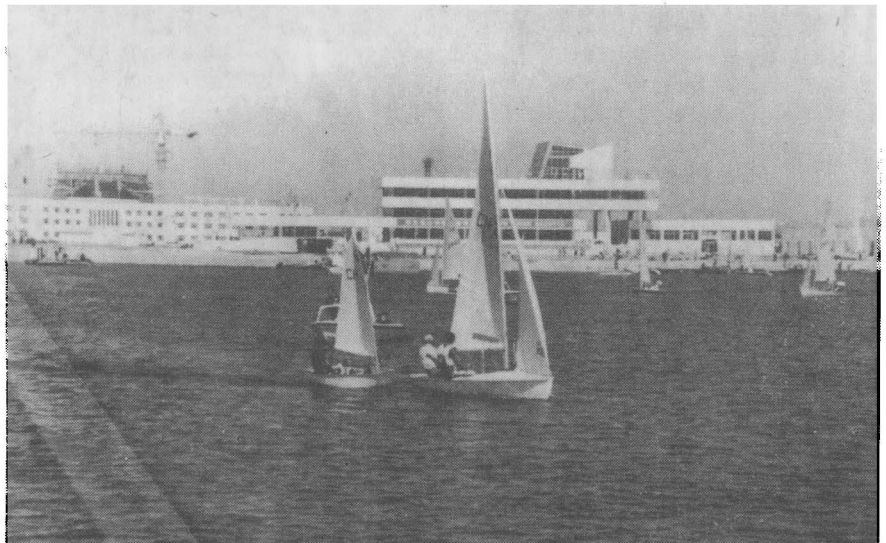
The Changping Velodrome covering a total area of 5,670 square metres.



The Yuetan Gymnasium will be used for judo competitions.



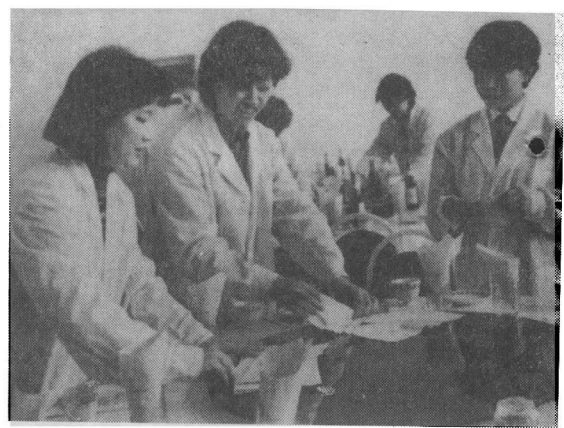
The Qinhuangdao Sportsfield on the Sea, Hebei Province.



for
ons



On March 16, 1990, President of the Asian Olympic Council Fahd inspected the construction site of the Asian Games and planted a tree of friendship.



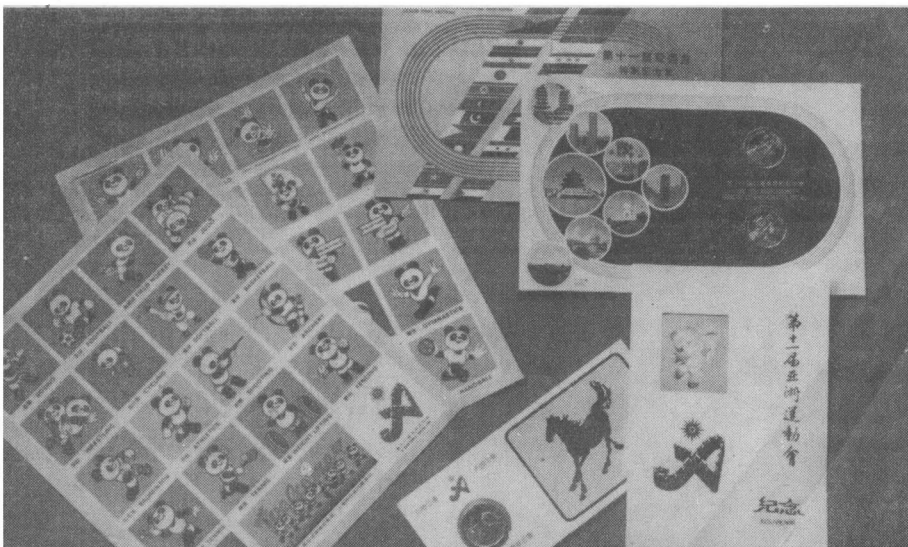
Waitresses who have received special training will serve the Asian Games.

The Board Shoes Dancing, a Zhuang nationality dance group which has been invited by the Asian Games Organizing Committee to perform at the Asian Games.



Souvenir cards of the Asian Games.

XU XIANGJUN



vocated for reunification, why doesn't the CPC promise refrain from using force? The Communist Party of China has repeatedly declared that it does not want or prepare to use force, there are three main reasons why it does not commit itself to give up the use of force: First, matters that concern national dignity must not be handled at the beck and call of a foreign country and any promise that would harm national dignity must not be made. For matters relating to China's internal affairs, we will not tolerate any foreign country's indiscreet remarks. Since some foreign countries have always cast greedy eyes on Taiwan, we must not bind ourselves hand and foot and thus be at a loss what to do if foreign involvement should occur. Second, the statement is also directed against the plot for the "independence of Taiwan." The "movement for independence of Taiwan" is making increasing noise and so we must be on the alert. Third, the statement is aimed at those Kuomintang members opposed to reunification. If we promised to relinquish the use of force, these people would wax cocky and never accept peace negotiations.

Second, the "one country, two systems" concept fits in with the theory on the primary stage of socialism and constitutes one characteristic of Chinese-styled socialism.

According to Deng Xiaoping's plan, China's socialist modernization should proceed in three steps: First, double the 1980 gross national product (GNP) to solve the problem of clothing and feeding the Chinese people; second, redouble the 1980 GNP by the end of the century so that the people will become well off; third, by the middle of the next

century, basically accomplish modernization, that is, the per-capita GNP will reach the level of a moderately developed country and the Chinese people can live a comparatively affluent life." Throughout the period, the mainland will be in the primary stage of socialism while Taiwan practises capitalism. That is to say, the "one country, two systems" will persist throughout the primary stage of socialism.

The solution of the issue of Hong Kong and Macao will put an end to the century-old national humiliation and set the stage for the settlement of the Taiwan question.

Third, the "one country, two systems" represents a development of Lenin's strategic idea of "taking advantage of capitalism." Shortly after the founding of New China, the Communist Party of China creatively applied this idea when it adopted a policy of utilizing, restricting and transforming the national bourgeoisie.

After 1978, in order to build socialism with Chinese characteristics, the Party adopted the policy of diversifying the economy with socialist public ownership as the mainstay and giving full play to the role of the individual economy, the private economy as well as Sino-foreign joint ventures, co-operative enterprises and wholly owned foreign enterprises as necessary supplements to the socialist economy. In addition, special economic zones and open cities were established. All these policies are aimed at making capitalism serve socialism.

The "one country, two systems" formula developed the idea of "making use of bourgeois capital" by allowing two or three capitalist regions to exist

in a socialist country. This is a development of great significance.

Fourth, the "one country, two systems" concept is an application of the principle of "peaceful coexistence" for settling domestic questions. It also provides an example for solving certain international disputes.

