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CHINA'S 1990 ECONOMY IN REVIEW

Keynotes of the 8th
5-Year Plan (1991-95)



With a song in their hearts.

Photo by Li Shixiang

HIGHLIGHTS OF THE WEEK

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COVER: The roof of a movable work surface controlled by a hydraulic system used by the Kailuan Coal Mine, one of China's key engineering construction projects during the Seventh Five-Year Plan period (1986-1990).

Photo by Zhong Cheng

Keynotes of the Eighth Five-Year Plan

□ In a recent interview with *Beijing Review*, Gui Shiyong, vice-minister of the State Planning Commission, discussed strategies for economic development during the Eighth Five-Year Plan (1991-95). During this period, the vice-minister said, China will emphasize readjustment of the economic structure, improvement of economic returns, tapping the potential of the enterprises, furthering economic reforms and opening to the outside world. The goal is to establish an economic system that integrates the planned and market economy. The vice-minister also said that China is expected to achieve a 6 percent annual rate of economic growth (p. 8).

The GCC's 11th Summit

□ Leaders of the six member states of the Gulf Co-operation Council (GCC) recently held their summit meeting in Doha. They unanimously condemned Iraq's invasion of Kuwait, demanded that Iraq withdraw from Kuwait and called for a peaceful settlement of the Gulf crisis (p. 23).

Destabilizing Factors in New World Order

□ Although East-West relations have moved from confrontation to co-operation, new problems and tensions have arisen and the world is still far from global peace (p. 24).

An Excellent Young Scholar

□ In our new column "People" we run the story of Feng Changgen. Awarded a doctorate of physical chemistry by Leeds University (UK) in 1983. Feng has made remarkable breakthroughs in thermal spontaneous combustion theory both before and after his return from Britain and was promoted professor at the age of 36 (p. 19).

China Opens First Securities Exchange

□ The opening of the Shanghai Securities Exchange was one of the top events for China in the year that has just gone by. The inaugural trading session on December 19, 1990 marks a major step forward in the reform of the country's financial system. Shanghai Mayor Zhu Rongji described this historic event as evidence that China will continue to pursue its policy of reform and opening to the outside world (p. 5).

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NPC Enacts Laws on Drugs, Pornography

The 17th Session of the Standing Committee of the Seventh National People's Congress (NPC) ended on December 28 in Beijing with the appointment of two ministers and adoption of four statutes.

Tao Siju, 55, a former vice-minister of public security, was appointed to replace 70-year-old Wang Fang as the minister. Li Lanqing, 58, a vice-minister of foreign economic relations and trade, was promoted to head the ministry, replacing 66-year-old Zheng Tuobin. Wang and Zheng had previously offered to resign.

At the session, the 147-member NPC Standing Committee passed the country's first law to protect the rights of handicapped persons and a procedural law on concluding treaties.

The law for the handicapped stipulates the legal responsibilities of the government and society for the rehabilitation, education, employment, recreational life and welfare of handicapped people.

The law designates the third Sunday of every May as Help the Handicapped Day.

China has more than 51 million handicapped people, nearly 5 percent of the total population. The draft of the law was submitted to the 16th session for discussion a couple of months ago, and was further amended at the 17th session in accordance with the suggestions of the legislators.

At this session the NPC Standing Committee also passed two resolutions in an attempt to ban drugs and pornography by imposing harsher

penalties on drug traffickers and pornography dealers.

According to the drug control resolution, those who smuggle, sell, traffic in or produce 1 kg or more of opium or 50 grams or more of heroin will face sentences ranging from 15 years imprisonment to the death penalty.

This statute is much stricter than the originally proposed draft which provided that the same sentences apply to drug offenders who smuggle or traffic in opium of more than 2 kg or heroin of more than 100 grams.

The term "drug" in this 16-article resolution refers to opium, heroin, morphine, marijuana, cocaine and other addictive narcotics controlled by related State Council regulations.

The resolution says that those who inveigle or instigate young people under the age of 18 to smuggle, resell, traffic in or produce drugs will be punished severely.

