

A CHINESE WEEKLY OF NEWS AND VIEWS

Beijing Review

北京周報

Vol. 33, No. 47

November 19-25, 1990

The Current World Economic Situation

SHANXI: COAL PRODUCTION BASE





One Chinese idiom says, "Newborn calves are not afraid of tigers." Here, a young Chinese boy challenges Nie Weiping, a *weiqi* champion. *Weiqi* is played with black and white checkers on a board with 361 crosses.

Photo by Huang Taopeng



Qian Winds Up Gulf Tour

□ During his Middle East trip, Chinese Foreign Minister Qian Qichen tried to explore possibilities of a peaceful settlement of the Gulf crisis with leaders of Egypt, Kuwait, Saudi Arabia, Jordan and Iraq (p. 4).

He Xin on Current World Economy

□ On August 15, Chinese scholar He Xin had a lengthy talk with Japanese economist Professor Yabuki Susumu on current world economic situation, the strengths and weaknesses of the socialist system, China's economic development and the economy of the East Pacific region. Their conversation will be published in three instalments, beginning from this issue (p. 8).

Tax Policy During Economic Readjustment

□ This article tells of the role taxation plays in balancing the nation's supply and demand. As a method of distribution, taxation is raised or lowered according to the gross national product (GNP) and, at the same time, affects the value of the GNP (p. 17).

CFPA—A Good Family Planner

□ The China Family Planning Association has played a major role in implementing China's birth control programme. In honour of its long-standing commitment to population control, it was awarded an international "population stability prize" (p. 20).

Shanxi Governor Woos Foreign Investment

□ In an interview with our staff reporter, Wang Senhao, governor of Shanxi Province, which is China's major energy base, summarized his province's abundant resources and rapid development and called on foreign businessmen to expand investment there (p. 12).

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COVER: An area of the Antaibao Coal Mine. The biggest Sino-American joint venture in China is located in Shanxi Province.

Photo by Yang Liming

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Published every Monday by BEIJING REVIEW
24 Baiwanzhuang Road, Beijing 100037
The People's Republic of China
Distributed by **China International Book
Trading Corporation** (GUOJI SHUDIAN)
P.O. Box 399, Beijing, China

Subscription rates (1 year):
Australia.....A.\$30.50
New Zealand.....NZ.\$40.50
UK.....£16.50
USA.....US\$30.50
Canada.....Can.\$30.50

Qian Drums Up Peace in Gulf



ZHANG YANHUI

Foreign Minister Qian Qichen answers interviewers' questions before leaving for the Middle East.

Although Chinese Foreign Minister Qian Qichen did not bring any "specific proposals" with him, his Middle East trip seemed to carry some weight in the international efforts to save the area from a

catastrophic war.

During his week-long visit from November 6 to 13, Qian mediated among Egyptian, Kuwaiti, Jordanian, Saudi Arabian and Iraqi leaders.

His mission, the foreign minister said, is to "explore with the leaders the possibility of a peaceful solution of the worsening Gulf crisis."

Qian paid his Middle East visit when the Gulf situation, as he described, was "very grave and the danger of war increasing." But the call from the international community for a peaceful settlement of the crisis was also getting louder, the foreign minister said.

During his visit to Cairo, Qian met with Egyptian President Hosni Mubarak and expressed China's will to make every effort to see a peaceful settlement of the crisis.

"Efforts should be made to

Qian and Egyptian President Hosni Mubarak.

ZHANG XUN



avoid the use of force and war. That will benefit all parties concerned," he said.

Qian reiterated China's stand in Cairo that the key to the solution of the Gulf crisis is that Iraq withdraws from Kuwait.

"Only in this way can conditions be created for a political solution be created and the Middle East settled more easily in the future," he added.

Qian's plan to visit Iraq won support from President Mubarak, who hoped that the Chinese foreign minister would brief the Iraqi leader on the situation.

During his talks with Saudi Arabian Minister of Foreign Affairs Saud Al-Faisal in Riyadh, an agreement was reached on the need to "find a just and reasonable solution to the Gulf crisis on the basis of United Nations Security Council resolutions."

Qian's trip to Baghdad was made all the more conspicuous by the fact that he was the first among his counterparts of the permanent member states of the UN Security Council to visit the country since Iraq's invasion of Kuwait.

The Chinese Foreign Minister said his mission in Iraq was to persuade Iraqi leaders to accept UN Security Council resolutions and withdraw their troops from Kuwait.

After his talks with Iraqi President Saddam Hussein, which was described as "fruitful and successful" by the Chinese embassy spokesman there, Saddam "affirmed his readiness to exert major efforts to achieve a peaceful solution to the crisis."

During his Middle East trip, Qian also met with the exiled ruler of Kuwait Amir Sheikh Jaber Al-Ahmed Al-Sabah in Taif, Saudi Arabia, and Jordanian leaders. ■

Foreign Investment In a New Surge

The first nine months of the year saw more than 4,700 foreign-invested enterprises approved in China, involving more than US\$4 billion in foreign investment. The capital already invested totals US\$2.2 billion, reaching an all-time high.

This was disclosed by Shen Jueren, deputy minister of foreign economic relations and trade, at a conference of the China Association of Enterprises with Foreign Investment (CAEFI) on November 7.

By the end of the 1989 third quarter, Shen said, the number of approved foreign-invested enterprises had exceeded 26,500, involving a total of US\$37.8 billion in foreign investment, and the investment already put in totalled US\$17.7 billion. Exports from the foreign-invested enterprises in China has also risen in recent years, playing an important role in China's foreign trade.

"The various foreign-invested enterprises are an indispensable part of China's economy," Chinese Premier Li Peng said while addressing the three-day meeting. He called for more foreign investment to aid in the prosperity and development of China's economy. Li said that China's reform and open policy will see more efficient implementation in the coming years. The central government, along with local authorities at all levels, will continue their efforts to improve the nation's investment environment.

China's foreign-funded enterprises are gradually diversifying, according to former CAEFI Chairman Wei Yuming. The proportion of American and Japanese investment in China has been expanding and since 1988 there has been a rush of investment by Taiwan compatriots.

Foreign businessmen have invested more in production items, with the proportion rising from 85 percent in 1987 to 91 percent in 1989. The proportion of contracted foreign investment in the same period rose from 51 to 85 percent.

The number of joint ventures has been increasing more rapidly than co-operative enterprises, but the number of solely foreign-owned enterprises is growing even more quickly. Approximately 2,400 such enterprises were approved between January 1988 and August 1989, three times the total approved prior to 1987.

Over the past three years more than 10,000 foreign-funded, co-operative and solely foreign-owned enterprises have begun operations. Their exports have reached the US\$3.6 billion mark in 1989, accounting for 8 percent of China's total value of exports. Most of China's US\$3.6 billion foreign exchange tax revenue in 1989 came from foreign-funded enterprises. Foreign investment in land development and management in accordance with China's law and regulations has also risen. With the implementation of the open policy, foreign-funded enterprises have recently seen a movement from the coastal areas to the interior and from the cities to the countryside.

Shen Jueren was unanimously elected by nearly 700 representatives from the country's thousands of foreign-funded enterprises to be CAEFI chairman. He promised, in his closing speech, to try his best to serve foreign-funded enterprises in China. ■

Cash for Farmers, Storage for Grain

China's grain output hit an all-time high this year, reaching 420 million tons. The country's rural commercial

departments are making great efforts to ensure that the farmers get their due payment — in cash — for the record grain harvest.

In previous years, farmers selling grain to the government's procurement agencies often received IOUs instead of cash payments. This year, most of them are paid with cash, although some will continue to receive IOUs.

The central leadership has promised to purchase, at a reasonable price, all the grain farmers want to sell. Provincial authorities are echoing the central policy by setting "protection" prices. No purchasing agencies are allowed to short-pay the farmers and those violating the rules will be disciplined and forced to compensate farmers.

A shortage of storage space is yet another headache in this year's effort to handle the bumper grain harvest. A survey indicated that 12 of the country's major grain producing provinces had difficulties locating storage for 30.8 million tons of their crop yields. In the next five years, the provinces are expected to produce 15 million more tons of grain. This requires the authorities, especially local, to raise large sums of cash and confront the storage crisis.

In a decisive response to this imminent crisis, the State Council has established a special government grain storage programme to purchase as much grain as possible from farmers. The central administration will build storage to accommodate 25 million additional tons of grain over the next five years. The remaining gap for storage is to be filled by local authorities, village communities and individual farm households.

Auditoriums, factory areas and other available large housing units will be turned into makeshift barns in Qionghai County,

Hainan Province. Farmers owning extra houses are contracting to store grain the government purchased in Xiangyin County, Hunan.

According to Minister of Commerce Hu Ping, the state has purchased more grain from farmers than it has sold, raising the amount of grain in stock and stabilizing prices.

By the end of October, the grain purchased by the state registered an increase of 6.8 million tons over the same period of last year, while the sales of grain dropped by 3.3 million tons. The country's total grain reserve had risen by a record 25.65 million tons.

Meanwhile edible oil's total output this year is 5 million tons, and the amount purchased by the state has increased by 600,000 tons, thus making the total oil reserve increase by 790,000 tons.

To sustain the farmers' enthusiasm for grain production, Hu said that the state will gradually raise the purchase price, but the sale price of grain will also be increased.

The minister also said that the State Council has decided to change the grain purchase system from the current "contract purchasing system" to a "state ordering system," starting from this autumn. ■

China Breaks Ties With Nicaragua

China announced the suspension of its diplomatic relations with Nicaragua on November 7 in response to the country's decision to establish "diplomatic ties" with Taiwan.

Huang Zhiliang, Chinese ambassador to the Central American country, protested to Nicaraguan Foreign Affairs Minister Enrique Dreyfus that the deci-

sion by Violeta Chamorro's government had violated the joint communique issued by China and Nicaragua on December 7, 1985, when they first established diplomatic ties.

The communique clearly states that the Nicaraguan government recognizes the government of the People's Republic of China as the country's sole legitimate government and that Taiwan is a territorial and inseparable part of the People's Republic of China. ■

First Law for the Handicapped

The State Council has endorsed the draft of China's first law to protect the disabled and will submit it to the Standing Committee of the National People's Congress for deliberation.

The 50-article law involves the rehabilitation, education, employment, recreation and welfare of the disabled.

China has more than 51 million disabled people, representing 4.9 percent of its total population. Experts from legal and other areas have long considered it necessary for China to have a specific law for them.

The draft law, if passed, will enable handicapped people to play a bigger role in social life while protecting their legal rights, the experts commented. The law will give full expression to the many regulations and policies concerning the rights of the handicapped drawn up since 1980 by the central government or local authorities.

In 1985, the Ministry of Education (the present State Education Commission), the State Planning Commission, the Ministry of Labour and Personnel and the Ministry of Civil Affairs issued a joint announce-

ment concerning the enrollment of handicapped young people in colleges and their work assignments after graduation. Now more than 4,000 young people with one kind of physical handicap or another are studying in colleges and universities.

A five-year work plan for China's handicapped, the first of its kind unveiled by the Central government in 1988, has set forth the tasks, measures and goals for the country's work in relation to disabled people. Some provinces, autonomous regions and municipalities have also issued special regulations and policies concerning the welfare of the disabled.

Liu Xiaocheng, vice-president of China's Federation for the Disabled, said, "China did not have any specific decrees for the disabled until 1980. Before then, it relied mainly on government policies and the Constitution to protect their rights."

"The regulations made in the past decade have not only paved the way for the drafting of the protection law, but also supplemented the Constitution and other state laws," he said. ■

Population Flows to Cities and Coast

The movement of people to cities and coastal provinces has become more evident over the past eight years, according to data released recently concerning the 1990 national census.

The census proved population density had increased in coastal areas and major cities such as Beijing, Shanghai and Tianjin, while remaining low in the relatively backward northwest.

Currently more than 500 people per square kilometre live in cities and provinces along the coast compared with the national average of 118. The number of urban dwellers is increasing nationwide, comprising 26.2 percent of the total population. Among the three municipalities, Beijing has 73.1 percent of its total population registered as urban residents, Tianjin 68.7 percent and Shanghai 66.2 percent.

The population has surpassed 50 million in nine provinces — Sichuan, Henan, Shandong, Jiangsu, Guangdong, Hebei, Hunan, Anhui and Hubei. Sichuan, the most populous prov-

ince, has a total of 107,218,173, while the Tibet Autonomous Region is the least populous at 2,196,010.

Results of the census show that overall population density is increasing nationwide. The present density, 118 people per square kilometre, is 13 more than in 1982. The population density in six provinces and municipalities — Shanghai, Tianjin, Jiangsu, Beijing, Shandong and Henan — is more than 500 people per square kilometre. Shanghai, where there are 2,118 people for every square kilometre, leads the nation in population density, and the Tibet Autonomous Region is the lowest with a figure of 1.8 per square kilometre.