The peaceful co-existence between countries with two different social systems was proposed by Lenin. In 1954, the prime ministers of China and India initiated the Five Principles of Peaceful Coexistence and, in April 1955, the Five Principles were confirmed by the Bandung Conference. When the principle of peaceful coexistence was taken to apply to China's domestic affairs, the "one country, two systems" concept was put forward. On October 31, 1984, when meeting with Burmese President U San Yu, Deng Xiaoping noted, "Viewed from international experience, the Five Principles of Peaceful Coexistence have a strong vitality," and, as we further consider such questions, the principle of 'peaceful coexistence,' when applied to solving a country's domestic problems, is perhaps also a good guide because the 'one country, two systems' we have put forward entails yet another form of peaceful coexistence."

In the world today, there is no lack of precedent for the use of the armed forces to solve many knotty problems. The solution of the Hong Kong issue by China and Britain demonstrates that it is entirely possible to solve certain international disputes by the method of "one country, two systems." Therefore, the "one country, two systems" concept has enriched the principle of peaceful coexistence

and made it possible to avoid sharp domestic and international conflicts. It is not difficult to see that the "one country, two systems" concept will become an important factor for long-term stability in the world; it is where its significance to world peace lies.

Fifth, the law of unity of opposites is the theoretical basis of the "one country, two systems." Unity of opposites is the basic law governing everything in the universe. According to Mao Zedong's explanation, two conflicting aspects struggle against and depend on each other at one and the same time, and, under given conditions, they coexist in one entity; under other given conditions, one side may be transformed into its opposite. Undoubtedly, socialism and capitalism are antagonistic, but they also maintain close ties. Socialism is established on the capitalist material foundation; they two are linked in the chain of development of human history. In a certain historical stage, they will coexist and infiltrate each other. The value of the "one country, two systems" concept is that in a socialist country, it is possible to keep several capitalist regions intact, a practice which also benefits socialism.

In short, the "one country, two systems" is a strategic policy adopted by the Chinese Communist Party in the highest interests of the Chinese nation and in light of the status quo of the two sides. Making China united, prosperous and powerful is the common desire of all the Chinese people. The issue of Taiwan will eventually be solved; the "one country, two systems" concept will become the best method to achieve China's peaceful reunification. ■

China Introduces 'Green Label' Food

by Sun Panqi

China's state farms and land reclamation system, with some 4.3 million hectares of land under cultivation, has set up factories to produce nutritious and high quality food. Adopting strict sanitation standards, the producers will soon put the first batch of "green label" foods on sale.—Ed.

China's state farms and land reclamation system will promote for the first time a number of new foods—the so-called "green label" foods or "green foods"—before the 11th Asian Games to be held in September this year in Beijing. The green foods refer to foods produced under strict sanitary monitoring from the time of seeding, during growth and in processing, storage, transportation and sale stage so that they are not contaminated.

With the industrialization and the increased use of chemical fertilizers, agriculture faces the problem of contamination. Unsanitary foods pose a great threat to people's health. To produce healthy foods, China stresses the production of highly efficient fertilizers which leave no toxic material in the soil, water and encourages the use of organic and green fertilizer. The production of the green-label foods, therefore, indicates that China has made progress in this respect. The new foods are expected to enjoy great popularity.

* The author is the director of the Department of the State Farms and Land Reclamation under the Ministry of Agriculture.

Socialist China has always placed protection of the environment and improvement in people's health as a national policy. The government has formulated the necessary laws and regulations and established testing and supervisory organizations in order to guarantee the sanitation and safety of the nation's food supply. In response to this, China's State Farms and Land Reclamation Department decided a few years ago to develop green-label foods in order to enhance the level of sanitation in the food industry and raise the public's consciousness about the environment. The effort indicates that China's agriculture, food processing and storage technology will reach a new level.

Advantages

State farms are large in scale and boast high technology. After four decades of construction, they now can monitor the whole growing process, a key factor in the successful production of green label food.

Currently, China has more than 2,000 state farms with 4.3 million hectares of cultivated land and over 5 million workers



XUE CHAO

Lu Zhenguo (first left), the senior agronomist in Dongbeiwang Farm in Beijing, discusses the production and variety of vegetables with Yang Delu (middle), head of the farm's vegetable office.

and staff. They have become China's commodity bases for staple farm produce and are thus able to provide a substantial supply of goods for the domestic markets. For instance, their commodity grain makes up 10 percent of the country's unified purchase of grain while their machine-processed sugar and prawn respectively account for 10 percent of the country's total output, their fruits 7 percent and the meat products 1 percent.

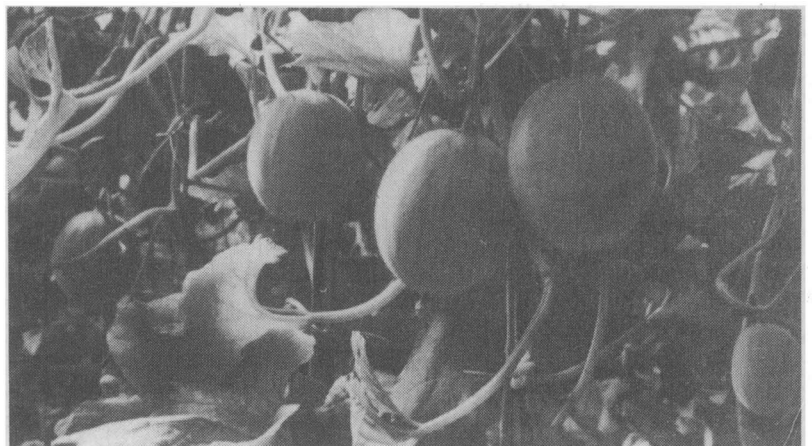
The state farm system's capacity for food processing is quite good. For example, the Sanjiang Foodstuff Co. of the state farm system in Heilongjiang Province is the largest plant protein processing factory in the Far East. More than 500 types of the system's products have been rated Quality Products at the state and provincial levels and a dozen of them have won gold medals in international competitions. Some of these products have already reached a high standard of sanitation and can be turned into

green foods.

Most of the production bases of China's state farms and land reclamation system are located in thinly populated areas, far away from industrial enterprises and mines. Developed a short time ago, they are blessed with good natural conditions for production such as a good supply of clean water, air and soil. In addition, the system is equipped with

Muskmelons in Xiaotangshan's pollution-free vegetable production base in Beijing are ready for harvesting.

ZHENG SHUFU



advanced technology for food processing, packaging, storage and transportation. Moreover, the system boasts complete testing and evaluation methods for food sanitation. The Beifang Foodstuff Checking and Testing Centre of China's State Farms has passed the state's technical appraisal.

China's state farms and land reclamation system has also set up an enterprise network to integrate scientific research with production, processing, storage, transportation and marketing.

Measures to be Taken

The green foods project will be developed in three stages:

—The stage of development and promotion. During the stage, products meeting or exceeding the standards will be marked with the green label and put on sale. Consumer recognition and protection of law will thus be initiated.

—The stage of selective establishment and renovation of

green food production bases. During the stage, efforts will be made to perfect the environmental monitoring and food evaluation organizations to form a guaranteed system for high quality, sanitary food.

—The stage of perfecting the production process. This includes each link of scientific research on foodstuff, production

of raw materials, processing, storage and transportation and testing. The following projects will be also carried out during the stage: establishment of a sanitary feed base, expansion of a biological pesticide plant, renovation of several food processing plants, establishment of green foods shops or counters in large cities and the setting up of food

monitoring stations in major cities and environmental monitoring stations on state farms.