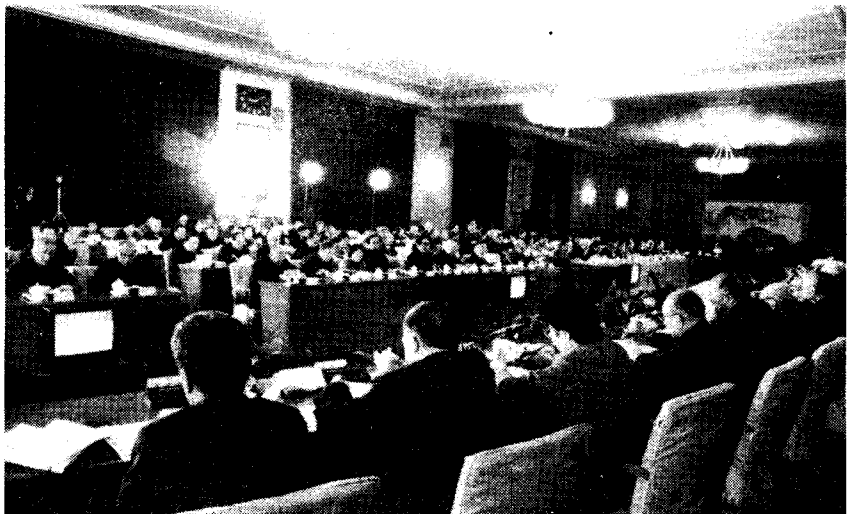
The resolution also authorizes Chinese judicial organs to deal with drug-related crimes with international implications within the Chinese territory.

The resolution against pornography stipulates the death penalty or life imprisonment for serious cases of smuggling, producing, selling or distributing pornographic materials.

The resolution is aimed at safeguarding social order and promoting advanced socialist ethics and culture by punishing pornography pushers.

It stipulates that those who make pornographic materials available to people under 18 years old will be strictly punished.

However, according to the resolution, books on anatomy and literary and art works containing sexually explicit material will not be considered pornographic materials. ■



CUI BAOLIN

The recent session of the Standing Committee of the NPC passes four statutes.

HK: Smooth Transition Hinges on Co-operation

The smooth return of Hong Kong to the sovereignty of China and its stability and prosperity depend on the joint efforts of all sides concerned, and in the final analysis on the efforts of the 6 million Hong Kong compatriots.

Chinese President Yang Shangkun said this in an interview on December 20 last year with a special correspondent of the local monthly magazine, *Bauhinia*.

After extending his new year greetings to the Hong Kong compatriots, Yang added that six years from now, Hong Kong, as a special administrative region and a free port of the People's Republic of China, will maintain its capitalist system and way of life in compliance with the Basic Law.

He added that the implementation of the Basic Law and the smooth return of Hong Kong to the embrace of the motherland will be a great success of the "one country, two system" concept put forward by Deng Xiaoping.

In this regard, under no circumstances will the Chinese Communist Party and the Chinese government change its stand, let alone move backward, Yang stressed.

He said the resumption of China's sovereignty over Hong Kong will benefit both the Chinese mainland and Hong Kong. Hong Kong will be the primary benefactor, because the vast market, rich resources and solid industrial and agricultural foundation of the Chinese mainland will provide favourable conditions for Hong Kong's prosperity and growth.

He expressed the belief that mutual supplementation, mutual promotion and common prosperity of the mainland and Hong

Kong will undoubtedly enhance the strength of the Chinese nation in a highly competitive international environment.

When asked about the prospects for Sino-British relations after the recent change of leadership in the British government, Yang expressed his hope that the new British cabinet will do still more to ensure Hong Kong's stability and prosperity.

On the reunification of mainland and Taiwan, Yang hopes that dialogue between the Communist Party and the Kuomintang will be held as soon as possible under the precondition that both sides maintain that there is only one China in the world.

At present, the most important thing for both sides of the Taiwan Straits to do is to communicate with each other. By calling for "exchange of mail, trade, air and shipping services" between the two sides, the president said, the mainland hopes to lay antagonism to rest and promote mutual understanding and trust.

"We are willing to get in touch with whoever interested in developing the relationship between the two sides of the straits. In short, we hope to realize the reunification of our motherland at an early date," Yang said. ■

China Opens First Securities Exchange

After more than a year of preparation, Shanghai Securities Exchange, the first of its kind on China's mainland since 1949, was inaugurated on December 19, 1990. The event was seen as a major step forward in the country's financial reform.