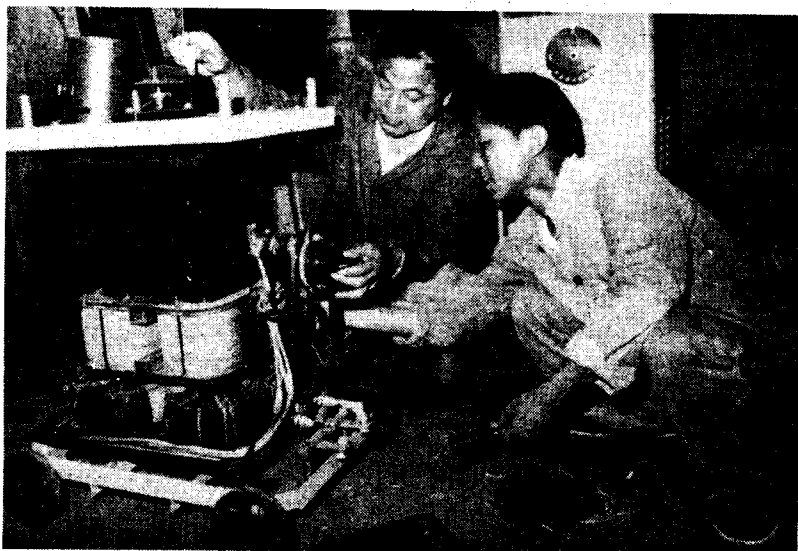
The census revealed widely differing population growth rates among provinces. While the national natural growth rate was 14.7 per thousand at the time of the census, the highest was 19.5 per thousand in the Ningxia Hui Autonomous Region and the lowest 4.96 in Shanghai. Seventeen provinces showed growth rates of more than 15 per thousand. ■

Innovative Worker Honoured

Li Zhenan, who developed a coal mine transport control indicator and an electronic railway switch, has recently been honoured as a special-class model worker by the Ministry of Energy Resources. Since the early 1970s, Li has successfully made more than 40 technological innovations.

Pictured on the right is Li demonstrating his newly completed project.

XUE CHAO



Current World Economic Situation

—Chinese scholar He Xin's talk with Japanese Professor Yabuki Susumu (I)

On August 15, Economics Professor Yabuki Susumu of Japan's Yokohama City University met with Chinese scholar He Xin during his visit in China. They had a lengthy talk which revolved around the current world economic situation, their evaluation of the advantages and disadvantages of the socialist system, China's economic development and the economy of the East Pacific region—questions of interest to many of our foreign readers. Minutes of their talk, edited by He Xin, will be published in three instalments beginning with this issue. The following is the first part.—Ed.

I. The World Economy Today

1. The Crux of Current World Economic Problems

S: Mr. He, I'm very pleased to meet you in Beijing.

He: Thank you very much. You are a noted authority of economics and I'd like to get your opinion on China's economy.

S: Likewise, I want to solicit your advice, Mr He Xin.

He: Economics is not my speciality, and my views are lacking certain expertise.

S: I read your article in the monthly publication *Ming Pao* in 1988 and was deeply impressed by your analysis of China's economic problems. I've come especially to get your advice.

He: I don't have much to say regarding China's economy because it is out of my line. My knowledge is limited to what I read in newspapers and magazines.

S: In any event, give me your analysis of the current world economic situation.

He: Well, in this regard, I only have half-baked knowledge. But, internationally, it seems there are different views, optimistic and pessimistic, on the future economic situation.

S: Which side do you stand by? I suppose you are an optimist.

He: Not necessarily. In terms of the overall world economic situation, it seems that all countries are facing some problems. The United States is in great trouble and

Japan, though it has had a very high growth rate in recent years, will probably face increasing problems in the future. Recent events in the Gulf, as a matter of fact, are rooted in economics and are signals that the world economy may encounter difficulties in the years to come.

S: In your opinion, what is the crux of the current world economic problems?

He: Roughly speaking, I think there are two basic problems.

First, the world's resources are limited, so is the opportunity for development. Under the current world economic system, the road leading to prosperity and modernization is not a thoroughfare open equally wide to all countries.

Second, the current world economic structure is not equitable and it is impossible for various countries to have equal opportunities for peace and development. On the contrary, the present economic framework has led to rapid polarization between rich and poor countries.

S: Such statements are very critical. Please give me some details.

He: Karl Marx once put forward a law that explained how the working class was being reduced to a position of absolute poverty as capitalist science and technology developed. Many people dispute this on the grounds that the number of blue collar workers is decreasing in developed countries, while increasing numbers of white collar workers are joining the middle class and live in affluence.

S: This is a fact.

He: True, but no one is questioning why the number of blue collar workers is decreasing in developed countries.

After the 1970s, the developed countries transferred their labour-intensive basic industries to the developing nations. The reason for the shift was because the developed countries had raised workers' wages on the strength of trade unions and government interference. Government interference in workers' wages was designed to maintain social stability in the developed countries.

This kind of industrial trans-

fer, however, also shifted the poverty of the working class to underdeveloped countries. At present, Marx's law is holding true not in the developed countries but in the undeveloped world, an area containing a huge population. The fact that this law is playing a role in the world economy is obviously the result of a world economy heading towards increasing integration.

Some developing countries (for example, Africa south of the Sahara and some areas in Latin America) are now mired in tragic, dire poverty.

There are 100 million children around the world suffering from starvation each year and 40,000 die from hunger every day. What a sharp contradiction it is compared with the achievements of science and technology and wealth of the 20th century.

Such a structure of polarization between the rich and the poor will definitely generate tension in political relations between nations and may trigger serious regional and even worldwide unrest. Even if the present Gulf crisis can be resolved smoothly, there will be, I think, only temporary peace.

New conflicts and crises are likely to break out one after another in many places of the world in the future.

The current world economic and political conditions seem to be similar to those before World War I and World War II. The difference is the present situation is more complicated and uncertain.

2. Why Are Developed Countries Wealthy?

S: Do you mean the industrialization in developing countries is a failure?

He: The promotion of industrialization over the past 30 years has allowed some develop-

ing countries to catch up with the developed countries. Some, successful in the export of manufactured goods, are competitive with the developed nations.

The developed countries, however, first invented a transnational corporation and then an external debt-oriented economy. The result is that valuable resources of the developing countries have flowed abroad.

Recently I was surprised by some statistics of the United Nations which indicated that in recent years it was not the developed countries that had invested in the developing countries, but the other way round. If the developed nations' investment in the developing countries since 1983 is subtracted from the interest and profits flowing from the latter to the former, the result is a negative figure.

That is to say, overall, the world's capital has not flowed from rich to poor countries over the past ten years, but the other way round. A net sum of US\$50 billion flows out annually on the average with the total sum exceeding US\$350 billion in the seven years between 1983 and 1989. The destinations are the United States, Japan and Western Europe. This figure answers the question why many underdeveloped countries (such as Latin American countries) have become poorer than before after they have realized industrialization since the 1980s. It also demonstrates where the source of developed countries' wealth lies.

Some Western economists, however, have tried to convince us that the main reason why underdeveloped countries are in such a poor state is that our social system—non-free market economy, backward culture and so on—is not good.

S: If this is the case, why are the

developing countries still trying their utmost to absorb foreign capital?

He: This is, clearly, a difficult problem. If the developing countries do not attract foreign capital, they will lack the initial funds necessary for industrialization and the development of science and technology, and will become even more backward for lack of advanced technology. Furthermore, foreign-funded enterprises can help provide some jobs.

However, the problem is that developed countries invest not out of charity, nor to help developing countries realize modernization. They come to make money. They will not invest in those places where profits are not enormous and in markets which lack purchasing power or where there is no nearby market with great purchasing power, even if the policy is open.

There is actually an economic law at work in this situation. The richer a place is, the more investments people will make. The poorer a place is, the more difficult it will be to attract investment.

Therefore, it is not the third world, but the United States and Western Europe which receive the most outside investment. In fact, there is an economic law governing the adverse flow of funds to the rich countries.

3. Why Are Underdeveloped Countries Poor?

S: Currently, some Japanese economists believe it is very difficult for the developing countries to successfully follow the traditional road of industrialization and modernization. What do you think?

He: Why is this? One, because their development policy is problematical and, second, because the developed nations do

not want them to succeed.

Since the 1970s and 1980s, the industries of the developing countries have made rapid progress. But their development is mostly based on a no-win choice: In an effort to speed up their modernization, these countries have had to compete with one another for usurious loans from rich countries in order to expand their investment in production equipment.

Their original idea was that with industrialization they could export their products to earn foreign exchange and repay their debts, making big profits with a small capital. For example, Brazil and Mexico in Latin America, Yugoslavia, Poland and East Germany in Eastern Europe, and India in Asia all shared this idea.

But, based on the current situation, this way is impassable. The debtor nations have been bogged down one after another in debt because of the difficulties they met in export. Although many Asian, African and Latin American countries have an industrial base, their economies have suffered negative growth for many years. Ordinary people are living a poorer life than they were in previous times of a simpler economy before industrialization (the economy of the Philippines in Asia is an example).

There is a reduction in the world market demand, not because the material needs of the world have been satisfied, but because the underdeveloped countries find it increasingly difficult to afford to buy the goods they need. On the other hand, the developed countries, which can afford to buy, have an overstock of products and do not need to buy.

In order to repay debts, the developing countries must expand exports and reduce im-

ports. As a result, their markets diminish. The increase in the number of exporters of industrial goods, moreover, threatens the industries of the developed nations, making their equipment lie idle, their business operate under capacity and their rate of unemployment rises. Given this situation, the developed nations have used various economic and supra-economic means to reduce imports.

The so-called "trade protectionism" is used by the developed nations to deal with the export of industrial goods by developing countries. The four small Asian dragons (Hong Kong, South Korea, Taiwan and Singapore), which have built themselves up in the past by relying on the markets of the developed nations, now find the going is getting rough. Underdeveloped countries which have difficulties repaying their debts because of a failure to expand exports have to borrow new loans to repay old debts. Interest on the old debts is compounded with interest—the more they repay, the more they owe. Such a vicious cycle has existed for more than ten years. The debts of some countries have, therefore, reached an astronomical figure and the so-called "debt crisis" has come about.

(Recently I had a talk with Jose A. Guerra, Cuban Ambassador to China. Speaking of the debt problem facing some South American countries, the ambassador noted that the figure was astronomical, simply beyond the countries' ability to repay. This is a fact known to the United States, but Washington finds it necessary to use this debt chain to control them economically and politically.)

More than 80 countries are now facing huge debts. About 40 countries cannot pay their

debts and the national economy of 17 is now on the brink of bankruptcy because of their fiscal situation.

Even the United States is now in a financial predicament—it faces a huge debt and a total financial deficit of US\$500 billion. Of course, the cause of its debt is different from those of underdeveloped countries. But the fact that the United States has been transformed from the world's largest creditor to the largest debtor nation over the past ten years is significant.

4. Prospects for World Economic Development

S: I've never expected that you would be so pessimistic about the world economy.

He: Well, of course, perhaps you're optimistic because you're a Japanese economist. But, if the above figures are accurate, how can one be optimistic about the world economy? Though separated just by only a piece of land, the situation in individual countries is very different—the rich squander their wealth in a paradise, while the poor do not have food for the next day. Given such an unbalanced state, how is it possible to prevent the outbreak of struggle and conflict?

A book I read by a Japanese economist on Keynesian economic theory sums up the economic idea of Keynes: The rapid polarization between rich and poor in society will lead to a drop in the consumption level of most people and constitute a basic cause of economic crisis. This is a very profound theory. It's a pity that among those in China who have introduced Keynes, no one has taken note of this idea. It is very strange.

When we use this theory to examine the current world economy, we see that within the world market the huge debt is

leading to rapid polarization between the rich and the poor. Many underdeveloped countries, even the industrialized countries in Eastern Europe, must now use the main part of their national income to repay their debts. The world economy is facing a profound crisis.

If the foreign trade departments of many underdeveloped countries have to earn foreign exchange to pay off their debts, how will they afford to buy products on the international market, including such items as grain? We've noticed that while grain-producing countries such as the United States, Canada and Australia are facing problems in selling excessive grain, many poverty-stricken countries face famine. This is the reality of today's world economy.

After the change in Eastern Europe last year, some believed that world capitalism was entering a golden age. My personal view is the opposite. In my opinion, during the next 10-20 years the entire capitalist world economic system will experience the most profound and serious overall crisis since the dawn of history.

S: Stalin once predicted an overall crisis of the capitalist world economy.

He: Based on the present situation, his remarks were made a bit too early.

S: As you know, a worldwide depression took place between 1929-36. But, relying on the Keynesian theory, capitalism has regained its vigour.

He: This was followed by the outbreak of another world war. The two world wars in this century were all connected to the economic crisis which, in turn, was related to the overgrowth of the developed nations' industry. This is really thought-provoking.

5. The World Economy Faces Profound Crisis

S: Do you think that a new world war will break out?

He: Conditions for the outbreak of a new world war are not ripe. Since the sudden change in the world situation last year, new antagonistic, political and military axes have not been formed. But the present Gulf crisis is a dangerous warning. Suppose there were a big power behind Iraq. The consequences of such a crisis would obviously be different.

S: Yes, that's certainly true.

He: On the other hand, the conditions for a worldwide economic crisis are growing. Trade wars among the developed nations and between the developed and developing countries are, in fact, signs of an economic crisis.