The development of green foods is a significant project. China has a vast area of land, plenty of labour, abundant material resources and huge potential markets. Foreign businesses and individuals are welcome to co-operate with us in developing production of green foods. ■

The Beifang Foodstuff Checking and Testing Centre

by Our Staff Reporter Han Baocheng

In a four-storey building in downtown Tianjin, scores of scientists and technical staff are busy conducting sanitation tests and evaluation on more than 1,000 kinds of foods sent from all over the country. Qualified products will receive a "green food" tag and be placed on sale in Beijing before the 11th Asian Games to be held on September 22.

In the sample rooms, various foods are arranged separately. Fresh, live products are either checked and tested immediately or refrigerated for later testing. Except for a few crops such as grain, beans and peanuts, and edible mushroom, fish and poultry, most are processed products. They include dairy products, meat products, beverage, tinned food, tea, wine and flavouring.

Liu Fengyan, deputy director of the centre, said the products had been strictly selected before they were sent to the centre. Each sample product must be accompanied by two documents: one is the data form completed by the local environmental protection department, and the other is the report of quality testing by a provincial department. "Many of them have previously

won fine Quality Product prizes," Liu said, adding that among 300 checked samples, 95 percent reached the required standard.

Testing is rigidly conducted. Liu said the centre has four testing and evaluation groups for bacteria, heavy metal, pesticide remains and other harmful materials. Each product is double checked and each test result has to be confirmed at three levels: mutual check by testing staff, a check by the department heads and the final check by the business department.

Liu said that although these sample products have undergone local checkup, his centre conducts higher-level examination. During my recent visit to the centre, I was shown Shengbao Cola, a beverage sent by Heilongjiang Province, which was accompanied by a 21-page testing and animal experiment report completed by both the provincial Foodstuff Sanitation Monitoring and Checking Institute and the Harbin Medical Science University. The report says animal experiments including slow and acute poisoning tests, have already been conducted. However, Liu said, the centre made further tests before con-

firming that it is up to the green-food standards.

The centre has a staff of 50, and 30 percent of them are scientific and technical personnel. Since the mid-1980s, the centre has imported from the United States and Japan many high-tech evaluation instruments such as high pressure liquid chromatograph, gas chromatograph and multi-purpose recording spectrophotometer. Such equipment makes the centre the nation's most advanced foodstuff safety and quality checking station.

"However, our testing and evaluation means are found to fail to suit development needs," Liu said. "The centre will be enlarged. We hope to strengthen exchange with foreign counterparts."

The centre has collected more than 6,000 listings of measurements used in foodstuff evaluation by other countries and over 200 handbooks on international standards. "China's standards are based on both its own conditions and international requirements," Liu said. "Although China is a developing country, its sanitation and safety standards for foodstuffs are no lower than that found in developed countries." ■

Yellow River Silt— A Resource to Be Utilized

by Our Staff Reporter Li Rongxia

In the past 40 years, much progress has been made in water and soil conservation and in the use of silt at the middle and upper reaches of the Huanghe (Yellow) River. However, continued efforts by several generations will be required before the river is completely harnessed.

The Yellow River is known worldwide for its mud and sand. Every year, an average of 1.6 billion tons of sand is washed down by the rain into the lower reaches of the river, 37.6 kg for each cubic metre of water. In comparison, the annual sand volume of the Ganges River in Bangladesh is 1.45 billion tons, close to that of the Yellow River. However, its water volume is higher than that of the Yellow River, and the sand content in each cubic metre is less than that found in the Yellow River, only 3.9 kg. The sand content of the Colorado River in the United States is some 27.5 kg per cubic metre, only slightly lower than the Yellow River's, but its annual sand volume is only 135 million tons. The high sand volume and content per cubic metre found in the Yellow River is thus unique among the world's rivers.

The Yellow River contains a great amount of sand because it passes through the world-famous Loess Plateau, an area full of gullies and steep slopes, the surface of which is layered with loose deposits of yellow earth soil ranging from some dozens to several-hundred metres in thickness. In summer and autumn, rain storms carry great amounts of sand away, an average of 3,700 tons of sand per square km.

The serious water and soil erosion on the Loess Plateau creates great difficulties for the development and harnessing of the Yellow River. Each year about 400 million tons of mud and sand, flowing into the river through thousands of ravines and large and small tributaries, silt up the lower reaches of its course, so that the riverbed gradually rises and the river becomes a "hanging river." Moreover, the flood control barriers are less effective because of the deposits. Some projects which have already been completed have large deposits of silt and so cannot be fully utilized. In Shanxi Province, for example, the reservoir storage capacity is reduced by 50 million cubic metres every year due to mud and sand deposits. Some tributaries and irrigation channels in mountainous areas are completely blocked.

Soil erosion has brought about a decrease in cultivated land and natural fertilizer runoff and damaged the environment. It is estimated that every year more than 30 million tons of nitrogen, phosphorus and potassium fertilizers are drained off at the river's middle and upper reaches. Some 430,000 square km of land has been eroded. Given this situation, the difficulties of harnessing the river are clear.

At an international flood prevention conference held in 1950 in India, Western scholars expressed a pessimistic view on the possibility of controlling the Yellow River. They held that the river would never be conquered and that after several thousand years, the North China Plain

would probably become a desert.

China's successful attempts to harness and develop the Yellow River over the past 40 years, however, show that the river can be conquered. By means of water and soil conservation, engineering designs, drainage and utilization of various flood control measures such as sand dykes and other means, the mud and sand content of the river has not only decreased, but the benefits of the Yellow River have begun to be tapped.

Water and Soil Conservation

From 1951 to 1954, the government organized experts, engineers and technicians from the Chinese Academy of Sciences, the Ministry of Water Resources, the Ministry of Agriculture and the Ministry of Forestry to make a comprehensive survey of more than 20 tributaries, each with over 1,000 square km of water and soil erosion area, in the upper and middle reaches of the Yellow River with a total soil erosion area of 370,000 square km. Following this, a group of scientific experimental stations for water and soil conservation work were set up one after another in Suide, Tianshui, Yulin and other places. The result of these steps in the effort to harness the river has been tremendous over the past four decades.

Water and soil conservation is achieved mainly by engineering and biological measures. Engineering measures include the building of terraced and strip fields on sloping, arable land and the construction of mud and

sand dams in gullies and water diversion projects to channel flood water into fields. Biological measures include the planting of water and soil conservation trees using improved seeds, developing grass ground cover and spreading the methods and technology of crop rotation, intercropping and undersowing.

According to initial statistics, in the past 40 years, more than 100 large and medium-sized reservoirs have been built and about 30,000 silt arresters have either been repaired or built, more than 4 million hectares of terraced and strip fields have been completed, over 3 million hectares of farmland has been reclaimed in gullies, some 4.7 million hectares of land has been planted with trees and 6 million hectares of land grass, and more than 100,000 square km of land in danger of water- and soil- erosion protected.

The Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP) provided crucial assistance in improving the conditions of the Loess Plateau. One project in Mizhi County, Shaanxi Province, for example, was funded by the two UN organizations. Since 1984, the WFP has given wheat gratis as subsidy to farmers who work on the project to treat the Loess Plateau. The FAO, in addition to providing funds for the Loess Plateau Harnessing Research In-

stitute in Mizhi County, also sent people to make inspections, provide guidance and set up an experimental site in Quanjiagou Village.