On the morning of December 19, when the bronze signboard was unveiled jointly by Shanghai's vice-mayor Huang Ju, chairman of Hong Kong Trade and Development Bureau Lydia Dunn, and Liu Hongru, vice-

minister of the State Commission for Restructuring the Economy, the securities exchange opened to the warm applause of 500 well-wishers from both China and abroad, including representatives from other major stock or securities exchanges in Asia.

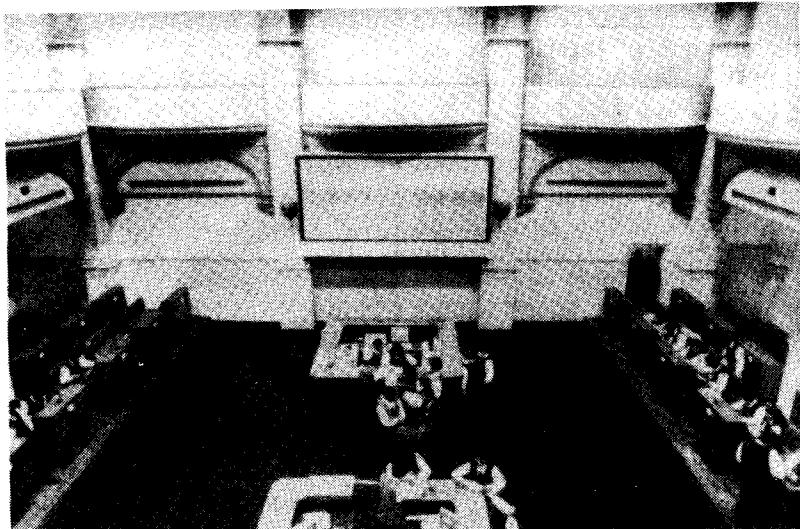
Housed in the lobby of Pujiang Hotel, a typical 1860 British style building which is still an integral part of the skyline of the Bund, the computerized bourse works closely in line with standards prescribed by international financial practices.

A 12-square-metre electronic screen offers continually updated information. Forty-six two-men broker desks are arranged in a semi-circle with two counters for middle-men in the centre. Only 100 well-trained professionals are allowed to enter the bourse to broker transactions. Wearing red waistcoats, they make transactions in sign language and oral bidding. Brokers communicate with their own firms through a total of 250 telephones and a computer network which is reportedly one of the largest in the city.

At the first session of the bourse's member companies, Li Xiangrei, chairman of the board of Shanghai-based Bank of Communications, was elected president of Shanghai Securities Exchange and Wei Wenyuan the general manager. The session also approved the charter, regulations and rules of the securities exchange.

The non-profit Shanghai Securities Exchange has about 30 members. More than half of the members are local securities firms and other financial institutions, while the rest are financial companies headquartered in Beijing, Shenyang, Zhejiang, Anhui, Jiangxi, Shandong and Hainan.

According to Chairman Li Xiangrei, Shanghai Securities Exchange will provide conven-



The hall of the Shanghai Securities Exchange.

LIU ZHONGYANG

ient service to encourage investment while working to protect the market from skyrocketing or slumping prices. The founding of the bourse was designed to offer a concentrated market that supports over-the-counter transactions. During the primary phase, the bourse will chiefly apply the principle of bidding price for spot transactions; and national debt securities and company bonds, instead of stocks, will make up the lion's share in business transactions.

In the 1930s and 1940s Shanghai had a rather well-developed stock exchange. Today, the tradition plays an important role in the city's economic take-off. According to Gong Haocheng, president of the Shanghai Branch of the People's Bank of China, 2,700-plus enterprises in Shanghai have issued bonds and stocks since 1984, and the total volume of all kinds of securities, including the national treasury bonds bought by Shanghai residents, is over 10 billion yuan (US\$2 billion). More than 30 securities are actively traded on the market, with a total transaction value of 3 billion yuan (US\$600 million). At present, 25 institutions are engaged in securities business with

another 50 counters scattered in downtown Shanghai. The locals' sense of investment and interest in the securities have grown gradually. To date, about one million residents have taken some part in securities transactions.