Before, people shouted "the wolf is coming! The wolf is coming!" But the wolf never came. In the end people stopped listening to such cries. Since the 1970s, world capitalism, propelled by new technology, has experienced a minor economic springtime for more than 20 years, making some people in the world renew the worship of the free market economy. Now, when the "wolf," the overall crisis within the capitalist world economy, is on its way, the public appears to be ignoring it.

S: Have you read "The Great Depression of 1990" by the American economist Ravi Barta? He predicts that the world economy will experience a great crisis between 1990 and 1997.

He: I am familiar with this book. The author's severe criticism of US capitalism left a deep impression on me. Unfortunately, the world economic recession brought on by the present Gulf crisis seems to bear out his prediction. ■

Shanxi: An Expanding Energy Base

— An Interview with Wang Senhao, governor of Shanxi Province

Shanxi Province, covering an area of 156,000 kilometres with a population of 30 million, is located in the Loess Plateau in northern China and is one of China's major areas of energy and heavy industry. Recently our staff reporter Liu Jianjun interviewed Governor Wang Senhao of Shanxi Province on his province's energy superiority, industrial development, foreign trade and co-operation with other countries. — Ed.

Question: What makes Shanxi an energy base and how is its development?

Answer: Shanxi is one of the most resource-rich provinces in China. The abundant mineral resources are an economic advantage unique to Shanxi. Eighty-five percent of the world's known minerals can be found in Shanxi. Presently, close to 90 different types of mineral resources have been discovered, 24 of which rank first in China in terms of their depos-

its.

The abundance of coal, among other things, is especially well-known. About 37 percent of the province's area — 62,000 kilometres — contains coal. Verified coal deposit currently reaches more than 200 billion tons and projected potential reserves stand at about 900 billion tons. The reserves of industrial coal, such as coking coal and anthracite, compose half of China's total reserve. Moreover, the thick coal seam is favourable for

large-scale mechanical mining. The maximum calorie produced by one kilogramme of fine coal can reach as high as 7,000-8,500 kilocalorie. At the present rate of mining, the coal reserves in Shanxi Province will last several hundred years.

Shanxi is also one of the most bauxite-rich areas in Asia. Verified bauxite reserves amount to 560 million tons. Its potential reserves are estimated to be 1 billion tons, 40 percent of the nation's total.

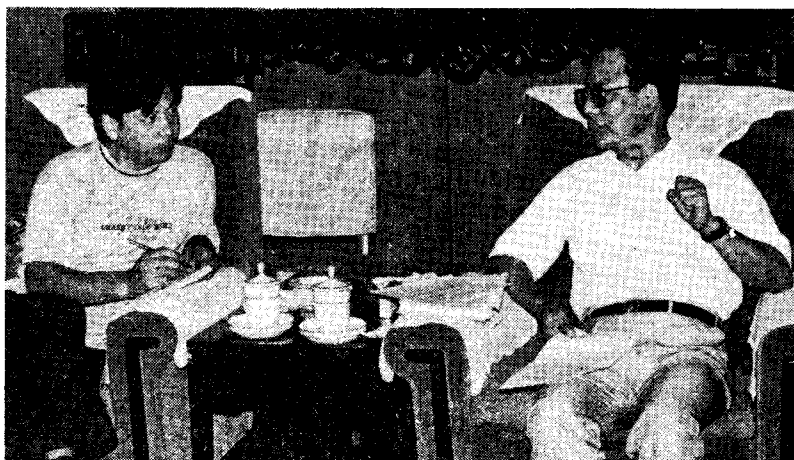
Iron ore resource is also very substantial. Prospected reserves of iron ore are over 3 billion tons and the potential reserve is estimated to be about 5 billion tons, ranking among the most iron ore-abundant provinces in China.

Besides, Shanxi's reserves of 20 other minerals, including mirabilite, fire clay, pearlstone, gallium, copper, cobalt, germanium and limestone, rank first or second in China.

Recently, highly economic minerals, such as gold, silver and silicon, have also been discovered in Shanxi and their re-

"Coal is our flagship product," says Governor Wang Senhao in an interview with our reporter.

YANG LIMIN



erves are enormous. The province also boasts a series of other industrial and building minerals, such as gypsum, sulfur, blacklead, asbestos, marbles and micas. There is a great potential for their development.

All these resources share similar characteristics: huge reserves, widespread distribution, complete variety, high quality, shallow deposits and easy mining. They provide uniquely favourable conditions for developing Shanxi's economy and for conducting foreign co-operation. They also enable Shanxi to become China's major supplier of energy.

Over the past decade, Shanxi has made rapid progress in developing these resources. A cluster of large-size modern mines has been established or expanded. The Datong Mining Administration — China's largest coal mine — for instance, has been carrying out an ambitious plan to establish new or expand old

mines since 1983. During the first phase, two large coal pits were built and another five expanded, enabling production to rise from the previous several million tons to the current 20 million tons and higher. The development of other resources is similar. A new energy base is forming. Asia's largest aluminium oxide factory, which is still under construction, is a portion of the programme.

In developing the resources, Shanxi combines efforts by the state, local governments and collective enterprises and encourages foreign businesspeople to co-operate with it. The state invests in the construction of large projects, while local governments and collective enterprises raise money to build small- and medium-sized projects. Foreign-funded projects are also developing and will become the focus of future development.

Q: How will the energy and heavy industries in Shanxi de-

velop based on the mineral resources? How is the situation in introducing foreign capital, advanced technology and equipment?

A: The natural resources have made Shanxi China's largest coal and electricity-producing base and an important base for the production of iron and steel, machinery and chemicals.

The coal industry is Shanxi's backbone industry. So far several hundred coal mining enterprises of large and medium scale have been established and small coal mines are abundant. There are six extra-large coal mines that annually produce 10 million tons of coal each. The above-mentioned Datong Coal Mine has an annual capacity of 34 million tons.

Statistics place the province's annual coal output at 270 million tons, 70 percent of China's total coal supply. Aside from meeting domestic demands, Shanxi's coal is also exported to

The Datong Mining Administration has applied mechanical mining universally.

MA QINGQUAN



dozens of countries and regions. The export volume now stands at 20 million tons, half of the country's entire coal export.

Imports of technology and utilization of foreign funds are important reasons for the rapid development. Incomplete statistics show that in the past ten years several hundred million US dollars have been spent introducing 40 types of large-scale advanced equipment from a dozen foreign countries. This technology and mechanized equipment have advanced large-scale coal mines to the international level of the early 1980s, significantly reduced labour intensity, doubled and redoubled output, and promoted the innovation of home-made equipment. Now most of the equipment can be made domestically.

There are four large-scale projects which are foreign funded, with a total foreign investment of US\$436 million. They are the Antaibao Opencast Coal Mine in Pinsuo, a Sino-US joint venture; the Changchun Coal Mine and Dressing Plant under the Luan Mining Agency which received loans from the World Bank; the Japan-financed Gujiao Mining Area, and the Bai-

long Mine, a compensation trade between China and Romania. The Antaibao Opencast Mine is the largest joint venture in China, including US investments of US\$350 million. With all its technology and equipment provided by the US partner, the mine reaches the world's advanced technological level. The newly established Pinsuo and Gujiao mining areas increase Shanxi Province's annual coal production by 50.52 million tons.

Electricity is another energy industry of the province. Presently, the province's total installed capacity amounts to 5.3 million kilowatts. The total amount of electricity generated in 1989 was 30.19 billion kilowatt-hour. By the end of this century, total installed capacity will increase to 10 million kilowatts, and Shanxi will become China's largest electrical base.

All large power plants have introduced advanced equipment and funds from foreign countries. For example, the first- and second-term projects of the Shengtou Power Plant, presently China's largest thermal power plant, has introduced equipment from Czechoslovakia, the Soviet

Union, Britain, Germany, Italy and France. Other joint-venture power plants include the Liuchun Power Plant established by using loans from the Asian Development Bank and the Hejin Power Plant built with Japanese loans.

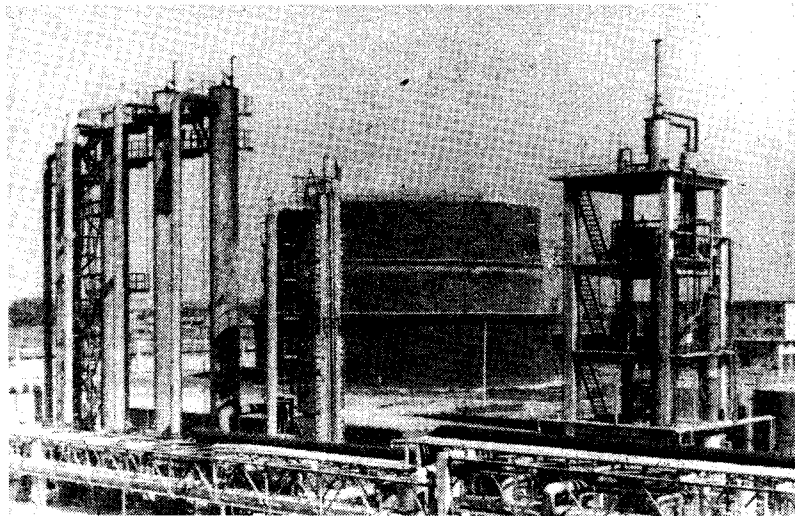
Shanxi Province also possesses the largest aluminium production base in Asia. Annual production of the first-term project of the Shanxi Oxidizing Aluminium Plant reached 200,000 tons. The second-term project is under construction with German funds and technology. After its completion in 1993, annual production is expected to reach 1.2 million tons, equal to China's total present annual production.

Shanxi's metallurgical industry is also quite developed. The province possesses China's largest special steel production base—the Taiyuan Steel Plant. The plant annually produces 1.6 million tons of steel, primarily special steel. The rolled steel it produces meets more than 4,000 standards. It also produces the most advanced materials for communication satellites and carrier rockets.

In the past few years, the plant introduced metallurgical and steel rolling equipment from Germany, Sweden, the Soviet Union and Austria. The plant's German equipment and technology to produce stainless steel greatly increased its technological and production levels. Products not only met the demand on the home market, but were also exported to more than 20 foreign countries and regions.

Shanxi has many key state enterprises that produce metallurgical, mining, electronic, farm machine and military products. They are able to produce large and hi-tech equipment, such as the Am-500 double-ended coal-cutter, the

A corner of the gas factory of the Datong Mining Administration. MA QINGQUAN





Young miners have become the mainstay of Shanxi's mining force.

MA QINGQUAN

16-square-metre power shovels, and the 140 steel pipe rolling machine made for China's largest steel plant — the Baoshan Steel Plant.

Coal chemical industry established by using coal resources has developed on a large scale. Shanxi has China's largest compound chemical fertilizer plant which uses coal as the raw material. The plant annually produces 900,000 tons of phosphate and nitric acid.

Q: Would you please comment on Shanxi Province's foreign trade, foreign economic exchange and co-operation, joint-ventures, as well as its efforts in improving the investment environment?

A: Being a landlocked province, Shanxi began opening to the outside in 1979. Its exchange and co-operation with other countries has expanded daily ever since.

Until now, Shanxi has established economic and trade rela-

tions with more than 100 countries and regions. In 1989, the province's foreign trade amounted to US\$460 million, an increase of 10.4 times compared with 1981, of which exports equalling US\$400 million went directly to 71 countries and regions. Coal accounted for a majority of the exported products. In the past few years, an export system, comprised of thousands of enterprises and dozens of large bases, has been set up. Imports, primarily hi-tech products of machinery and electronics, also increased annually, reaching US\$61.87 million in 1989. Foreign trade this year is expected to rise by 20 percent over last year's figures.

In the early 1980s, Shanxi introduced only four technical projects using foreign funds and now that figure has increased 100 times over. It has accepted US\$200 million (excluding the amount used by large projects in the state plan) from 25 countries

and regions, and more than 100 projects are in production, adding 1.56 billion yuan of output. The province has recently signed an agreement with the World Bank involving US\$21.5 million in preferential loans.

The development of joint ventures is comparatively slow. Foreign businesspeople invested US\$31.7 million in 60 enterprises, which have good efficiency. For example, a Chinese-Italian joint building materials company exports all of its products and the annual output value reaches US\$4 million. Shanxi has also established six enterprises or joint ventures in foreign countries.

The export of labour and technology has made significant progress. Shanxi sent 1,300 technicians and workers to more than 20 countries and regions in the past few years, and the contracted projects are valued at US\$14 million.

Shanxi has mapped out fa-

yourable measures for foreign investment. Foreign-funded enterprises are given priority and guarantees in raw material supplies and transportation. An association has also been set up to serve foreign enterprises. Economic and trade talks interested thousands of foreign business people and personnel in scientific and technological circles. Foreign ambassadors and journalists were invited to investigate and tour Shanxi.

Q: What about Shanxi's future development plan and prospects? Which opportunities and fields for co-operation are available and what changes will happen to the policy?

A: In the coming decade, Shanxi will still be listed as the state's major energy base and heavy industry base. It will continue to build and expand large-scale projects.