The water and soil conservation measures have effectively stayed mud and sand. Testing indicates that terraced fields can reduce the soil erosion by 80 to 100 percent and the construction of dams and the selective silting up of land can intercept 60,000 tons of mud and sand per hectare. An analysis of the tributaries of the Yellow River show that an average of 297 million tons of mud and sand is prevented from entering the river annually.

Water and soil conservation has improved basic agricultural, forestry and animal husbandry production conditions so much that the local residents are noticeably more prosperous. In 1979, per-capita grain output was only 64 kg in Wangjiagou village of Ansai County, Shaanxi Province. Since 1980, the local people have planted trees on barren hills and slopes, totalling 1,200 hectares in area, built 200 hectares of terraced fields and constructed dams and silted up more than 50 hectares of land. Since water and soil erosion has been basically controlled, the village's total grain output has increased by about 80 percent, raising the per-capita grain output to 450 kg annually.

Building hydroelectric projects on the main stream and tributar-

ies of the Yellow River will both generate electricity and make use of the sand deposits.

Harnessing the Sand

It has become increasingly clear that reservoirs can effectively intercept water, mud and sand and, by controlling the water level at the dam during the flood season, the mud and sand silted up during the low water season can be hauled away. Such sand and mud can then be redeposited on land. This not only readjusts water and sand in the reservoir but also develops agricultural production through the use of the muddy waters.

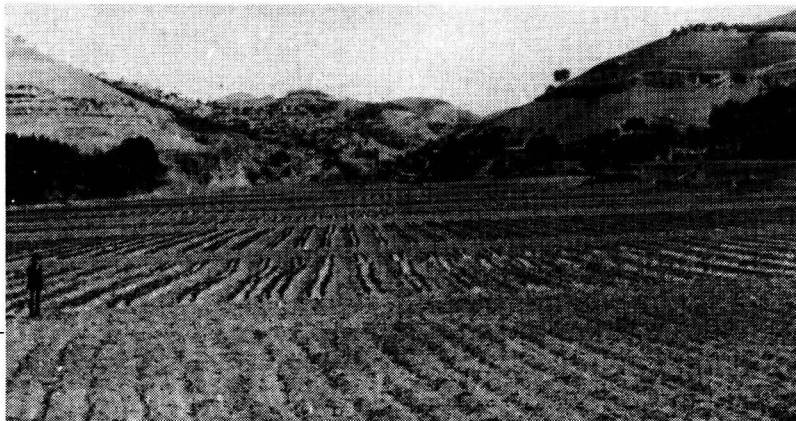
In the past, people worried that muddy water containing a great amount of sand could silt up and block irrigation channels. It was stipulated, therefore, that the muddy water that would be used to irrigate fields should not contain more than 15 percent of sand. However, there are often droughts in the hot summer days of Guanzhong Prefecture of Shaanxi Province when it is a good time for growing crops. If muddy waters weren't used, agricultural production would be seriously affected.

In the early 1980s, the technical problem of transporting muddy water over a long distance and irrigation was basically solved. At present, the volume of sandy water, diverted from the Yellow River into several large irrigation areas in Guanzhong Prefecture in flood seasons, has reached, on the average, 30 to 40 percent, and a high of 60 percent in the Luohui channel. Long-distance channelling of water can reach dozens of km—and 200 km in the Baojixia irrigation area—without any silting up problems.

After land is irrigated by muddy water, the soil is improved and there is an obvious increase in production. Tests on the silted

LI RONGXIA

Silt deposits have turned some places along the Yellow River into farmland.



land in Yangjiazhuang along the Luohui channel found that in the 20 cm-thick silted earth layers nitrogen increased 71.4 percent and phosphorus 19.7 percent. Compared with fields not using muddy water for irrigation, the silted fields generally see an increased output of 21 to 39 percent. Statistics show, for example, an increased output of about 55 million kg grain within five years in the Jinghe, Luohe and Weihe river irrigation areas in Guanzhong Prefecture.

Some 76 million tons of mud and sand were used over a five-year period, deposits which otherwise would have flowed into the lower reaches of the Yellow River.

Such work, however, is not accomplished easily. The method used to divert water and sand in the early 1950s resulted in a huge amount of mud and sand blocking reservoirs. The Sanmen Gorge Reservoir began to store water and intercept sand in September 1960. By October 1964, the reservoir's total silt volume reached 4.2 billion cubic metres, a situation which seriously affected its designed holding capacity.

In order to improve reservoir efficiency, efforts had to be made to deal with sandy water. The Sanmen Gorge project was renovated twice in 1964 and 1969, in order to increase the flood and sand drainage capacities. Measures to store clear and drain muddy waters were taken, so that the silt was greatly reduced.

The Heisongling Reservoir was seriously silted up after only three years of its completion in 1959. In 1962, the method to store water and intercept sand was changed. It then began to store clear water, drain off muddy water and use the muddy water to cover the land. The average sand drainage rate in the reservoir reached over 90 percent, so

that the long-used 3 million cubic metres of the reservoir storage could be maintained. Since 1962, about 15 million tons of mud and sand siphoned off from the reservoir have all been diverted into irrigation projects. This not only prolonged the service life of the reservoir but also promoted production.

From that time on, such methods have been used at other reservoirs along the Yellow River, providing the middle and upper reaches with the wherewithal to make use of sandy flood waters.

Usage of Sandy Water

The mud and sand of the Yellow River are abundant in fertilizers, and thus beneficial for economic development.

In some places, people divert rain and flood waters into their fields from roads, while some others intercept rain and flood waters on hillsides. In appropriate locations, a series of small earth-filled dams are built in a ditch, forming a series of dams to divert sandy flood waters.

Because the course of the Yellow River has changed many times over the past centuries, a vast saline-alkali land and sandy wasteland was all that remained after the waters receded. During flood seasons, to divert the Yellow River water into the saline-alkali lands and to drain off in a timely way, the clear water can eliminate alkalinity and salinity. Since most silt comes from the surface layer of the Loess Plateau during the flood season, it contains a high rate of fertilizer. Therefore, saline-alkali land can be turned into fertile farmland after being silted up.

The low-lying lands behind the dykes can also be used as grit chambers. Through culvert and siphon gates, the sandy Yellow River water is diverted into the grit chambers and the silt can raise the low-lying lands and

thus help to protect the dams and dykes. At present, more than 70 culvert gates are used to divert the river water and more than 60 pumping stations have been set up on the lower reaches. As well, more than 200 dredging boats have been put into service. As of now, some 200 million cubic metres of land have been silted up and a more than 600-km-long dyke reinforced.

A More Arduous Task Ahead

It has, of course, been impossible to do all the water and soil conservation work necessary within a short time because too vast an area is subjected to water and soil erosion on the Loess Plateau and a variety of problems need to be tackled. During the past four decades, only about 100,000 square km of land were controlled; there are vast areas still to be harnessed. Moreover, some places, where soil erosion has already been controlled, need continuous oversight and upkeep. It is estimated, though, that in the next five or six decades, even more noticeable achievements will be made in water and soil conservation along the Yellow River valley and that there will be decreasing silt waste and increasing production.

The people along the Yellow River valley should be congratulated for controlling and making use of sand deposits; they have solved many problems on their own and made a marked reduction in the volume of silt in the river. Every year, however, the total volume of mud and sand flowing in the river remains the highest volume in the world and quite a lot of them deposit along the river's course, posing a great threat to the lower reaches of the river. The solution to the problem lies, without a doubt, in the continued effort of future generations. ■

Reduced Investment In China

According to statistics released by the Ministry of Foreign Economic Relations and Trade, China approved the establishment of 2,784 foreign-funded enterprises in the first six months of this year, an 8 percent drop from the same period last year. The value of negotiated investment reached US\$2.351 billion in foreign exchange, a 22 percent drop. Moreover, some US\$1.227 billion, already processed into China, represented a 2.3 percent decrease.