In a speech just before the bang of the first hammer which signaled the start of the Shanghai bourse, Mayor Zhu Rongji described the event as evidence that China will never change its policy of reform and opening to the outside world. In carrying out the city's giant project of opening and developing Pudong, a large strip of land adjacent to the city proper, he said, Shanghai attaches great importance to reforming its financial system by adopting international practices, such as securities, so as to raise funds for the modernization drive.

by Staff Reporter Dai Gang

Shanghai Starts Housing Reform

The housing problem has long been a headache for most cities in China. Shanghai's straits may be the worst among them all.

One evening last April in Shanghai, Premier Li Peng and Mayor Zhu Rongji dropped by to pay a visit to the families of a couple of residents. When he found one of the families were congested in a small house, Li assured the housewife that the housing problem will be solved step by step. "Most of the funds will be collected from the government and some from the residents," he said. "And your mayor is now dealing with this problem."

The Shanghai municipal government has recently announced its housing reform project, including measures to increase the minimum floorspace per person and rationalize the housing distribution.

Mayor Zhu called on all the workers and office employees to discuss the proposed project, saying that the housing reform constitutes an important aspect of the city's overall economic reform, which will involve the interest of every resident and pave the way for reforms in other fields of endeavour.

The current housing reform is based on the following principles: gradually commercialize the housing system to replace the existing one whereby residents pay a nominal or no rent at all for their state-allotted houses; creating a new mechanism to raise funds for housing construction from the state, collectives as well as individuals; and establishing a just and authoritative housing distribution management to eradicate malpractices in this respect.

Beginning this year, a collective fund-raising system will be introduced. Accordingly, all work units will contribute a sum to the fund equivalent to a certain percentage of their monthly payroll and the workers will be required to invest 5 percent of their monthly pay in the fund as well. Furthermore, those who are

given new homes are required to purchase the residential construction bonds, which will be refunded by the work unit within five years at an annual interest rate of 3.6 percent. Rents will also be doubled but subsidies will be granted to alleviate the economic burden this places on some workers.

Residential housing can be purchased by anybody entitled to have a new home on favourable terms — paying only 250 yuan, or one-third of the construction cost per square metre.

Between 1979 and 1989, the municipal government spent a total of 13.24 billion yuan on building residential housing with a total floorspace of 43.68 million square metres, or 240 percent of the total built in the previous 30 years. About 830,000 households have moved into their new homes. A total of 428 new residential communities have been set up, covering a total area of 61.61 million square metres and the average living space for each person has increased from 3.9 to 6.4 square metres.

According to a survey made at the beginning of last year, however, there are still 327,000 households, or 14.4 percent of the city's total, which averaged less than four square metres per family member. The main cause for this is the fact that the population has outgrown housing construction.

In 1949, the population in the city's urban area was 4.18 million people, living in 841,900 households. It is now 7.78 million people in 2.44 million households.

Over the next decade, more than 50 million square metres of apartment space is to be constructed under the new housing reform project. By then, the living space per person will be increased to eight square metres.

Meanwhile, housing reform

has also seen tangible progress in many other large metropolitan areas since the reform was launched nationwide in 1988. Currently about 19 cities and 30 counties and towns have set their housing reform projects in motion. In addition, more than 200 other cities and counties have been experimenting with the reform in light of their respective housing needs. Beijing has designated 11 work units in the urban area last year to practice housing reform on a trial basis. This year, the number of such trial units will be increased to 100. ■

Riot Offenders Get Sentences

The Beijing Municipal Intermediate People's Court announced on January 5 sentences on nine students who violated law during the turmoil and rebellion attempted to subvert the government in 1989.

Li Yuqi and Pang Zhihong, who showed willingness of repentance, were exempt from punishment; Zheng Xuguang was given a two-year term; Zhang Qianjin and Xue Jianan were each sentenced to two years' imprisonment with a one-year deprivation of political rights; Zhang Ming, Ma Shaofang and Kong Xianfeng, three year's imprisonment with a one-year deprivation of political rights; and Wang Youcai, four years' imprisonment with a one-year deprivation of political rights.

More than 60 local residents were present when the court announced the judgments.