By the end of this century, Shanxi's annual production of coal is expected to reach 400 million tons, nearly double the current volume, which will be due to the construction of 9

large-scale coal mines and the expansion and renovation of existing coal mines. Some large-scale thermal power plants are planned to be built so as to double the electricity output.

Infrastructure such as transportation, post and communications will be strengthened. Several railway lines and a superhighway will be built. A fibre-optic communications network across the province will increase Shanxi's ability of international direct dialing.

The above-mentioned projects and co-operative fields will provide numerous opportunities for foreign investors. In the future, Shanxi will enlarge the scope of foreign investment and will be more flexible. Key construction projects will continue to introduce foreign funds, while more foreign-owned companies and co-operative enterprises will be welcomed. A special economic development zone has been designated, and more measures favourable to foreign investments have been planned.

In summary, Shanxi will increasingly expand contacts and co-operation with foreign countries in various fields.

Q: What are the major problems and difficulties facing Shanxi?

A: First of all, Shanxi faces a serious shortage of funds. In the coming decade, new projects and expanding projects will require 12 billion yuan. Except for the investment of the central government, there is a large gap in the local government's investment budget.

Secondly, the sluggish market caused overstocking of an estimated 54 million tons of coal. The export and compensatory trade of coal has been restricted because the province has no power to export coal.

Shanxi also suffers severe pollution and shortages of water resources. But efforts are being made to tackle these problems. Now conditions are improving and should not hinder Shanxi's construction and opening up to the outside world. ■

Off-work recreation: a folk dance.

MA QINGQUAN



Tax Policy During Economic Readjustment

by Zhang Ying

What role will taxation play in balancing the nation's supply and demand of products? Supply and demand, analyzed in material form, are actually one item—the country's total product which undergoes the four steps of production, distribution, exchange and consumption. Taxation, then, is only a type of distribution.

As a form of distribution, taxation is determined or restricted by the production of total social product on the one hand and, on the other hand, exerts an influence on the reproduction of total social product. It manifests itself in three ways: the scale of taxation directly influences social reproduction; its structure affects social economic form, social economic departments and the product mix of social production; and, moreover, taxation directly exerts an influence on the state's foreign economic relations and further affects the country's economic structure and development.

Therefore, as an important economic lever, taxation can be used by the state to adjust production, income and consumption by designing and revising tax items and categories of taxes, increasing or decreasing tax rates and introducing measures of tax reduction and exemptions on the one hand, and accumulate funds to finance large scale economic construction on the other hand.

In the past, China only used

taxation for financial income but ignored its function as an economic lever. In other words, we ignored its regulatory role in adjusting the relationships among the various economic sectors. In the process of current economic rectification, we must strengthen and bring into full play the role of taxation as an economic lever and achieve a balance between total social demand and supply.

The four steps in reproduction of the social product include the proportionate relationships between the production of the means of production and the means of subsistence, the primary distribution and redistribution of the national income, commodity purchasing power and commodity supply, and between accumulation and consumption. These are the major factors in the national economy and their co-ordinated development is a fundamental guarantee for balanced demand and supply. Taxation, in particular, must play a regulatory role in these relationships.

Two Categories of Production

The manufacture of the means of production (the first category) and the means of subsistence (the second category) are two categories of social production. Their proportionate relationship is fundamental to the national economy and is critical for the

smooth expansion of social reproduction and the steady development of the national economy.

The two categories includes all the material production departments of agriculture, industry, construction, transportation and post and telecommunications. Relevant statistics indicate that although the proportion of the second category has risen in recent years, it is still below the 28 percent level and remains low compared with some developed countries. The slow development of the second category directly affected total social supply and resulted in total social demand outstripping social supply. Therefore, we must focus on the formulation of an overall policy to accelerate the development of the second category in our general planning of taxation.

Agriculture is a significant material production department of the national economy; it is the basis for economic development. Recent years have seen a continuous expansion of the area sown to industrial crops in some rural areas in China and the reduction of the area sown to grain. Experts point out that the area sown to grain must be maintained at the current 113 million hectares. If not, there will be a serious shortage of grain. We must take into consideration, therefore, different taxation systems for grain and industrial crops. China at the moment has a tax policy of calculating taxes according to the area of land, a

method which is unsuitable to the current developing trend of the commodity economy. The current tax policy will surely dampen the enthusiasm of farmers for grain production because they get less from grain than from cultivating industrial crops. Furthermore, some products are taxed as both agricultural and special products under complicated procedures. Therefore, the reform of the agricultural tax system and the cancellation of agricultural and forestry special taxes are imperative.

We feel that new tax items and categories of taxes should be fixed first. For instance, "the agricultural differential land tax" should be introduced. We can divide the different land into different levels and fix relevant tax rates according to the quality of land in different areas which are influenced by different weather patterns. To expand the area for grain, each level of the differential land tax can be divided into grain differential land tax and industrial crop land tax according to the different crops cultivated. At the same time, to encourage farmers to use and protect land, preferential treatment can be given to those who scientifically use and protect the land for long-term interests. Second, the scope of product tax for agriculture, forestry, animal husbandry and aquatic products should be expanded, with the view of incorporating special tax products in one category of products to avoid double taxation. And, in accordance with local conditions, overdue product taxes which were not paid in the past should be collected.

In China, large and medium-sized enterprises owned by the whole people occupy an important position and play a significant role in the national econo-

my. Statistics show that there are about 7,000 such enterprises. These make up only 1.8 percent of the country's total industrial enterprises, but their fixed assets account for 65.4 percent of the total and their taxes and profits 65.4 percent. Thus, large and medium-sized enterprises are the main force for the development of social productive force, technical progress, and the major source of the state's financial income. Only by strengthening these enterprises can the state accumulate more funds and meet the society's increasing material and cultural needs.

But how to use the economic lever of taxation to stimulate large and medium-sized enterprises?

We believe that setting up a compound system of circulation tax and income tax is a step forward. The state is still the main force for expanded reproduction and its financial power increases along with the economic development. Under certain financial conditions, the distribution proportion between the state and the enterprises will not change by a big margin. Therefore, the circulation tax, an important part of price, will not decrease by a big margin if the proportion of total tax to the national income is stable. Otherwise, there will be a drastic change in price parity and production structure. This will be unbearable for the national economy. Moreover, the circulation tax, with a volume greater than 50 percent of current financial income, makes up the greatest proportion of revenue. Thus, the circulation tax should continue to play an important role. Of course, as the economy develops and the enterprise and individual income increases, the proportion of income tax in the national economy will gradually increase, thus forming a system wherein equal

attention will be paid to circulation and income tax. At present, this is beneficial for the stability of financial income and for the regulation of macro-economy. Under the current chaotic price system, different levels of "temporary product tax" should be fixed in accordance with the irrational price to cope with the situation in which the production cost in large and medium-sized enterprises rises largely because of raw material price hikes and shortage of energy. In regard to products in high demand, we should soften taxation to encourage large-scale production, stabilize the market price and guarantee supply.

Primary Distribution and Re-distribution

The proportionate relationship between accumulation and consumption is the major factor in the relationship between the primary distribution and re-distribution of the national income, and virtually the main utilization link.

Under socialism, the national income turns into accumulation funds and consumption funds in the utilization process after it undergoes primary distribution and re-distribution. Theoretically, the national income is the sum of accumulation funds and consumption funds. However, in reality, the sum of accumulation funds and consumption funds surpasses the amount of national income distributed, a situation of "super distribution."

The present swelling of accumulation funds is manifest in the excessive scale of investment in expanded reproduction and non-productive construction. This results in a corresponding excessive scale of local accumulation, enterprise accumulation and accumulation beyond the budget. In 1989, the investment

in fixed assets of the units owned by the whole people was 153.8 billion yuan, a 25.8 percent increase over that of 1987. Less than 50 percent of this sum was directly arranged within the budget. The investment in fixed assets of the collective units was about 30 billion yuan, an increase of 49.7 percent over that in 1987. To control the investment scale in excess of the local and enterprise budget, it is necessary to re-design and fix the categories of taxes for productive and non-productive fixed assets. The current construction tax rate is unitary and, practically speaking, lower. The taxation of non-productive investment projects including residential houses and urban construction could be raised accordingly, based on the present level, and could have different tax items based on the amount of investment. A higher tax rate must be fixed for office buildings, auditoriums and hotels in order to restrict their development. Regarding investment in productive projects, "tax on investment in fixed assets" could be established to differentiate them from non-productive projects. A lower tax rate could be levied on those projects which enterprises use to raise efficiency and expand production. A higher tax rate could be used for repeated projects and for high energy-consumption investment projects. For those investment projects which surpass 20 percent of the plan, 100 percent of tax must be levied on the excess amount. Only in this way can the regulatory role of taxation be brought into full play.

Consumption funds are a part of the national income to be distributed. They can be divided into two parts—individual consumption funds and social consumption funds. Under a lower level of development of produc-

tive force, individual consumption funds constitute the major part of consumption funds. Major problems arose in the process of production and reform due to excessive increase in consumption funds over the increase of labour productivity. Excessive individual consumption funds must be controlled by taxation that suits the current condition of co-existing diversified economic sectors, various distribution forms and different individual consumption forms. The scale of taxation should be appropriately expanded in addition to the current taxation for wage adjustment and bonus taxation of state-owned enterprises. Items in kind and other recessive income issued by each unit to the staff should be included in bonus taxation according to then-current price conversion. Meanwhile, a rural household income tax must be collected from those households which practise the contract responsibility system based on the households, with remuneration linked to output. This is true for households with a high income and which engage in other trades besides farming. Surveys show that the annual net income of some rural contracted and specialized households is six to seven times, some even 10 times higher, than the annual wage income of workers in cities. It is thus imperative that the swelling of consumption funds in some high-income families be controlled.

In a word, accumulation and consumption must keep pace with the development of the national economy, industrial and agricultural production and labour productivity. The orientation of taxation must be kept in line with other economic levers to ensure the development of the national economy in a planned and proportionate way.

Tax Policy in Circulation

There are two forms of circulation of China's social products. One is product distribution wherein important means of production and some of the means of subsistence of social groups are distributed and allotted under the state plan. The other is the commodity exchange wherein commodities, including some of the means of production, are bought and sold on the market. The current chaotic state in the circulation field is one reason behind inflation which, in turn, leads to illegal activities. The state should, therefore, strengthen the macro-control of circulation field and make further adjustments in light of other economic levers, particularly the lever of taxation. We believe that taxes should be levied on those units or individuals who reap exorbitant profits. This is in addition to the use of the business tax on the wholesale and the retail sale of commodities to alleviate contradictions resulting from unequal social distribution. At the same time, a low special tax on resident consumption (referring to the high-grade and durable commodities) could be fixed. A higher social-group special tax could also be levied. A 100 percent tax could be imposed on those departments and units which are extravagant and wasteful.

The above is an analysis and study of the major factors affecting the economy from the perspective of quantity. Practices show that a harmonious development of major economic sectors depends on a comprehensive balance of the national economy, that is, the proper balance of human, material and financial resources of the whole society, or the balance of finance, credit and materials. Of this, finance plays the major role with taxation as one of the major means.

CFPA's Contribution to Population Control

by Our Staff Reporter Cheng Gang

The China Family Planning Association, a non-governmental organization, has 500,000 grass-roots branches and a membership of 20 million. In co-ordination with the relevant government departments, the association plays an active role in pushing forward the work of family planning. For its contributions, the association received the international "Population Stability Prize."

In 1989, He Dongmei, an accountant with a village credit co-operative in Hunan Province and a member of the China Family Planning Association (CFPA), persuaded 19 couples in her village to keep the size of their families small.

The CFPA was established in May 1980 and has, along with government agencies, helped China reduce the number of births by a total of 200 million a year.

Now, however, China is undergoing another baby boom. In 1989, the birthrate was 20.83 per thousand and the nation's population 1,111.91 million. Moreover, the birthrate shows signs of an upturn in the next few years. Each year an average of 6 million enter the child-bearing ages between 21 and 29. Confronted with this grim reality, the CFPA, will share the government's burden of keeping the size of the population down, especially in rural areas where more needs to be done to pursue the family planning policies.

Service First

The annual grain output of Hunan Province, one of the nation's main grain producers, has increased from 10 billion kg in

the early post-liberation years to 26.5 billion kg in 1989. At the same time, though, the population rose from 30 million to 60.13 million, the amount of grain per capita increased by only a small margin and the area of cultivated fields per capita decreased from 0.13 to 0.053 hectare.

After China first introduced its family planning policies in the 1970s, the average child birth rate in Hunan Province decreased from 4.1 in the 1970s to 2.7 in the 1980s. But in the rural areas, where 86 percent of its to-

tal population live, the family planning policies are difficult to carry out because farmers want more children.

Zhang Zhiqin, president of the CFPA Hunan Branch, said that the organization focused its family planning work in the rural areas. In July 1986, Caijiagang Township in the city of Changde established the province's first township-level CFPA branch. Currently, some 70 percent of the townships and 55 percent of the villages in the province have set up CFPA branches with a total membership of 630,000.

A deputy magistrate of Zhangqiu County, Shandong Province, gives a talk on family planning.