After the June 4th turmoil in China, some Western countries suspended their loans and credit guarantee, China conducted its economic readjustment, limited the growth of its money supply and paid much attention to the quality of foreign-funded projects. All these actions resulted in reduced investment during the first half of this year.

Of the 2,784 enterprises, 1,569 are joint ventures, 570 cooperative enterprises and 645 solely foreign-owned enterprises. Some 90 percent are production and export-oriented enterprises involving chemicals, machinery, electronics and garments.

Both the number and value of Taiwan-funded projects was doubled in the first six months of this year. For example, the establishment of 134 Taiwan-funded enterprises was approved in the first quarter of this year with negotiated investments of US\$117 million. Currently, Taiwan is the second largest investor only after Hong Kong on the mainland.

In addition, more than 1,000 foreign-funded enterprises have already begun operation. So far, the number of operating foreign-funded enterprises nationwide exceeds 10,000, most of which have done very well. For instance, exports reached US\$2.2 bil-

lion in the first half of this year, an increase of 109 percent over the same period last year and, since May of this year, foreign investment in China has picked up with a slight increase in investment items and negotiated value. With improvements in both the domestic and international environment, the general trend of increasing investments is likely to resume in the second half of this year. ■

Spot Trade With USSR, E. Europe

China will conduct spot exchange trade instead of barter with the Soviet Union and East European countries starting next year, reported Liu Xiangdong, a spokesman for the Ministry of Foreign Economic Relations and Trade at a news briefing held in late July.

China has already conducted spot exchange trade with Poland and Yugoslavia, Liu said, adding that it has reached agreements on changing trade forms with other countries. After the change of major trade forms, the barter trade will still be reserved, mainly used in special and border trades with the mentioned countries' enterprises.

Statistics indicate that China's trade was basically normal with the Soviet Union in the first half of this year, showing a slight drop from the corresponding months last year. Meanwhile, there was a large drop in the trade with the East European countries. The fact that the unsteady political situations of the East European countries had not only affected mutual trade but also the signing of new projects with China. In addition, many signed contracts have been hard to be carried out.

Over the last decade, China's trade has shown a great development with the Soviet Union and the East European countries.

With the change of trade form, the mutual benefit in the bilateral trade will bring in a still broader prospect for co-operation. ■

Developed Oilfield Jointly With Japan

A modern offshore oilfield developed in co-operation with Japan, the Bozhong 34-2/4 Oilfield, began commercial production in mid-July.

Located in the southern sea area of Bohai Bay, the oilfield can produce 440,000 tons of oil annually in an exploration area of 13 square km. It consists of two extracting platforms, one water floating platform and one floating storage tank which are linked up by undersea petroleum and water pipelines and submarine cables.

It is estimated that the crude oil has high use value due to its lightness, low viscosity and low sulphur content.

Petroleum experts noted that the oilfield's completion marks the first time China's maritime petroleum development has reached the international standards and resulted in a one-third increase in production capacity for the Bohai Sea Oil Co.

China, which began to develop the Bohai Oilfield in co-operation with Japan in 1980, now marks its 11th year of operation. The Bozhong 34-2/4 Offshore Oilfield was the third after the Bozhong 28-1 Oilfield and the Chengbei Oilfield, developed in co-operation with Japan according to international technological standards. ■

Fenghua to Open Investment Zone

The city government of Ningbo, Zhejiang Province, recently decided to make Fenghua City a special investment zone for Taiwan and foreign business people

by giving them preferential treatment. The construction area during the first stage of investment covers 4 square km.

Qian Zihui, mayor of Fenghua, said that in the first stage, the investment zone will mainly import new technology and materials involved in machinery and electronics, intensive processing, biological engineering, building materials, light industry and foodstuffs and set up 50 to 70 Taiwan- and foreign-funded enterprises. After this, the second phase will begin.

He noted that investors in this zone are free to choose such investment forms as land development, joint ventures, solely foreign-owned and co-operative enterprises, contracting for, leasing, sharing and transferring existing enterprises, processing supplied materials, assembling imported parts, compensatory trade and leasing.

Investors in Fenghua, Qian said, may enjoy a variety of preferential treatments in addition to those granted by the State Council and the city of Ningbo. For instance, enterprises scheduled to operate for more than a decade are exempt from income tax for three years beginning from their first profit-making year. Starting in their fourth profit-making year, they may be granted a 50 percent reduction of income tax. After the expiration of exemptions and reductions, income tax will be levied at a rate of 80 percent in line with the current tax rate.

Located in the northwest of Fenghua in the Ningbo Economic Development Zone, the newly developed investment zone is close to the provincial highways and about 15 km from the Ningbo International Airport. The zone has a favourable supply of water, convenient communications and easy access to the power plant. ■

Industrial Town for Taiwan Businessmen

The first Taiwanese industrial town on the mainland will begin construction in Shanghai on New Year's Day 1991. The project will be designed jointly by well-known architects from the mainland and Taiwan.

The project has a total investment of US\$80 million and covers an area of 42,724 square metres. Under the agreement, architects and engineers from the two sides of the Taiwan Straits will be responsible for general design and contracts for tasks to lay out the pipelines. The first task will be to consult, design, examine and hold a public bid for construction of two industrial centres with 16 standard factory buildings. The contract to build a service building will be signed in August this year. The two buildings will be leased or transferred to either Taiwanese or foreign business people.

Located in the Caohejing New Technology Development Zone on the outskirts of Shanghai, the Taiwanese industrial town has a good infrastructure and more than 60 research institutes and foreign-funded enterprises, all of which are engaged in the research, development and production of high-tech products. Some world-famous companies such as the Philips Co. of the Netherlands, the 3M Co. of the United States and the Bell Co. of Belgium have already made investments to set up factories in the zone. ■

Beijing to Host World Conference

In order to strengthen technological exchanges and co-operation between China and other nations in the field of measurements and control, the 12th International Measurement and

Control Conference will be held in 1991 in Beijing together with the International Measurement and Control Technology Exhibition and Trade Symposium according to the China State Bureau of Technical Supervision.

The conference has been planned for Beijing in 1985 by the General Council of International Measurement Confederation. More than 1,000 scholars, experts and officials from over 30 countries and regions will come to exchange research views and conduct discussion, and various advanced measurement and control technology and equipment in the fields of physics, chemistry, biology, mechanics, electronics and high-technology systems will be exhibited.

China has made big progress in the field of measurement and control research in recent years following the establishment of systematic networks combining scientific research with production and trade. Many civil and space technologies have reached the advanced world level. Since the early 1960s, China has established technological and scientific exchange and trade relations with more than 50 countries and regions, and attended and sponsored many international activities.

A grand gathering on measurements and control, the conference will actively promote exchange and co-operation between China and other countries. As there are many opportunities for co-operation and investment, China warmly welcomes foreign businessmen to come to invest and set up joint ventures in China.