According to Xinhua News Agency, the public security organs made great efforts to investigate into and collect evidence on the cases of the nine offenders. The procuratorial organs examined the case files and evidence transferred from the publ-

ic security organs and instituted public prosecutions against the offenders. The People's Court held public hearings of the cases according to law.

During the hearing, the defendants made their confessions, exculpations and statements, and their lawyers or relatives conducted defense on behalf of the defendants. The hearing and the occasion when the court announced judgments were also attended by relatives of some of the accused.

The court, after hearing and cross-examining evidence of the cases separately, decided that some of the accused were guilty of inciting subversion against the people's government and the overthrow of the socialist system during the 1989 turmoil and rebellion. Some were found guilty of organizing and directing the blockade of and attacks on armed forces out to enforce martial law and perform their duties of safeguarding social and public order. And others were guilty of assembling crowds to disturb public traffic and seriously undermining public order. Their actions violated the country's criminal law.

Xinhua says that the judgments were made in accordance with the principle of taking facts as the basis and the law as the criterion and of combining punishment with leniency, taking into consideration seriousness of the crimes and the conduct of the offenders in the past and their attitude towards and repentance for their crimes.

The court also told the accused that they may, if disagreeing with the court decisions, appeal to the higher People's Court within ten days. The term of imprisonment for a criminal is to be shortened by days he or she has spent in custody before the judgment begins to be executed. ■

Keynotes of the Eighth Five-Year Plan (1991-95)

—An Interview with Gui Shiyong, vice-minister of the State Planning Commission

by Our Staff Reporter Han Baocheng



Gui Shiyong

The emphasis will be placed on the readjustment of economic structure, the improvement of economic returns and tapping the potentialities of existing enterprises instead of initiating new ones; furthering the reform and opening to the outside world, and promoting the establishment of a new economic system that integrates the planned economy with market regulation. China is expected to have an annual economic increase of 6 percent.—Ed.

Q: What will China's economy be like in 1991?

A: 1991 is an important year in terms of improving the economic environment, rectifying the economic order and deepening the reform. It is also the first year of the Eighth Five-Year Plan (1991-95). There are many positive signs for our country's economic development this year: the country is stable both politically and socially; people have become more confident in further reform and economic development; a moderate increase in both investment and consumption will play an active role in stimulating the market; and the bumper harvest in agriculture and an increase in industrial production in 1990 have provided better material conditions for further economic expansion. Internationally, the sanctions by Western countries on China have loosened, a development which will contribute to expanding economic and technological exchange and co-operation with foreign countries. There are still difficulties and problems, however, in regard to these problems, many of which are significant. Therefore, this year's economic work should be focused on the improvement of the economic environment and the rectification of the economic order; as the Eighth Five-Year Plan gets under way, we should pursue fresh development through eco-

nomie rectification. While continuing to improve the relationship between supply and demand, emphasis should be placed on readjustment of the economic structure, increasing economic returns for enterprises, and actively opening up the market and expanding market sales in order to achieve normal economic operation and appropriate economic development. To achieve these goals, economic restructuring should be actively pushed forward and combined with the rectification and readjustment of the economy.

Q: To avoid any strident economic ups and downs and achieve a sustained, stable and co-ordinated development, what measures should be adopted?

A: There are quite a few, but the following are the main ones:

First, it is necessary to avoid eagerness for quick results. This has always led to excessive economic expansion and capital construction well beyond the national capability. It was the key reason for several economic gyrations of the past. The Third Plenary Session of the 11th Central Committee of the Communist Party of China (CPC) in December 1978 spelled out a three-phase strategy for China's socialist modernization. It committed China to achieving modernization in a period of about 100 years including the past four decades since the founding of

New China. It was worked out in accordance with China's national condition, and suggested that modernization be achieved during a long period of hardwork and strenuous effort and we avoid a rush for quick results.

Second, the principle of achieving a sustained, stable and co-ordinated development of the national economy should be carried out. In line with this principle, a balanced supply and demand should be maintained. Balanced finance, credit, material, market and foreign exchange should also be maintained in order to prevent an excessive distribution of the national income and the reappearance of inflation; a proportionate development, and a proportionate balance between agriculture and industry, basic industries and infrastructure facilities and processing industries, accumulation and consumption, economic development and social development should be co-ordinated to avoid the emergence of a serious disproportionate economic structure. Economic returns should be improved and a unification of economic speed and economic returns be reached.