TAO JUNFENG



Zhang said that the CFPA branches encouraged members to undertake family planning methods by helping farmers reach their own decisions regarding the number of children in their families and counseling them on the best way to raise and educate their children.

The Caijiagang Township has a population of 16,090. The CFPA branch in the township carries out family planning work in the following three ways.

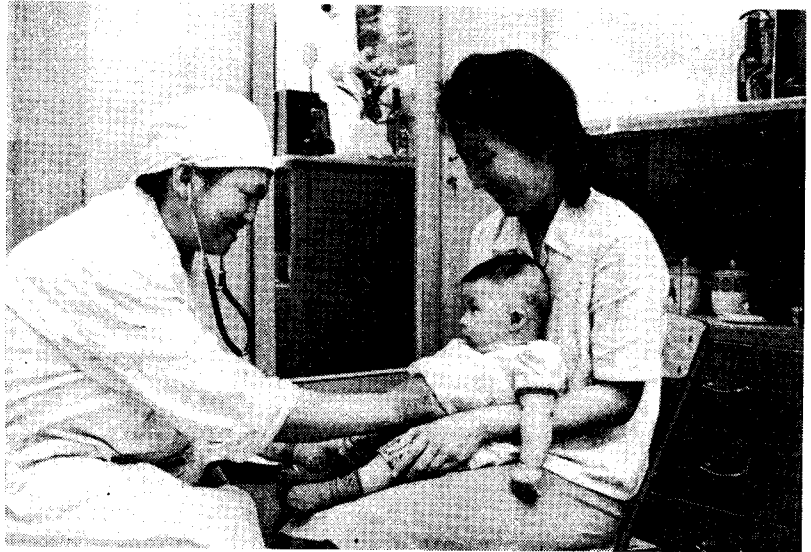
— Running a class for newlyweds once every two months. Lectures are given on family planning, sexual knowledge and postnatal care. Every six months there is a seminar on demographic theory;

— Providing free physical check-ups for new-borns and the only child twice a year;

— Providing assistance to elderly without offspring once each month.

The CFPA branch has also established a consulting centre which invites retired and on-job doctors in the township clinic to answer questions on hygiene, sex and heredity and health care for women and children. In 1989, the centre provided consulting services to 800 people and persuaded 14 couples, already closely related, not to get married.

The farmers are influenced by the traditional idea that in their old age they will need sons to support them. Many couples without sons worry about their future after their daughters get married and leave them to live with their parents-in-law. The township branch attached great importance to caring for the 13 elderly people. In 1989, it raised funds to build them a house and organized branch members to care for them. During the Spring Festival and other holidays every year some of the CFPA members invite the elderly to have a dinner with their own family members. When one



Doctor Guo Zhilan of the Beijing No. 2 Hospital gives a baby a physical examination. XUE CHAO

elderly man died last year, the CFPA branch held a simple funeral for him. Seeing what the CFPA did for the elderly, couples with only a daughter no longer felt it necessary to have a son.

One woman in the township was not used to long-term sterilization. After being advised by a CFPA member, the woman used another contraception.

Last year, after five women who had surgical sterilization suffered from aftereffects, CFPA members went with them for treatment in a hospital dozens of kilometres away and the CFPA branch paid all of the costs. While they were hospitalized, the members helped them do housework, take care of their children and even do some farming.

The 690 CFPA members in the Caijiagang Township do their best to prevent pregnancies and have helped to improve the life of many residents.

Good Examples

Tan Deli and his wife from the Jiajie village in Changde are

middle school graduates. After they had a lovely daughter in the second year following their marriage, the husband had a surgical sterilization.

Tan, 26, joined the Jiajie village branch of the CFPA in 1987. He said that he and his wife did not want any more children, both for the benefit of the country and their family. In 1986, he started up a leather factory in the village which has done quite well and made a good profit. His family is one of the first in the country to prosper. With only one child, Tan said, he and his wife could spend more effort to achieve their goals. Today, Tan is preparing to expand his factory's production.

His wife said she and her husband have enough energy and money to give their only daughter a good education in the future.

Many couples in the village share the same idea with the Tans. Since 1983, a total of 176 couples have got married and, of this number, 125 have joined the CFPA branch and been sterilized after first birth (42 couples have only daughters).



Students of the Newlyweds School in Shanghai attend class.

WANG ZIJIN

Their actions have persuaded others to follow suit. Tan, for example, persuaded his elder brother and his neighbour not to have a second child.

Senior Citizens' Role

Shaoshan is the hometown of the late Mao Zedong, former chairman of the Chinese Communist Party Central Committee. Opposite to Mao's old residence is the Mao's Hometown Restaurant which impresses its guests with unique local flavour and good service. The restaurant is owned by Tang Ruiren, 60, a CFPA member. Tang's cooking skills are famous in the village; she started her business by selling green bean porridge. After joining the CFPA branch in the village, she advised her three sons to have only one child each. She also suggested that the father of one of her daughters-in-law who had only one daughter live together after his wife died.

Tang is expert in persuasion. One couple in her village wanted to have a son after giving birth to a daughter. Tang convinced them that their daughter would take better care of them in their old age than a daughter-in-law.

If they had any difficulty, she said, they could easily communicate with their daughter and son-in-law and they could immediately come and help. Their daughter, she said, would treat them like a son. The couple agreed and decided not to have more children.

The CFPA's older members, especially the retired cadres and teachers, are respected by the young people and so their work has brought about better results.

Getting Rich

The Danzhou Township by the Dongting Lake produces oranges. After its founding in 1986, the township CFPA carried out a survey of more than 5,000 child-bearing couples. The survey showed that of the 2,000 one-child families, the average per-capita income of 385 families was lower the town's average. Liu Cunzai, head of the township CFPA, discussed the problem with other members. They decided to help these families to prosper by showing them that more children were not necessary for success.

Since 1987, the township CFPA has run five classes on

growing orange. After 110 families participated in the classes, they increased their per-hectare output from 1,500 kg to the current 30,000 kg. When Zhou Sanxi, 32, had contracted 0.2 hectare of orange orchard and harvested only 300 kg. He wanted to have a son and thought a son, when grown up, would help him to get rich. After participating in the class, however, he improved the management of the orchard and harvested as much as 12,000 kg in 1988. When he was concerned about selling such a large crop, Liu Cunzai helped him find a fruit businessman who purchased all his orange. Zhou's per-capita net income reached 2,000 yuan. The Zhou family was one of the township's first to prosper. They also gave up any idea of having a second child.

The CFPA members in the township have also helped one-child families raise money to run privately owned shops and clothing and bambooware factories.

When Pan Damao, a CFPA member, undertook a township tailoring factory, he first recruited 90 one-child family members. His factory's success has helped to improve their lives.

In 1989, with the help of the CFPA branch, 385 comparatively poor, one-child families in the township increased their per-capita income to 760 yuan, a sum higher than the township average. The income of some 74 families reached 1,500 yuan or more. Such achievements have made it clear to the farmers of Danzhou Township that large families are not the key to success. It is also clear that the efforts of the CFPA are bearing fruit. Last year, 90 percent of all newborns were first and last births, a figure which bodes well for the future.

Moscow, Paris Strengthen Co-operation

by Mao Ruiqing

Soviet President Mikhail Gorbachev's two-day (October 28-29) visit to France and his two rounds of talks with his French counterpart Francois Mitterrand were regarded as fruitful and significant by both sides. It was the second French-Soviet summit following Mitterrand's visit to Moscow last May.

The visit, which took place to search for a solution to the Gulf crisis and discuss the newly emerging political and military order since Germany's unification, was well received by both the press and diplomats. French Foreign Minister Roland Dumas described Gorbachev's visit as one that could significantly improve French-Soviet relations.

During their talks, the two presidents shared similar views on the Gulf crisis. Both condemned the Iraqi invasion and annexation of Kuwait, demanding a complete and unconditional Iraqi withdrawal in accordance with United Nations Security Council resolutions. They also favoured an Arab conference in order to seek a peaceful solution to the Gulf crisis.

On the construction of Europe, the two leaders stressed the importance of the summit meeting of the Conference on Security and Co-operation in Europe scheduled to take place this month in Paris. They agreed that the conference will be an unprecedented one in which leaders of all European countries will gather to discuss the changes that have taken place in the continent this year.

Both sides pledged to strengthen their bilateral relations and

those with other European countries to transform the continent into a European confederation. Accordingly, the Soviet Union showed great interest in the French proposal to sign a comprehensive co-operation treaty with the European Community.

At the end of the visit, the two presidents signed a treaty of understanding and co-operation between their two nations, setting the framework for mutual relations and emphasizing co-operation in the fields of industry, science and technology and culture.

Soviet Foreign Minister Edward Shevardnadze said the treaty was important in that it gave priority to strengthening Soviet-French relations and was a significant factor in achieving European and world stability. Dumas, after the treaty was drafted in Vienna, pointed out that it took into consideration the future of Europe, disarmament, security, environmental protection and other issues facing modern society. He also said it paved the way for developing their future bilateral relations and ushered in a new period of friendship and trust.

Experts believe the treaty not only determines the direction of Soviet-French relations but exerts influence on the future development of Europe.

The chief aim of Gorbachev's visit, however, was to seek French financial aid to help his country modernize its economy. As a result, the two countries signed an agreement under which France will provide 5 billion Francs (about US\$1 bil-

lion) to the Soviet Union. Four others were signed for industrial, scientific and technological co-operation. A spokesperson for the French presidency said his country was willing to accept all possible measures and grant preferential conditions to help the Soviet Union in its transition to a market economy.

The two sides also expressed their desire to improve trade ties. The bilateral trade volume has shown a downward trend over the past few years and France only ranks fifth among the West European countries in its business transactions with the Soviet Union. But economic experts are now saying that with the changing Soviet economic policy, Franco-Soviet trade relations will witness new developments.

Relations between the two countries apparently improved when the French government adjusted its policies on the Soviet Union in 1988. Bilateral economic, trade and technological co-operation has since continued to develop to meet each other's needs.

Gorbachev's visit came soon after the reunification of the two Germans, a time which is considered turbulent in Eastern Europe. The balance of power between East and West is tilted, the Warsaw Pact has weakened and the North Atlantic Treaty Organization is growing more independent from the United States.

France and the Soviet Union, as two European powers, have attached great importance to these changes and their impact on the future of Europe. Gorbachev suggested the building of

a "Common European Home," while Mitterrand expressed his hope for a "European Confederation."

Dumas recently pointed out that the two concepts, aimed at strengthening Europe's "geographical and historical unity," are "very similar" in their impli-

cation.

Enthusiastic for European construction, France is making efforts to promote the establishment of long-term and stable co-operative relations between Western Europe and the Soviet Union. At the recent foreign ministers conference of the Eu-

ropean Community in Luxembourg, Dumas reportedly raised a proposal for concluding an EC-Soviet co-operation treaty. He said, "it will be a logical and necessary supplement to the agreements of co-operation between EC member states and the Soviet Union." ■

Rio Group Prepares to Speed Up Integration

by Zhu Manting

The Rio Group's fourth summit meeting, held October 11-12 in Caracas, Venezuela, proved that Latin American unity is making new progress. The induction of Bolivia and Paraguay as members and the inclusion of two representatives from the Caribbean and Central America, increases the total membership of the Rio Group to 13.

The Rio Group, its predecessors being the Contadora group (Mexico, Panama, Colombia, Venezuela) and its supporting countries (Peru, Brazil, Uruguay, Argentina), has undoubtedly become a highly visible organization of top-level political consultants in the Latin American region. Although an unofficial international organization, the Rio Group has its membership listed as the Latin American Integration Organization due to the participation of Bolivia and Paraguay. The Venezuelan press commented that the Rio Group has in fact become a political body for the Latin American Integration Organization.

Without a doubt, the Rio Group plays a leading political role in matters concerning Latin American integration. Documents adopted by the recent summit meeting address prob-

lems of integration, including the establishment of a Latin American economic zone, and the utilization of funds acquired from petroleum and other raw material price hikes to promote investment and integration.

The expansion of the Rio Group conforms with regional efforts to accelerate integration. As early as the 1960s regional economic groups and integrated organizations appeared in Latin America. However, the "import-substitution" policy and economic protection measures pursued by many countries made it difficult to negotiate economic exchanges.

Recently, in an urgent need to ease their debt crises and economic difficulties, Latin American countries have begun to make structural adjustments and follow an open-door policy. Argentina, Brazil and Uruguay took the lead in reaching an agreement on economic integration, setting a goal of establishing the Southern-Cone Common Market by 1995. In August, Argentina and Chile signed a bilateral agreement, achieving a breakthrough on the issue of Chile's participation. Last year, Mexico, Colombia and Venezuela formed a tri-national group. During the United Nations General Assem-

bly this year, leaders from the three countries met and agreed to strengthen their energy co-operation. They also discussed the possibility of reaching a free-trade agreement and establishing a free-trade zone.

All these developments prove that Latin American countries are taking practical steps towards economic integration. Now the Rio Group faces the major task of coordinating regional programmes while eventually creating a comprehensive Latin American economic zone.