This conference together with the exhibition, scheduled to be held on September 6-11 at the International Conference Centre in Beijing Asian Games Village is sponsored jointly by China State Bureau of Technical Supervision, the China Association for

Science and Technology and the Chinese Society for Measurements.

by Liu Jianjun

'Polar Watch' Exports Rise

The Polar Watch Group Co. of Yantai in Shandong Province, established in 1987, now becomes an export-oriented enterprise group with more than 70 subsidiaries employing 12,000 people and nearly 200 million yuan in fixed assets. Last year, its total output value was 310 million yuan, including 31.43 million yuan in exports and US\$6 million in foreign exchange earnings, increases of 52.8 percent and 20 percent respectively over the previous year.

One of the 15 important key enterprise groups in the nation's light industry and a machinery and electronics export base, the company has gradually perfected its centres for supply and sales, fund accommodation, scientific development, quality test, information and education. As of now, 140 million yuan has been invested in the import of 22 production lines from Britain, the United States, West Germany, Switzerland and Japan, forming a complete production series from mechanism works, watch exteriors and electronic components to precision moulds. There are now 21 production lines which have been completely installed and debugged and begun full or trial production. These investments injected new energy into Yantai's 70-year-old watch industry and accelerated product upgrading. Last year, the company turned out 2.04 million quartz clocks and 806,000 quartz wrist watches, ranking first and fifth respectively in the country.

At present, Polar's products are exported to more than 130 countries and regions. Last year,

it exported nearly 1.8 million quartz and mechanical clocks and watches, up 36.8 percent from the previous year. Watch moulds, diamond processing, works of mechanical watches and toys, which are being added to the list of export products have already brought in some 9.2 million yuan. Last year, the company attracted US\$1.72 million in foreign investment and completed the establishment of seven Sino-foreign joint ventures, five enterprises are now under construction and another six joint ventures are in the negotiation stage. Of these, the first transnational company, a joint venture with Canada, the Polar Darong Industrial Co. Ltd., will be opened soon. In addition, Polar has signed more than 30 contracts and letters of intent with foreign countries for processing with supplied materials and designs and assembling supplied parts and compensatory trade. The production of Polar's best watches according to the sample of an American company demonstrated the advantage of wood clock manufacturing technology. Last year, more than 30,000 were exported, earning about US\$1.3 million in foreign exchange.

by Lu Yun

China Purchases WSI

The Shenzhen Zhonghua Bicycle Co. Ltd. (SZB) in Guangdong Province recently purchased WSI, the second biggest bicycle producing company in the United States.

The United States has always been an important market for SZB. A SZB official noted that the purchase of WSI gives the company a more stable sales channel and further expands its North American market.

One of the biggest bicycle exporters in China, SZB exported

420,000 bicycles in the first half of this year, an increase of 20 percent over the same period last year. This year 1.05 million bicycles are expected to be exported.

News In Brief

- The Sino-British Shanghai Yaohua Pilkington Glass Co. Ltd. has earned a profit every month since it began operation a year and a half ago. Total profit to date is 16 million yuan. During the first half of this year, it earned US\$16 million in foreign exchange by exporting products to more than 30 countries and regions.

Located in the Pudong District of Shanghai, the enterprise has a total investment of 430 million yuan and a designed production capacity of 200,000 tons. It is one of China's biggest foreign-funded enterprises.

- As of now, China has opened 90 foreign-exchange co-ordinating centres across the country. The business volume in 1989 amounted to US\$8.5 billion against US\$6.26 billion in 1988. This year, each foreign-exchange co-ordinating centre has registered an increase in its business volume.

- Recently, a large fertilizer factory up to the advanced international technical level of the 1980s was set up in Puyang City, Henan Province. A key project of the Seventh Five-Year Plan period (1986-1990), the factory is designed to produce 300,000 tons of synthetic ammonia and 520,000 tons of carbamide annually.

The factory imported its main equipment from the Uhde Co. Ltd. of the Federal Republic of Germany and the Fnamprogeppi Co. Ltd. of Italy. The highly automated, energy-saving equipment is the first of its kind in China.

Book Reviews

China's Agricultural

China Agricultural Yearbook

1989, English Edition
368 pages 260x185mm Hard
cover

Published by China Agricultural Publishing House
in Beijing

Distributed by the China International Book
Trading Corporation
(Guoji Shudian)

To overseas Chinese, foreign readers and researchers on China who are concerned with the agricultural development of China, the most populous country in the world, the English edition of *China Agricultural Yearbook 1989* is a valuable and authoritative reference book with concrete, substantial contents.

Publication of the *China Agricultural Yearbook* in English began in 1985. The main contents of the book are the same as in the Chinese edition but there are a few changes in some columns and in the narrative style.

A Guide to Trade, Investment

A Guide to the Law, Regulations and Policies of the People's Republic of China on Foreign Trade and Investment

Edited by James L. Kenworthy, Esq
Published by William S. Hein

& Co., INC.
1 volume, 174 pages
Price: US\$85

The *Guide* constitutes an invaluable reference work for lawyers, businessmen, researchers and academics concerned with trade and investment in the world's largest potential market.

It comprises the current available listing of more than 400 Chinese laws, regulations, official notices and other policy pronouncements issued by the central and local governments which are related to commerce, trade and investment in the People's Republic of China (PRC). For the convenience of readers, the book also provides published sources for further reference.

James L. Kenworthy, editor of the book, is a lawyer and consultant in international trade and investment in Washington D.C. A graduate of Georgetown University, he is former professor of international trade law at the Law Centre of the University of Missouri at Kansas City.

He spent over two months in the PRC studying Chinese law and researching Chinese legal sources for his development of the book. As the *Foreword* states, the *Guide* is the result of a painstaking effort.

China Enacts New Foreign Tax Laws

Since the *Law of the PRC on Joint Ventures Using Chinese and Investment* and the *Personal Income Tax*

Law were enacted in 1980, a lot of tax legislation such as the *Income Tax Law for Foreign Enterprises* has been put into practice. At the same time, the Ministry of Finance and the State Tax Bureau have issued hundreds of administrative regulations providing detailed interpretation on how to implement these laws.

As of now, all tax laws and some regulations have been translated into English and published by various publishing houses. However, no effort has been made to systematically compile and translate these legal documents.

Over the past two years, though, the Bureau of Legislative Affairs under the State Council, the Ministry of Finance, the State Tax Bureau and the China Economic and Financial Publishing House have been working closely with the International Bureau of Financial Documentation of the Netherlands to translate all Chinese tax laws and relevant regulations related to foreign businesses and individuals into English and publish them in loose-leaf form.

The first installment of the loose-leaf *Chinese Foreign Tax Laws* is due this summer. The publication will be updated with at least two supplements annually. Subscription inquiries can be addressed to the International Bureau of Financial Documentation, P.O. Box 20237, 1000 HE Amsterdam, the Netherlands.

by Lou Xinyue

Exhibition of Nuo Culture in Beijing

An exhibition of Nuo culture was held recently in a Beijing park by the Tongren Prefecture Bureau and Nuo Drama Museum of Guizhou Province.

Not only were a large number of Nuo drama masks, religious paintings, stage props, costumes, books and hand-written scripts on display, but Nuo priests performed lively dramas, dances and acrobatics, including climbing a ladder of knives.

The Nuo culture, which originated from ancient rites that were believed to drive away ghosts and pestilence, still survives in mountainous areas of Guizhou in southwest China.

According to ancient books, the comparatively primitive Nuo rites that existed before the Zhou Dynasty (1066-221 BC) basically retained the appearance and character of witch dances. A witch master wearing a mask would sing, dance and pray to the spirits to drive away malign ghosts. In time, this witch culture retreated from China's central plain but survived in remote Guizhou.