Third, a new economic system and operational mechanism, which meets the needs of developing the socialist planned commodity economy and integrates the planned economy and market regulation, should be established by further reforms. In terms of controlling general supply and demand, readjusting economic structure and regional distribution, main efforts should be made to give play to the functions of planned management; in terms of the daily production, management and exchange, the main role of market regulation should be brought into full play; so that we can, by consciously taking advantage of a proportionate and reasonable distribution of resources, combine the

planned economy with the market mechanism which promotes production and consumption and a mechanism that encourages competition designed to boost technological progress. In this way, we can make the national economy develop roughly in proportion and with high efficiency.

Q: During the Eighth Five-Year Plan period, what key projects are planned for the development of the national economy? What goals are there? What kind of rate of increase can we expect?

A: The Eighth Five-Year Plan is under research and in the making and it will be discussed and approved at the National People's Congress scheduled to be held this year. According to material available now, we see that the Eighth Five-Year Plan period will be critical to the development of the national economy. The first year or more will be spent on further improving the economic environment, rectifying the economic order and developing the economy at the same time. After that period, development will be emphasized with attention still paid to some unfinished task of readjustment and rectification. Throughout the five years, major efforts will be devoted to the readjustment of the economic structure and the improvement of the economic returns; efforts will be made to tap the full potential of existing enterprises instead of initiating new ones. And a road of intensive form of enlarged production will be a top choice. A series of policies relevant to reform and opening to the outside world will be carried out in order to integrate the planned economy with market regulation, and promote economic and technological co-operation and exchange with foreign countries. With these efforts, the national economy will be developed in a sustained, stable and co-ordinated process in order to lay

a solid foundation for healthy economic development in the Ninth Five-Year Plan (1996-2000) period and the fulfillment of the goals of the second-phase development strategy by the end of this century. According to such an estimate, the annual economic increase rate should not be set too high during the Eighth Five-Year Plan; it will be sufficient to maintain an annual increase rate of 6 percent for the GNP, 7 percent for industry and 3.5 percent for agriculture. The tertiary industry will be expanded at a faster rate than the primary and secondary industries.

During the Eighth Five-Year Plan period, the emphasis of economic development will be placed on agriculture, basic industries and the construction of infrastructure facilities, and on science, technology and education. First, to increase grain production and the production of other farm and sideline products, agriculture will be of particular significance. Both the central and local governments should increase their input in agriculture. Second, basic industries and facilities should be further strengthened. Key projects in energy, communications, raw materials and water conservancy should enjoy investment priority. Meanwhile, processing industries should be revamped and reorganized to improve their craftsmanship, update their facilities, improve product quality, reduce material consumption and upgrade the performance. Third, science and technology and education should be further developed. While special attention is paid to basic education, development of vocational education should be stepped up. While the common college education is readjusted, various forms of adults education should be developed. Continued efforts should be concentrated on re-

searches on some key scientific and technological projects; at the same time, the application of scientific and technological results should be actively promoted and the process of transforming the scientific and technological results into productive forces speeded up. Research on high technologies should be undertaken in a planned way and high-tech industries should be developed and integrated with traditional industries. Basic and applied studies should be continually strengthened. Simultaneously, the policy of family planning, ecological balance and environmental protection should be given due attention. All kinds of social service should be developed, which is essential to maintain a harmonious development of the economy and society.

Q: How a decade-long economic restructuring has changed China's economic planning work? With the mandatory plans reduced and guidance plans enlarged, how many measures has the state adopted to strengthen regulations and controls on macroeconomy?

A: The most remarkable change is the reduction in the scope of mandatory plans and the increase of guidance planning. China's agricultural production is now fundamentally under the control of a guidance plan and is regulated by market forces. For industry, more than 120 products were produced under mandatory plans in 1984 while in 1989 the number shrunk to 58. Industrial products under mandatory plans accounted for 40 percent of the total industrial output value in 1984 but in 1989 the percentage was reduced to 10. In 1979 there were 256 kinds of material which were directly distributed by the state. In 1989, the number decreased to 19. Overall, the proportion was also reduced. For example, steel products under the direct state distribution were reduced from 77.1

percent of the total steel output to 43.2 percent, coal from 59 percent to 50 percent, timber from 85 percent to 23.5 percent, cement from 35.7 percent to 13.6 percent. In construction, in 1984, the investment under the direct control of the state accounted for 40 percent of the total social investment, while the number shrunk to 15.7 percent in 1989. In the meantime, China began to see various investors and alternative channels of finance open up.