US President George Bush's initiative to establish a free-trade zone in the Western hemisphere, a major topic of the summit meeting, was another factor promoting the expansion of the Rio Group. Bush's initiative was greeted with great interest by Latin American countries because its trade, investment and foreign debt objectives are related to the Latin American community's current concerns. However, Latin American countries are also well aware of the wide economic gap between North and South America and equality with the United States will be difficult to obtain in future negotiations if Latin American countries are not united. ■

Night Club in Ancient Xian

Foreign tourists travelling Xian can now visit the Tang Dynasty Musical Palace after a trip to see the Life-Sized Terracotta Warriors and Horses safeguarding the tomb of Qin Shi Huang, the first emperor of the Qin Dynasty. At the palace, there the tourists can enjoy music and dance dating back more than 1,000 years to the Tang Dynasty (618-907). As capital of the Tang Dynasty, Changan (Xian) was very prosperous.

The Tang Dynasty Musical Palace, one type of the Tang-style song-and-dance hall, is filled with the mysterious air of an imperial palace, combining the style of Tang Dynasty palace and that of a Western-style restaurant. Decorated in crimson imitations of Tang Dynasty traditional Chinese fine brushwork paintings, the palace can accommodate 600 guests.

In the evening, after guests have tasted the delicacies of a Tang Dynasty emperor, they are entertained by Tang-Dynasty music and dance performed by local artists. In the soft light, everything dissolves into the refined ambience of the Tang Dynasty court. Even *The Battle Music of Qin Emperor* loses its original colour of war. One of the Tang-Dynasty palace musical pieces, titled *Huaqing Palace*, is identical with the court music of the West in form, but its elegant content is typically oriental. The main melody played by horn and *sheng* (a reed pipe instrument) is accompanied by chime bells, *pipa* (a plucked string instrument with a fretted fingerboard) as well as other ancient-style musical instruments representing the atmosphere prevalent during an imperial banquet. According to a legend, the *Dance in Feathery Clothing* was a creation

of the concubine Yang Guifei (one of four beauties in ancient China) who choreographed it based on a dream of Emperor Xuanzong. Emperor Xuanzong greatly admired Yang's dance and loved her even more than before. Other ancient musical pieces such as *Quizi Dance*, *Song of Qinsang*, *Meditation Words* and *danuo* are simple in form, but all are unique and easy to understand.

A joint venture of the China International Travel Service and the Hong Kong Golden Field Investment Co. Ltd., the Tang Dynasty Musical Palace is a comprehensive food service and recreational centre. The palace consists of a banquet hall, guest hall, a Guangdong-style restaurant and Western-style tea gar-

den. The Palm-Garden Bar, designed by general manager James Li for the Hong Kong side and opened in May of this year, highlights the rich flavour of Southeast Asia. It can serve 60-odd people. The wooden masks, Buddhas and butterflies decorated in Thailand and other countries exude an unconventional luxury and ambience. After a tour of the Tang Dynasty Musical Palace, tourists may then travel a thousand *li* (2 *li*=1 km) "time" tunnel and return to modern times to get a taste of the local conditions and customs of Southeast Asia. Visitors can enjoy themselves so much that they forget to return home.

One French traveller remarked to Li Huiying, deputy general manager of the palace, when commenting on the tour, "You've opened a gold mine in Shaanxi Province."

by Lou Linwei

Tour for the Handicapped

China's recent tour for the handicapped, the first of its kind, was intended to serve as a prototype for handicapped foreigners who want to tour China.

The group of 28 people was made up mainly of handicapped and deaf-mute persons and it set out in mid-August from Beijing. During the ten-day-long trip along specially arranged sight-seeing routes, they were able to visit Zhangjiajie, the National Forest Park, located in Hunan Province, central China, Hunan Province, and other scenic spots including the former residence of Chairman Mao Zedong.

According to the introduction by a manager of the Xinhua Travel Group Co., organizer of this tour, it was the first time their travel service had arranged

a long-distance trip for the handicapped. Their aim was to let the handicapped enjoy themselves during their travel just as an ordinary tourist would do. The organizers wanted them to have the opportunity to mix with society.

The company provided preferential costs for the tour and special services such as an accompanying doctor, a *qigong* master, a tourist guide and sign language interpreter, all of whom were chosen for their ability to meet the various needs of the handicapped.

The sponsor noted that the tour first provided a service for handicapped Chinese. The company now intends to serve handicapped foreigners wishing to tour China.

by Liu Jianjun

Actions Reflect Nation's Spirit

RENMIN RIBAO
(People's Daily)

There is no doubt that the 11th Asian Games have deepened the world's understanding of China, demonstrated the power of the country and spirit of the Chinese people. From beginning to end, all Chinese people have contributed their bits to the Asiad. Those who have devoted their talents and labour to the success of the 11th Asian Games included people who donated money, architects, construction workers, decision-makers as well as the athletes. Every Chinese has shown the world the national personality of China.

Well-known Chinese educator Cai Yuanpei once said in his article "Regular Education and Vocational Education," "The so-called perfect personality is gained through the following four types of educations: Physical; Intellectual; Moral and Aesthetic Education." He went on to point out, "If the people of a country have no perfect personality, prosperity of the country is out of the question and may perish. Real patriotism is to train talents with perfect personalities and make the county prosperous." One of the most striking features of the 11th Asian Games is that it adequately reflected the perfect personality of China. Chinese athletes achieved remarkable results at the games, eliminating China's nickname of "Sickman of the East." The splendid architecture of the Asiad Village and sports facilities stand as symbols of Chinese wisdom. The voluntary workers in the Asian Games Village demonstrated to the world the traditional moral beauty of the Chinese culture. The success of the 11th Asian Games is not only

a reflection of the magnificent opening ceremony or the splendid sports facilities; but is primarily a demonstration of the enthusiasm, love and selfless contributions of the Chinese people. It is the beauty of everyone's personality and spirit of hard work which made the deepest impression. The world has seen the hopes of a powerful and vivid China.

(October 18, 1990)

China's Current Market: A View

RENMIN RIBAO
(People's Daily, Overseas Edition)

China's Ministry of Commerce recently surveyed the merchandising of 645 major commodities during the first half of this year, the results are as follows:

Of the commodities surveyed, 129 types or 20 percent are in short supply, representing a 17 percentage points decrease compared to the second half of last year's 37 percent.

Supply and demand of 380 types of commodities are basically in balance, 59 percent of the total, a 10 percentage points increase over the second half of last year's 49 percent.

Supply of 136 types of commodities exceeded demand, 21 percent of the total, a 7 percentage points increase over the second half of last year's 14 percent.

The above results prove shortages are decreasing rapidly while supply and demand of commodities balance and supplies exceeding demand are gradually increasing, indications of China's market being stable and the supply of most commodities being guaranteed. These represent the main stream of the market and the heartening results of the drive to improve the econo-

mic environment and rectify the economic order. However, the problem of a sluggish market still exists, but it relates only to specific commodities which are overstocked and unsaleable.

From January to August of this year, the total value of retail sales in China decreased by 1.1 percent compared with that of the same period last year. Such a situation may give people a false impression that weakness is the main stream of China's market. If we see the decrease against the backdrop of an increase in the amount of retail sales during the past several years, a minor decrease is considered to be normal. From 1979 to 1984, the annual increase of retail sales value fluctuated between 20 to 40 billion yuan. However from 1985 to 1989 the annual increase reached 60 to 162 billion yuan. Even during 1989, when the market was considered as "weak", the total value of retail sales increased by 66.1 billion yuan. If annual increase prior to 1985 was considered as normal then the 162 billion yuan increase of 1988 would be equivalent to four normal years of growth. So currently the absolute figure in total retail sales during this year is still at a very high level; it is unrealistic to expect an excessive increase in retail sales value.

(October 18, 1990)

Commodity Grain Production Bases

ZHONGGUO TONGJI XINXI BAO
(China Statistics News)

Since 1983 China has chosen 253 grain production counties to become its commodity grain production bases. Presently except for 83 counties of the second group in the state's Seventh Five-Year Plan which are still under construction, 170 counties have achieved remark-

able results.

The grain output has steadily increased, offering a large quantity of commodity grain for China. In 1989 the total grain output of the 170 counties reached a historical record of 75.91 million tons, which was an 11.1 percent increase over that of 1985. The average annual increase rate reached 2.7 percent, 0.9 percentage points higher than the country's average level. Although the cultivated land of the 170 counties comprises only 15 percent of China's total, the grain output made up 18.6 percent of China's total grain output in 1989. The 170 counties sold 22.04 million tons of grain to the government, representing 22 percent of the country's total grain purchased from the farmers that year.

The condition for agricultural production has been greatly improved. In 1989 the total power of agricultural machinery in the 170 counties was 39.58 billion watts, a 34.9 percent increase over 1985. The 170 counties' irrigated land and tractor-ploughed land respectively comprise 50.6 percent and 57 percent of the country's total cultivated land.

The production rate of the land and the general labour productivity have increased. In 1989 the average grain output per *mu* in the 170 counties was 352 kilogrammes, 44 kilogrammes more than China's average. Xiangfan city in Hubei Province reached 596 kilogrammes, 150 percent more than China's average level.

The steady increase of grain yield and the rise of labour productivity have provided a large amount of funds and labour resources for non-agricultural production, consequently causing an improvement in the rural production structure. In 1989 the total value of non-agricultural production in the 170 counties reached 85.44 billion yuan and

the proportion of non-agricultural production in the total product of society rose to 46.6 percent from the 34.1 percent in 1985.

(August 6, 1990)

Wang Juhou and MT Qomolangma

REN WU
(The People)

Mount Qomolangma, the world's highest peak situated on the border area between China and Nepal, formerly called Mount Everest named in the honour of Sir George Everest, a British man who served as head of Survey General of India. In 1852 Everest thought himself to be the sole discoverer of the peak. For a long time the name—Mount Everest—was used in Chinese geographical textbooks and on maps.

The fact is, in 1717 the Qing government sent surveyors to draw a national map and discovered the peak, assigning the name Mount Qomolangma (as the Tibetans called the peak) on the map. Since the map has been locked in the palace, this fact has remained unknown to the outside world. After the founding of the People's Republic of China, China restored the name Mount Qomolangma to the peak. How-

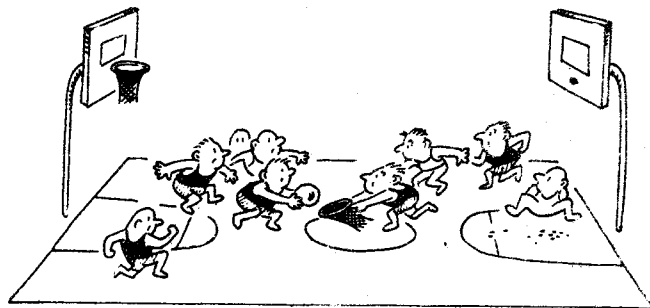
ever few people realize that it is Wang Juhou, a Chinese geographer, who proposed to change the name Mount Everest to Mount Qomolangma.

Wang Juhou was born in Cixi, Zhejiang Province in 1902, Wang entered the Southeastern University to study geography in 1922. One year before his graduation he became assistant professor later serving as associate professor and full-bright professor at the university.

In 1951 Wang published an article stating that the name of Mount Everest should be changed to Mount Qomolangma. The article aroused the attention of an editor of *Renmin Ribao* (People's Daily) who asked him to further verify his pytothesis according to historical materials. Wang finally found the photo copy of the Qing government map in the Palace Museum which gave solid confirmation. Soon *Renmin Ribao* published an article reporting on Wang's article and related information.

On May 8, 1952, the Ministry of Civil Affairs and the General Administration of News and Publications of the Central People's Government issued a joint declaration, formally changing the name of Mount Everest to Mount Qomolangma.

(Issue 5, 1990)



In the last three seconds.

XIA RUIZHONG

In issue No. 34, August 20-26 1990, we published the conversations of He Xin, a research fellow with the Chinese Academy of Social Sciences, with two Western reporters. His talk with Barbara Alighiero of the Ansa News Agency of Italy, was carried under the title "Economic and Political Reforms" and with Guy Sorman, a special reporter of "Figaro" of France, entitled "China's Democracy and Future." We have received a continuous flow of letters in response to the conversations since September. The following are excerpts of these letters—Ed.

Your recent issue No.34, August 21, received extensive and lively analysis by the world press. The London BBC devoted much time looking at the issue, especially the special interview with He Xin.

Personally, I liked the two interesting interviews, because they lead readers to make a critical analysis of issues. Readers learn to search for the truth by going beyond prejudice and assumption.

On the whole, your magazine's quality has improved despite the difficulty of doing so in these uncertain times.

*A.M.Aquilar
Mexico*

The content of the talks were very interesting and I found myself approving of Mr He Xin's views.

As a French of Chinese origin. I am concerned with all issues pertaining to China. I think the Chinese people have been quite successful under the leadership of the CPC, the best example of which is the fact that the United States, which had been hostile to China for a long time, has to indicate friendliness to China. But has it really given up its ultimate attempt?

The most important question, however, is whether people agree with the government's policy. I think the Chinese public should share responsibility for the policy so as to avoid severe criticism of the government by some people and prevent them from becoming a diehard opposition. The demonstrators were against corruption and for a preservation of morality. They focused on ridding the government of corrupters.