The Tongren Prefecture of eastern Guizhou is inhabited by more than 3 million people of the Han, Miao, Dong, Tujia, Gelo and other nationalities. Nuo culture still exists in all of Tongren's 10 counties and cities and there are Nuo theatrical groups in nearly all the villages.

Wide Variety

The carved wooden masks at the Beijing exhibition displayed a wide variety in shape and expression. Some were male and

some female, some portrayed humans and other ghosts and spirits. There was power in their strangeness and vivacity.

The mask is an important feature of Nuo culture, used for driving away ghosts, eliminating evil, appealing for good fortune and as a central component in Nuo drama.

In the plays, the masks can be ordinary props but may also portray religious images. In the minds of the people, these religious masks actually become divine after a special rite is held.

Incense and candles are lit and all the members of the drama troupe stand silently before a sacrificial altar, where the leader sprinkles blood from a rooster's head on the masks, bestowing each with a different name. The masks are then wrapped in white paper and solemnly put into special boxes. Each time these masks are subsequently used for a performance this ceremony is repeated.

A Sign of Prestige

The number of masks a troupe owns is a sign of its prestige. Mask carving has thus developed into an exquisite and important art form, as have mask dances.

The Nuo rite handed down from the Zhou Dynasty was refined continuously over the years. Dances developed concerning death and the spirits of the dead and included appeals to drive out pestilence and evil.

Nuo dances originally imitated combat between men and animals and were accompanied by the beating of drums. After the Zhou Dynasty, however, vocal

music, costumes and more complex choreography were added, increasing the popularity of the dances.

During the Han Dynasty (206 BC-220 AD) Nuo dances evolved into Nuo dramas, which absorbed material from people's daily lives and became rich in worldly feeling with fewer overtones of witchcraft. Mask shapes changed from fierce and solemn totems into images of human happiness, anger, sadness and joy. Many mask dances shed their religious nature and became a form of popular recreation.

The religious paintings shown at the Beijing exhibition also play an important role in Nuo drama and ceremonial. Portraits of gods, spirits, ghosts and goblins are painted in a unique folk style, and hung on walls when a ceremony is held. For researchers, the paintings are valuable for the study of Nuo art and religion.

Nuo performances are wonderful spectacles. Performers can climb a 36-knife-rung ladder and walk on a red-hot cast-iron plate. Yet they are only average peasants who work with other ordinary people during the busy farming season.

The study of Nuo culture has important academic value in research concerning the history of China's culture, philosophy, religion and even cinema, as well as Eastern culture and human civilization as a whole. As a result of the Beijing exhibition this unique culture has become better known.

by Hong Lanxing

An Ideal Home for White-Fin Dolphins

After four years of research, scientists from the Wuhan Institute of Hydrobiology have found an ideal home for the white-fin dolphin, which is threatened with extinction.

This ideal home is a lake that was part of the old course of the Changjiang (Yangtze River) in Hubei Province in central China. Shaped like a crescent moon, deep at the edge and shallow in the centre, the lake is 21 kilometres long and covers an area of more than 1,300 hectares.

The character of the lake water is similar to that of the Changjiang, the dolphin's natural home, and is reconnected to the Changjiang during the five-month flood season.

The white-fin dolphin (*lipotes vexillifer*) is one of just five types of freshwater dolphin still alive in the world and has been designated as a protected species by the Chinese government. Its regular habitat is the middle and lower reaches of the Changjiang, where adults can grow up to 2.5 metres long.

Scientists believe that fewer than 300 of the formerly plentiful mammals survive in the wild, fewer than the number of giant pandas. In recent years, a sharp increase in noise pollution resulting from increased ship traffic has threatened the survival of the white-fin, which depends on a natural sonar system to orient itself in its environment. Many white-fins have been killed by propellers and they could become extinct by the end of the century unless prompt action is taken to save them.

White-fin dolphins have a low rate of reproduction and artificial breeding has proven difficult. The only practical course,

therefore, is to provide a less threatening environment where they can breed naturally.

In a test of this approach, scientists transferred three river dolphins, which are closely related to the white-fins, to the lake in March. In the beginning the

river dolphins seemed disoriented and displayed much anxiety and fear. Under the care of the scientists, however, they gradually became accustomed to their new home and their breathing and appetite returned to normal.

Chen Peixun, a professor at the Wuhan Institute of Hydrobiology, said that study of the three river dolphins would continue while public support was sought to create better conditions for the white-fins. ■

Bronze Age: Earlier Than Believed

The excavation of an abandoned copper mine in Jiangxi Province has pushed the history of bronze-making in China back to the mid-Shang Dynasty (16th-11th century BC), more than 500 years earlier than previously believed. Located near Xiaban township, some 30 kilometres northwest of Rui-chang City and 4 kms from the present Wushan Copper Mine, the ruins of the Tongling Mine were first discovered in 1988 while a highway was being built there.

Since then, local archaeologists have excavated an area of 1,800 square metres and found pit props, tunnels, wine jars and cooking utensils believed to have been used by the miners, bamboo torches and tools such as a bronze axe, a chisel, wooden shovels, bamboo basket, and a wooden windlass and hooks.

The team has identified the remains of tunnels, quarries and an ore dressing plant.

The site is considered to show evidence of the earliest use of wooden props in tunnels. The miners also seemed to have been aware of natural ventilation techniques.

A wooden trough believed to have been used for dressing ore is 3.5 metres long. At the two ends and in the middle there are movable fenders.

Liu Shizhong, leader of the excavation team, said the find supports the theory that China could produce bronze in the middle Shang period.

In previous archaeological digs, researchers only uncovered records of bronze making of the late Western Zhou Dynasty (11th century—771 BC) period.

As no bronze production site of the Shang period was found before this discovery, Chinese researchers had been debating whether China's bronze culture was introduced from the outside or not.

During the excavation, the archaeologists have also found remains of the earliest straw sandals in China.

One pottery cauldron is 46 centimetres high and its mouth is 42 centimetres in diameter. It is big enough to cook food for 20 persons.

The Tongling ruins have been put under the state protection. ■

Discoveries Made at Han Dynasty Palace

Weyyang Palace, built more than 2,000 years ago as the imperial residence of the Han Dynasty, has long been considered a masterpiece of Chinese palace architecture. Although the original buildings were destroyed by war during the late Tang Dynasty, the site is of special interest to archaeologists.

According to a recent report, the layout of the palace complex and location of the original buildings have been basically determined. The number of cultural relics recovered so far, about 100,000 pieces, is greater than at any other palace ruin in China.

History records that Liu Bang, the first emperor of the Han Dynasty, ordered the palace built as the imperial residence soon after he founded the dynasty in 206 BC. Such a large quantity of valuable wood, gold and emeralds were used to build and decorate the complex that even Liu Bang felt the project was too extravagant at a time when the state was still in its infancy and the country still in a state of war.

Weiyang served as the imperial palace of the Han and seven later dynasties, including the Qianqin (370-394) and Northern Zhou (557-581). Renovations were made in 841 during the reign of Emperor Wuzong of the Tang Dynasty, 1,041 years after the palace was built.

The Institute of Archaeology under the Chinese Academy of Sciences sent special work teams to make a systematic investigation of the ruins in the 1950s. Excavation work, however, did not start until the beginning of the 1980s.