To suit the needs of such changes, planning work has also undergone a transformation. First, the analysis and forecast on economic operations have been strengthened to accurately indicate economic changes and trends. Second, a comprehensive balance, particularly a balance of and among finance, credit, issue of bank notes and price has been strengthened and improved to emphasize the control over general supply and demand. Third, relevant industrial policies have been worked out to direct the readjustment of industrial structure; simultaneously, studies on regional policies have been enforced to improve regional planning. Fourth, in the process of the implementation of plans, administrative, economic and legal measures have all been exploited and their functions combined to regulate economic operation. Among various economic measures, the monetary measures are the most important. Through the control of the scope, structure, direction and interest rate of credit, the general balance and readjustment of the economic structure is promoted. In addition, prices, taxes and subsidies have also played their important roles. For example, readjusting and decontrolling on prices in order to direct production and consumption have been tried; taxing investment direction to control investment scale and structure and taxing bonuses to control the to-

tal bonus issued have also been experimented. Various economic laws and regulations have been enacted to regulate economic operation and make them play their proper roles in the economy. Fifth, the work of direct planning has been improved as the law of value and the relationship between supply and demand have been taken into account. For example, to arouse the enthusiasms of various construction units and bring in the competitive mechanism, a contract responsibility system for investment has been implemented and construction projects are now submitted for public bids.

The reform of the planning work is to integrate the planned economy with the market regulation in line with the needs of development and conditions today. Obviously, all these efforts are experimental and subject to improvement. Presently, China's pricing system is still unreasonable and it will continue to take time to form a reasonable pricing system. It will also take time to organize and cultivate the market. To build a healthy and complete enterprise mechanism also calls for further exploration and reform. All this suggests that there is a lot to do concerning the integration of the planned economy with market economy. During the Eighth Five-Year Plan period, we will continue to push forward the reform of enterprises and pricing system and cultivation of the markets. On this basis, we will readjust our scopes of mandatory planning, guidance planning and market regulation and establish their respective effective management systems. At the same time, we will establish a macro-economic control and regulatory system which will be mainly based on state planning while making use of various economic levers required for an economic system which integrates the planned economy and market regulation. ■

Review of China's Economy in 1990

by Zhang Zhongji

In 1990, the State Council adopted a series of measures to readjust the economic retrenchment, revitalize the market and stimulate production, which helped ease some contradictions restricting the development of production and circulation and ensured the continuous healthy growth of the national economy.