Another question is a bit of social psychology, even if a government is successful and enjoys a high reputation, the people will be dissatisfied if it remains stagnant. They will become the opposition faction by refusing to co-operate with the government. If the Chinese people can't find a way to vent their ideas and have no means to release their anger and criticism, the opposition may go underground and become the government's enemy. To prevent this, China should find a way to diffuse political antagonisms.

*Laurent Tchang
Paris, France*

We are very interested in He Xin's conversation and would like to continue an exchange of ideas with him. We would like to invite him to come to our country to discuss "What Kind of Market Economy Should Be Undertaken?" to him and please pass on the included material to He Xin. (The letter has been transmitted.—Ed.)

*Gerara Lafforgue
Marseilles, France*

Your talk with the journalists was very interesting. I agreed with your analysis of China today and of the country's future. I thought your talks on the economy quite thorough and have introduced your comments to

my colleagues and students.

I also agreed with your statement that "Japan's economic system is subject to a good deal of guidance and control by the state's industrial policies." Actually the situation in Germany is similar and some economists think that Germany still follows the principle of mercantilism (an economy heavily influenced by state financial policy). Regarding the ideal free market economic system in the United States, you state that it is a myth. I agree. The ideal free market doesn't exist. The economy of the United State is affected by its political and monetary system, as well as its international policy.

I approve of socialist economic reform and as an overseas Chinese, I hope I can make my own contribution.

Mandrara Thosun

In a letter to He Xin, an economist of Madagascar University has this to say:

Chinese scholar He Xin's talks with French reporter Sorman and Italian reporter Barbara published in your No.34 issue was very timely. I took great pleasure in reading them.

I agree with your quotes on p.24 from Mao Zedong that "democracy is just a means, not a purpose" and on p.25 "no political party will exist forever. Just as it was born, it will die." For my reference however, please tell me the source of your articles. (See part 1 "On the Correct Handling of Contradictions Among the People" February 27, 1957 and "On the People's Democratic Dictatorship" June 30, 1949. Ed.)

*Tatsuo Miki
Japan*

Insurance Seminar in China

From October 25 to 30, the Tokyo Marine and Fire Insurance Co. Ltd. (TMFIC) held a "Seminar on the Tokyo Marine Calamity Prevention" in Beijing and Shanghai. The seminar was the beginning of a new stage of co-operation between TMFIC and China.

Chinese insurance personnel attended the seminar. Osamu Suzuki, head of the Japanese company's security department, said in a lecture that the seminar was the first of its kind held in China by the TMFIC and that the aim was to brief Chinese personnel on the risks Japan faced after World War II in 1945 and on the measures adopted by Japan. The seminar was also an opportunity to introduce the company's operation and hold discussions regarding the different situations for insurers in China and Japan. Osamu Suzuki said he hoped to strengthen understanding of each country's respective insurance industry and expand co-operation.

As early as six years ago, the company was devoted to co-operation and understanding between the two countries. Since then, the company has trained some 15 graduate students for China.

TMFIC, the largest of its kind in Japan, set up its Beijing office in 1980. The first of its kind in China, the office has insured 50 percent of all Japanese-funded enterprises in China.

With a staff of more than 11,000 and 138.5 billion yuan in property, the company ranks first in the world's in-

surance business. It has subsidiaries in Southeast Asia, Europe, South America, the Middle East as well as other countries and regions. Moreover, it has business ties with 2,000 or 3,000 Japanese-funded enterprises abroad.

Osamu Suzuki and Hiroshi Ito, the company's chief representative in Beijing, said that China's insurance market is very important and their company plans to develop co-operation with the People's Insurance Company of China. They said that they would soon open insurance services both in Renminbi and US dollars, much depending on China's policy and economic development. With the establishment of the Bank of Communications in Shanghai and the Baotong Co. in Shenzhen, which have already begun insurance services, the competition would become fierce and direct insurance would become likely, they said.

In order to develop co-operation in the insurance industry between Japan and China, exchanges and co-operation between the two countries' insurance industries should be strengthened, said Osamu Suzuki.

by Zhang Ziping

Philip Morris Supports Sports

On October 31, He Zeqin, general manager of the China Department of the Philip Morris Asian Group (PMAG), announced the special prize for the winner of "Selection of Gold Medal Winners of the Marlboro

1990 Asian Games Competition."

The activity was sponsored by the China Global Advertising Agency and the China Global Public Relations Co. He Zeqin said that the guess event received more letters than any other activity in China.

The Philip Morris, a US tobacco company, supports a variety of sports events throughout the world and has been an important promoter of sports in China, including the Beijing Asian Games. PMAG helped attract more sponsors for the Games and spice up the public relations activity.

He noted that his company had always tried its best to support sports events in China. For example, it helped organize the "Football Invitational Tournament for Marlboro Congratulation Year Cup," held in Guangzhou during Spring Festival this year, the "Football Invitational Tournament for the Marlboro Dynasty Cup of the Asian Football Association," held in Beijing in August and the "Marlboro Tennis Invitational Tournament," recently held in Beijing.

by Li Ming

China and Japan Produce Textiles

In mid-October, Hua Guanxiong, director of the Anqing Textile Mill, Anhui Province, said that the Household Textile Co. Ltd., a Sino-Japanese joint venture, will begin operation in the first half of next year. The formal agreement will be signed in

late 1990 for a term of 10 years.

The new company has a total investment of 6.4 million yuan. Under the letter of intent, Japan will provide two sectional warpers and 30 jacquard woven towel looms. It will also help train Chinese technical personnel and send its personnel to act as technical guides for the company. China will produce jacquard woven towels to Japanese requirements and the products will then be marketed by Japan. Afterwards, in light of production and operating conditions, Japan will offer more than 100 woven towel looms for the production of other household textiles. The Anqing Textile Mill is a major producer for China's foreign trade business. Its pure cotton yarns, for example, are of the highest quality and both its polyester cotton yarns and pure cotton cloth are the choice of the Ministry of Light Industry. Since they began to export in 1972, they have never received any claims. The mill exported US\$16.22 million in 1989, and from January to September this year its export value reached US\$11 million, an indicator of bright prospects for the company.

by Yao Jianguo

Medicine Exports Expand

The Chinese Medicines and Health Products Exhibition will be held in Fuzhou, Fujian Province from January 14 to 20, 1991.

In addition to raw materials for medicine, synthetic medi-

cine and preparations, medical instruments, traditional medicines and medicinal herbs, various health goods, household medical instruments and recovering apparatus and instruments will be on display during the exhibition.

Sponsor of the exhibition hopes to strengthen scientific and technological exchanges of medicines, health products and medicinal information with other countries and expand exports to Taiwan, Hong Kong, Southeast Asia, Japan and other countries and regions in the world, according to Shang Fuchen, chairman of the China Chamber of Commerce for Medicines and Health Products Import and Export, the exhibition's sponsor. The Chamber of Commerce also announced that it hoped to provide investors in the mainland with a variety of business opportunities.

Exports of Chinese medicines and health products have increased in recent years. The value of 1989 exports reached US\$1,030 million, an increase of 5.7 percent over 1988.

by Han Baocheng

Beijing Jeep Sets Up Engine Plant

An engine plant, a newly established Sino-US joint venture of the Beijing Jeep Co. Ltd., began operation on October 22 this year.

The plant, a key renovation project of the company, required an investment of 130 million yuan and its annual production capacity is 30,000 four-cylinder engines for Cherokee cars. This is expect-

ed to increase to 80,000-100,000 in five years.

Wu Zhongliang, chairman of the board of the Beijing Jeep Co. Ltd., said that since the joint venture started operation, both sides have worked well with one another and made great progress in their work.

Statistics indicate that during six years of operation, from 1984 to 1989, the company had manufactured a total of 158,600 automobiles. From January to September this year, it manufactured 32,484 automobiles, an 8.2 percent increase over the same period last year.

Cai Shiqing, general manager of the China Automobile Import & Export Corporation, said that establishment of the plant marks the successful co-operation between China and the United States in the automobile trade.

The company invested a total of 560 million yuan to renovate the plant. Currently, the renovation project is smoothly under way and expected to be completed by 1992.

by Li Ming

News in Brief

● The first International Motorcycle Technical Exhibition in Beijing ended on October 21.

The exhibition hosted a total of 30 technical and 508 business talks. Some 154 agreements, worth 8.675 million yuan, were signed. Three factories signed letters of intent for technical co-operation with foreign businesses.

The exhibition attracted 101 Chinese companies and 11 companies from Japan, Italy, South Korea, Czechoslovakia, Hong Kong and Taiwan. The three world biggest motorcycle companies—Japan's Honda Motor Co. Ltd and Yamaha Motor Co. Ltd as well as Italy's Piaggio V.E. SPA showed off their latest 1990 and 1991 models.

● The Fengsongyuan Restaurant—Beijing Second California Roast Meat Restaurant—opened officially on October 15.

Located at Fengtai Road, western Beijing, the restaurant has a total investment of 16 million yuan and covers 8,900 square metres. Some 3,000 square metres of dining hall, which can accommodate 400 people at a time, mainly serves delicious California roast meat. The restaurant also has guest rooms, conference rooms, a Karaoke dance hall and other recreational facilities. The chefs, who studied culinary techniques at the California roast meat restaurant in the United States, are invited from Qianmen business street of Beijing.

● Refrigerators manufactured by Qingdao General Refrigerator Factory have been approved by the Underwriters Laboratory (UL) of the United States, the first household electrical appliance in China to be approved.

The Qingdao General Refrigerator Factory has also applied for European CB certification and is trying to obtain approval from Canada, Australia and other countries. The UL seal of approval will allow the refrigerator to be sold in the North American market. ■

CCPIT 1991 Exhibition Plan Abroad

According to the China Council for the Promotion of International Trade, China will host 18 international exhibitions in 1991. These are as follows.

No.	Country	Name of Exhibition or Fair	Place	Time	Area(s.m.)
1	Switzerland	Basel model exhib.	Basel	Mar.	800
2	Italy	Macef household articles	Milan	Sept.	300
3	France	Paris international fair	Paris	Apr.	400
4	Spain	International gift fair	Madrid	Sept.	500
5	Japan	Asian household textiles trade fair	Tokyo	Feb.	200
6	Japan	China trade fair	Osaka	Sept.	2,000
7	Japan	China trade fair	Nagoya	June	1,000
8	Japan	International gift fair	Osaka	Mar.	500
9	Malaysia	Malaysia international fair	Kuala Lumpur	Sept.	400
10	Indonesia	Jakarta international fair	Jakarta	June	1,500
11	Saudi Arabia	China trade fair	Jadda	Feb.	2,000
12	United Arab Emirates	Abu Dhabi int. fair	Abu Dhabi	Jan.	500
13	United States	China trade fair	Los Angeles	Sept.	2,000
14	United States	China trade fair	New York	June	2,000
15	Canada	China trade fair	Toronto	June	2,000
16	Chile	Santiago int. fair	Santiago	Nov.	500
17	Nigeria	Lagos int. fair	Lagos	Nov.	500
18	Yugoslavia	Zagred Int. fair	Zagred	Sept.	500

The 1991 exhibitions will emphasize the following aspects:

● Special products. Specialized exhibitions will account for a certain proportion of the items on display. At the same time, comprehensive exhibitions, mainly showing products and techniques of an industrial department, will be organized.

● Mechanical and electronic products will make up a sizable share of the exhibits. In recent years, China's machinery and electrical industries have developed rapidly and the quality of products continually raised. Therefore, they are competitive on the international market. In the 1991 exhibitions, there will be a focus on mechanical and electronic products.

In addition, other items for the international exhibitions are under preparation.

by Kou Zhengling



Zhang Pengyun, council member of the Weifang Kite Association, making a kite.

Weifang: A City of Kites

Six years ago, foreigners and even Chinese couldn't point out the city Weifang on the map. But after the First International Kite Meeting was held there in 1984, Weifang became well-known. Now it is not only known as the "city of kites of world proportions" but also as a very attractive city in the Shandong Economic Development Zone.

In October this year, Shao Guifang, mayor of Weifang, announced at a press conference in Beijing that on April 1, 1991, Weifang would hold the Eighth International Kite Tournament and the First National Kite Competition simultaneously.

Since the State Physical Culture and Sports Commission has decided to include kite-flying as a sports programme, the national competition will be a regular event. Kite-enthusiasts from all over the country will be invited to participate in the "Blue Sky

in a large, thriving marketplace. Many interesting tourist activities will also be arranged.

The kite tournament will open and close with a grand song and dance gala. The mayor sincerely hopes that Chinese and foreign kite enthusiasts will gather at Weifang next April for this colourful event.

Weifang is an ancient cultural city and a modern industrial city as well. In the surrounding areas, hundreds of artifacts of Yangshao Culture, dating back 5,000 to 6,000 years, and Longshan Culture, about 4,000 years ago, have been discovered. Over 3,000 years ago, the Xia Dynasty was established here. Famous politicians, men of letters, writers and painters in the past dynasties were born and lived here.