The excavations have revealed

that Weiyang Palace was located in the southwestern corner of Changan, the imperial capital five kilometres northwest of present-day Xian in Shaanxi Province. The palace grounds were laid out in a square with walls circling the entire complex. It covered five square kilometres, about one-seventh of the total area of Changan city, and was the largest palace complex in ancient China.

There were about 40 palaces and pavilions on the original site, the Front Palace being the main building. Remains of the Shiqu and Tianlu pavilions, north and northwest of the Front Palace respectively, are still visible today. They housed the earliest library of the Han Dynasty's central government.

The foundations of the Front Palace, where the emperors lived, are high above the ground, the northern part reaching a height of 15 metres. They show that the palace measured 350 metres from north to south and 200 metres from east to west and consisted of three halls, the Front, Middle and Back. These halls were originally built on hills and rose above the palace walls.

Another palace site was discovered 360 metres north of the Front Palace. It is believed to be Shufang Hall, residence of the empresses.

Eight-hundred and eighty metres northwest of the Front Palace archaeologists found the ruined offices of the Guanshuyuan, the administrative organ in charge of national industry.

The more than 30,000 pieces of inscribed bones and shells unearthed there consist of docu-

ments concerning the economy, especially the handicraft industry and arms production, as well as court archives. This is authoritative and informative material for the study of the economy, administrative structure and languages of the period.

Another government office was found 400 metres northwest of the Front Palace. Judging from its location, architectural style and the official seals on the objects excavated, archaeologists believe it was the interior office of the imperial court, an institution in charge of the court's property and financial affairs. The foundation is one metre above ground and is of a very refined architectural style, the most intricate structure among Han and Tang Dynasty ruins.

During the excavation researchers found pieces of inscribed wood that had survived a fire. Some are records of medical cases and prescriptions that provide valuable information for the study of ancient Chinese medicine and technology.

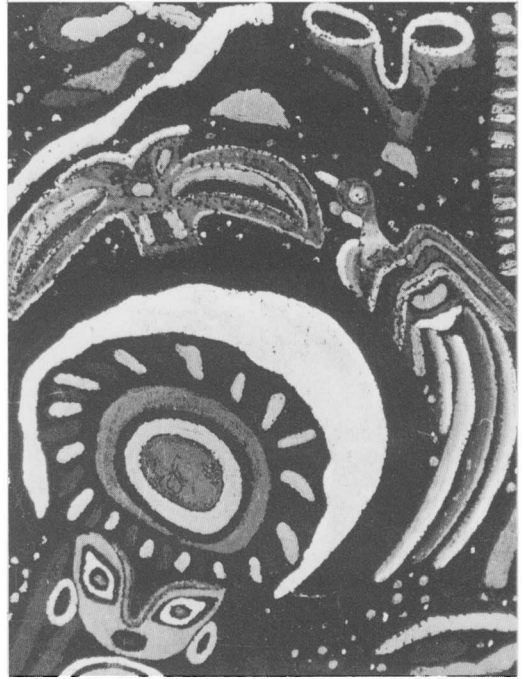
Between the autumn of 1988 and the spring of 1989 archaeologists uncovered the foundations of a palace tower in the western corner of the palace. They are the oldest traces of a palace tower yet discovered and are still in good condition. Unlike the square-shaped towers in other palaces, this one resembled the letter L. The discovery was important to the study of the evolution of ancient Chinese architecture.

Archaeological work continues at Weiyang Palace, which is still a treasure house of Chinese culture more than 2,000 years after it was built.

by Cui Lili

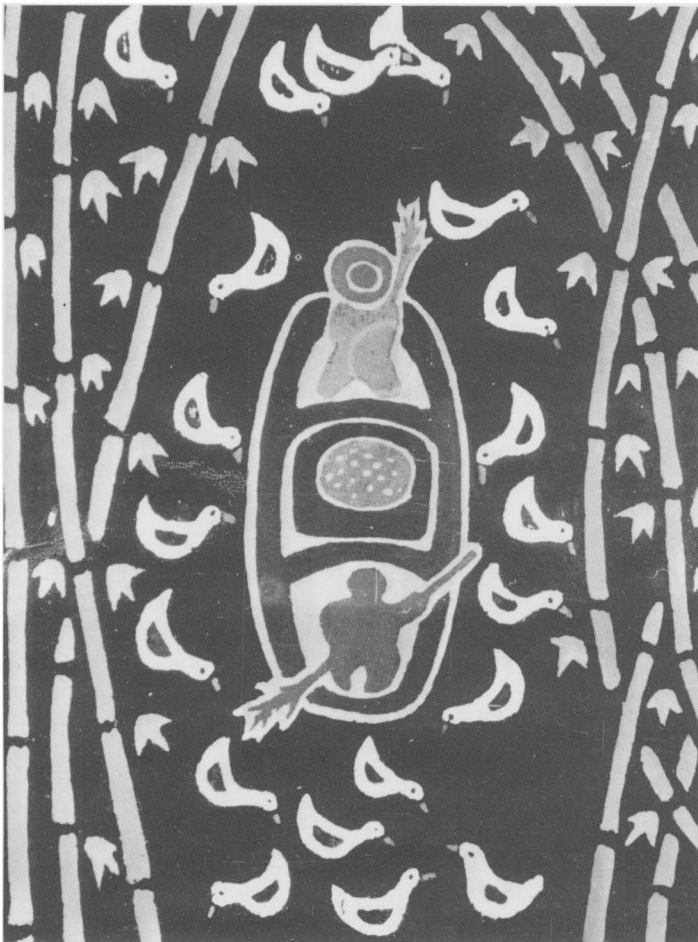


Feeding the Chickens.



A Miao Nationality Girl.

ART PAGE



Tending the Ducks.



Hewing a Mountain.

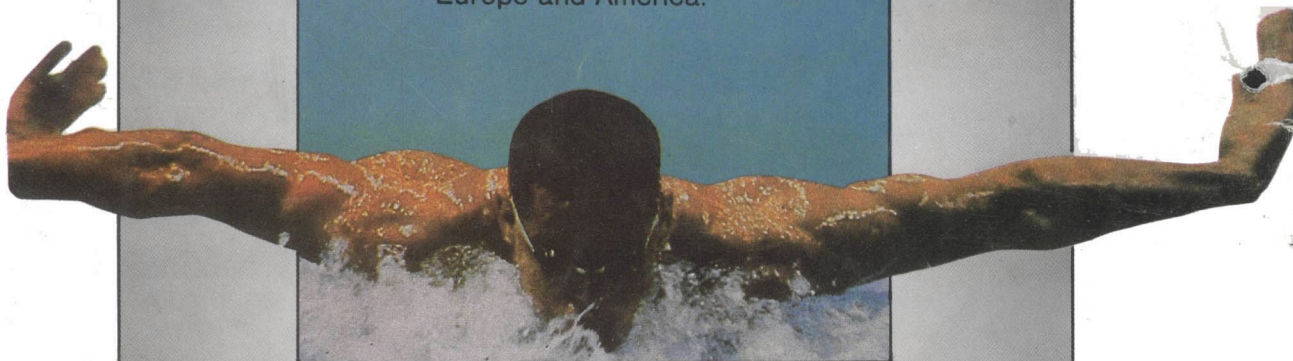
Engravings by Gui Huanyong

Gui Huanyong, born in Sichuan Province in 1963, is now a farmer in Qijiang County of the same province. A fine artist, he has been a skilled engraver since childhood. He likes to paint in simple, yet vivid styles in order to express decorative characteristics unique to his works.

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