The traditional arts and crafts of Weifang include New Year's woodcut pictures, papercuts, and cloth toys, all of which are popular both at home and abroad. But

Cup" open kite competition. Prizes and awards will be given in such categories as biggest, smallest and most beautiful, etc.

The "1991 Newest and Best Kite Exhibition" will be held at the International Kite Museum at Weifang. Awards will be given to the best 100 kites, and they will be kept permanently in the museum.

In addition to the kite tournament, there will also be a Grand Fashion, Song and Dance Evening Gathering, a kite stamp exhibit, and a calligraphy exhibition. Factories from all over China will be invited to sell their famous brand products

it is the Weifang kites that are especially world-famous because of their unique style, rich, local flavour, exquisite craftsmanship and many varieties.

As early as 1982, a Weifang kite team was invited by chance to Shanghai to fly their kites at a Chinese and foreign kite-flying performance. The Weifang kites attracted the attention of Chinese and foreigners for their beautiful shapes and bright colours. Mr Dave Checkley, chairman of the Seattle Kite Association, USA, came to Weifang and see the kite festival. He then organized an American team to come to Weifang to exchange ideas on kite design.

Two years later, 18 teams made up of 86 people from 11 countries and regions including the USA, Japan, Holland, Australia, the UK, Singapore, the Federal Republic of Germany and Hong Kong took part in the First International Kite Tournament in Weifang. Seventy-four kinds of kites, flown and put on exhibit, were highly praised by foreign friends. A Japanese calligrapher wrote: "Weifang is tops for kite art."

At the Seventh Kite Tournament, the people of Weifang entered a variety of new kites rich in colour and showing legendary Chinese fairytales and folklore. A one-thousand-*li* (one *li* equals half a kilometre) tourist route with Weifang at its centre was also opened. Along this tourist route are a large number of Sui and Tang dynasty (581-907) grottoes and statues of Buddha. Visitors can also view dinosaur, bird, animal, insect, and fish fossils dating back to as early as 15 million years ago, take a folk custom tour to a village where they can experience the simple life of farmers, and visit a museum of New Year's pictures and a variety of kites. A Hong Kong visitor who had taken the whole tour said, "The thousand-*li* folk

custom tour makes you feel like you're in a different world. I've never seen or heard of this folk way of life before, and it is quite fascinating."

People make friends through kites. Before 1984, almost a thousand people visit this city every year, but in recent years the number had jumped to over 10,000. The city has established regular political, economic and

cultural relations with over 50 countries and regions in the world. Over 200 kinds of its products are sold in over 140 countries and regions. Foreign trade has increased from 360 million yuan in 1982 to 1.198 billion yuan in 1989. People say that Weifang is "a city rising with kites!"

by Wei Liming

when the Tibetan culture began to emerge. Articles of the Tang, Song, Yuan, Ming, Qing dynasties and up to modern times differed from one another in method or form of expression, but the style could be traced to the Karno relics.

The richness of the Tibetan folk art was especially evident in the art forms known as *tangka*, *chaca*, *mani* and *tokjia*.

Tangka, a special kind of painting in Tibet, uses pigments obtained from burning various metals. Artists painted Buddhist figures, deities and living creatures along with incantations and dharani (or true words) from Buddhist sutras on cloth or silk. A *tangka* painting is bright and colourful, yet leaves one with a sense of mystery. Some of the *tangka* paintings exhibited were quite precious. For example, *Praises of Beneficence* of the Ming Dynasty (1368-1644), gave auspicious wishes to deities, creatures, arrows, spears and makers of all holy objects. The most surprising feature was Confucius, a Han Saint, painted in the centre. Historically, this is significant as it is evidence of the cultural exchanges that took place between the Tibetan and Han nationalities.

Chaca clay sculptures and *mani* stone carvings are Buddhist art works introduced from India in the 7th century which formed its own style in Tibet after the

Tibetan Folk Art Exhibition

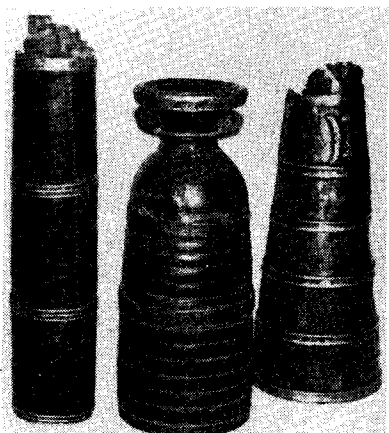
When I went to Tibet at the age of 13, I was greatly fascinated by the mystical world of streamers, golden roofs, blue sky and white cloud. One day, as I copied a Buddhist figure in a monastery, a young Lama brought me some fruits in a pot with three legs. That antique pot became the first piece in my collection," recalled Ye Xingsheng, a collector of Tibetan folk art who recently exhibited part of his collection in Beijing.

There were 300 simple and unsophisticated Tibetan folk art items in the exhibition. "They reflect the unique artistic and spiritual world of the Tibetan nationality," said Ye.

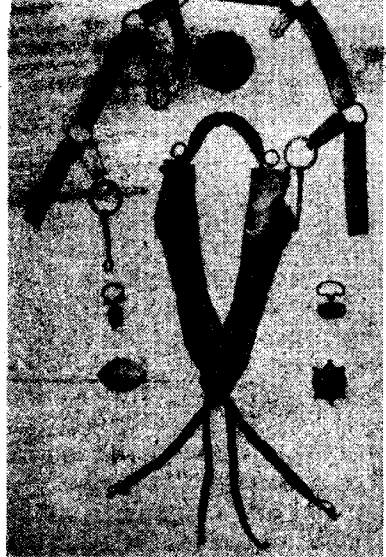
Included in the exhibition were religious paintings, clay sculptures, stone carvings and antique ornaments loved by the Tibetans for centuries. Exquisite necklaces and Buddhist beads made of special stone found in Tibet or carved animal bones, earrings, head-dresses and ornamental articles for clothing made of gold, silver and copper were also exhibited. In addition, there were various daily-use articles such as wooden bowls, stone boilers, horn wine-barrels, pottery, steel for flint, waist-knives and iron locks, all boldly designed with unique patterns.

The oldest exhibits were those

unearthed at the Karno ruins in Changdu in the Tibet Autonomous Region dating back to the New Stone Age 4,000 years ago



Mask, wooden wine pot, lacquered food container.



Horse gear; herdsman's ornaments.



CHEN ZONGLIE

10th century. *Chaca* are actually Buddhist figures, Budhisattva figures, Buddhist pagodas and other mascots that were made by pressing copper molds on soil, or burning with paint. *Mani* stone carvings refer to irregularly shaped flags and stones carved by knife or axe, and usually include incantations, words or phrases from Buddhist sutras. *Chaca* and *mani* stone carvings used to be placed at cross-roads so that passersby could worship and pray. Now they have become a popular form of Tibetan folk art.

Tokjias are small ornamental objects cast with pig iron, copper and other metals on which primitive totems, such as mountains, rivers, animals, the sun and the moon, or daily-life necessities—pots, bowls, arrows, spears, etc.—have been carved using symbolic or freehand brushwork techniques.

There are various legends among the Tibetans about the origin of *tokjias*. One legend says that the Heaven God transformed His might into lightning and thunder which crashed into the underground spirit and melted underground rock into different shapes. After many years, the rocks grew out of the ground and became *tokjia*. So a *tokjia* has a holy force and wearing it may arrest lightning and expel evils.

Therefore, in ancient times, a *tokjia* was regarded as a holy object by the Tibetan nationality and used as a talisman.

A well-known artist in Tibet, Ye designed seven large frescos for the Tibetan Hall in the Great Hall of the People in Beijing. At the China Folk Arts Fair held early 1990 in Shanghai, Ye exhibited part of his Tibetan folk art collection, causing excitement in the coastal city and bringing him the "Collection Award." Ye is now the director of the Sichuan branch of the China Artists' Association.

by Cui Lili

Dressing Wrap for Women in Abortion

A new disposable dressing wrap which greatly reduces infection was recently developed in Beijing. Used especially in gynecological surgery, this new technology will undoubtedly benefit hundreds of thousands of women, as well as other post-operative patients.

Yang Se, head of the Gynecological Department at the Zhongguanchun Hospital in Beijing and inventor of this new technology, said that the product is manufactured by a special pressing process using cotton-paper and toxic-free polythene film, which

is then sterilized by medical nuclear radiation. Yang said the product is convenient, bacteria-free and causes no irritation to the skin. Disposal of the wraps does not cause pollution because they are used only once.

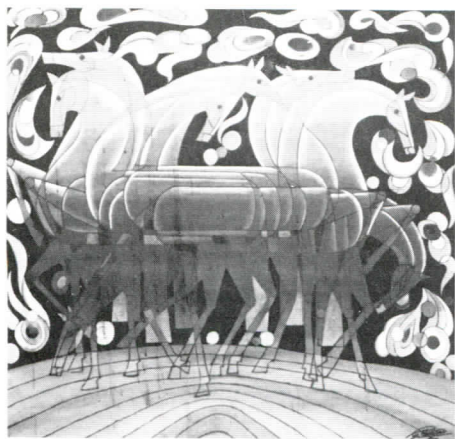
Up until now, infection due to the repeated use of cotton dressings in abortions and other operations was common, particularly in remote and rural areas where medical conditions were poor. This posed a serious threat to the health of women in China where abortions are performed extensively as a means of birth control.

Professor Yang invented this disposable product after many years of research and practice and proved its effectiveness through repeated clinical tests. Song Hongzhao, a well-known gynecologist in China, said the achievement filled a great need in China's operation dressing materials and should be widely promoted and applied.

Yang said the product has been trial-used in 15 hospitals in Beijing and was believed to have no side effects and controlled infection. Its convenience and cleanliness have been highly praised by doctors and patients.

The technology used in the wrap has been patented by the China Patent Office and was listed among the significant scientific and technological achievements of China's Ministry of Public Health. The product was shown at China's ten-year achievement exhibition in medicine and public health. In addition to a large number of orders for clinical use domestically, foreign businessmen from more than ten countries such as the United States, Japan and the Soviet Union have shown an interest in importing the technology.

by Liu Jianjun



A Herd of Horses.



Young Girl Among Flowers.



Rural Lady.

ART PAGE

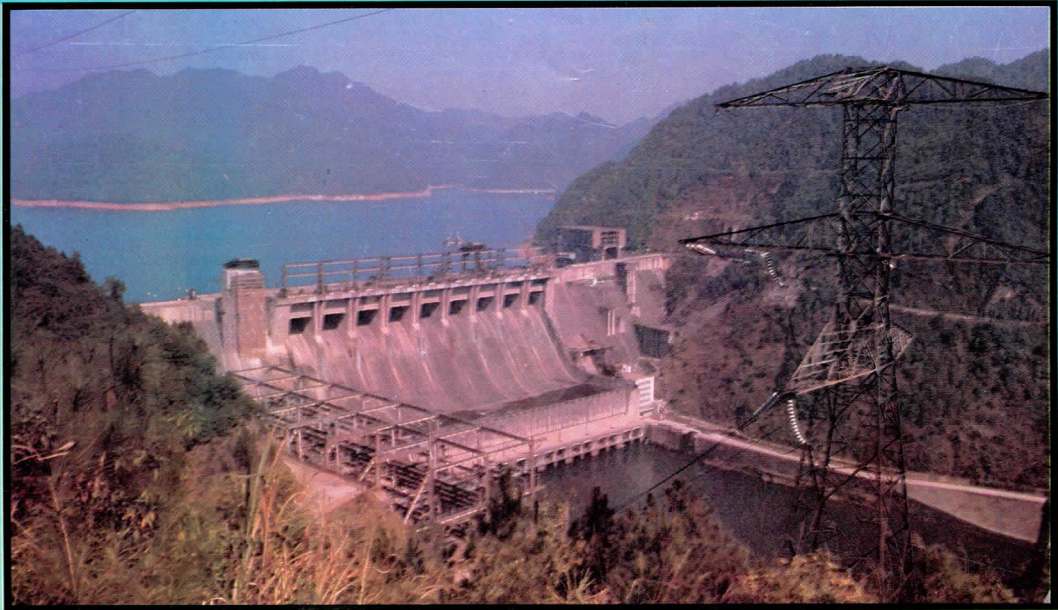
Decorative Paintings by Ge Chunxue

Ge Chunxue, born in Weifang, Shandong Province in 1938, is now an associate professor with the Shanghai Academy of Fine Arts.

His works combine Chinese folk artistry and modern Western methods of expression in a unique, decorative style.



Types of Facial Make-Up.



East China Hydroelectric Power Survey and Design Institute East China Hydroelectric Engineering Consultancy Corporation

The East China Hydroelectric Power Survey and Design Institute (ECHPSDI) has designed more than 40 large and medium-sized hydropower projects having a total generating capacity of 12 million kw in China. Abroad, ECHPSDI has provided design consulting services for ten overseas projects in seven countries.

ECHPSDI is one of the largest comprehensive design institutes under the Ministry of Energy Resources and the Ministry of Water Resources; our corporation is a member of the China International Engineering Consultancy Corporation with the status of a legal person.

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