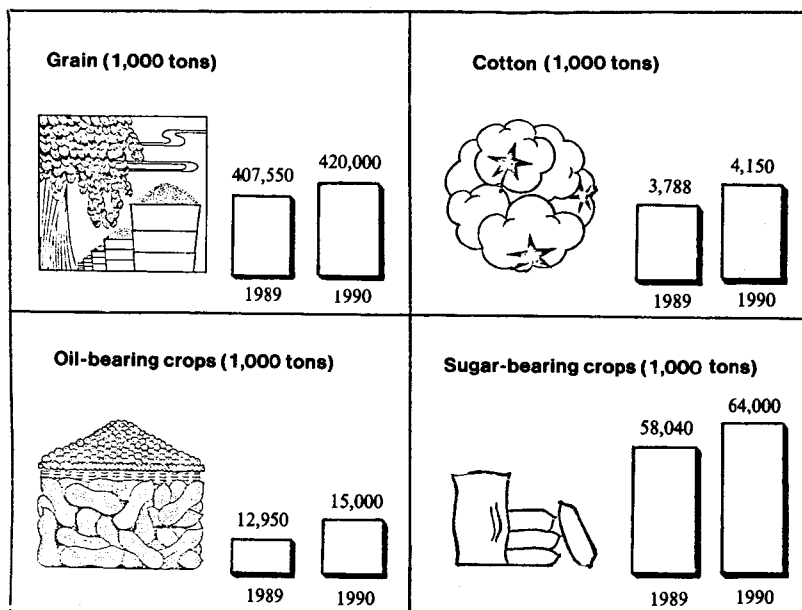
Progress

Aggregate Supply and Demand Drawing to a Balance, Growth of Price Declined. The imbalance between overall demand and overall supply has been a prominent problem for years which affected China's overall economic development. Owing to excessive investment and consumption, there was an overheated economy in 1988 in which the difference rate between overall supply and overall demand hit 16.2 percent. With the introduction of the retrenchment policy in 1989, the rate dropped to 8 percent that very year. Balance was expected to be achieved in the nation's overall supply and demand in 1990. Although the state and various localities raised the prices of some commodities in 1990, owing to the decrease of prices on urban and rural market fairs and the weakening of factors causing spontaneous price

rises, in the first ten months of 1990, China's total retail prices of commodities rose only 2.1 percent on the same period of 1989, and the figure for the whole year was expected to be 3 percent, which is evidently lower than the 17.8 percent increase in 1989. The rise of the prices of the means of production also dropped gradually. According to the statistics of the Material Information Centre, compared with the same period of 1989, the prices of 15 categories of the means of production rose 7.5 percent in the first quarter and 0.6 percent in the second quarter and dropped 0.1 percent in the third quarter. The gap between the market and state planned prices of coal, rolled steel, copper, aluminium

and cement significantly narrowed. Planned readjustment has replaced demand pulling as the principal reason for price rises.

Agriculture Reaped All-Round Good Harvests, Grain Output Hit an All-Time High. In 1990, the state raised the purchasing price of some agricultural products, which has raised the farmers' enthusiasm for production. In the year, the input in agriculture increased and effective measures were introduced to improve farmland irrigation systems and boost farm production through applying the results of scientific and technological research. Thanks to all these factors and the good weather in most parts of China, the country's total grain



The author is director of the Comprehensive Department of the State Statistical Bureau

output topped 420 billion kg in 1990, an increase of 12.5 billion kg on the record year of 1989; the output of cotton hit 4.15 million tons, up 350,000 tons on 1989; oil-bearing crops 15 million tons, up 2 million tons; and sugar-bearing crops 64 million tons (or even higher), up 5.2 million tons. The output of pork, beef, mutton, poultry, egg, aquatics, vegetables and fruit all increased to different degrees. It was estimated the country's total agricultural output value in 1990 would rise more than 5 percent on the year before. A good agricultural harvest has helped to enliven the market, develop the light industry and improve the people's living standards.

Industrial Production Passed the Low Ebb and Began to Pick Up Steadily. With the growth of social demand and the support of bank loans, China's industrial production began to pick up month by month following the low-speed growth in early 1990. Compared with the same period of 1989, the country's total industrial output value rose 2.1 percent in the first six months, 2.9 percent in July, 4.6 percent in August, 7.5 percent in September, 12.7 percent in October and 15 percent in November. The planned target of a 6 percent increase in the total industrial output value for 1990 is expected to be fulfilled.

The Sluggish Domestic Market Resurrected. In 1990, the social demand increased gradually. In the first ten months, the investment in fixed assets made by units owned by the whole people totalled 165.3 billion yuan, up 8.2 percent on the same period of 1989, and the total wages of workers and staff amounted to 246.5 billion yuan, up 11.5 percent. With the growth of social demand, the once sluggish domestic market began to resurrect. In June, the country's total volume of retail sales rose

1.4 percent on the same period of 1989. After June, the growth rate increased month by month, rising to 10.3 percent in October. The rural market began to take a favourable turn after the autumn harvest. In October, the retail sales of consumer goods dealt by commercial departments at and under the county level rose 4.2 percent on the same period of 1989, and the retail sales of the means of agricultural production increased 4.6 percent, changing the situation of a negative growth in the previous few months. The total value of retail sales for 1990 is expected to top 830 billion yuan, an increase of more than 2 percent on the previous year.

Surplus Replaced Deficit in the Import and Export Trade. In 1990, the various localities took advantage of the changes in the foreign exchange rate and the relatively sufficient supply of goods for export to greatly expand their export business and attained gratifying results. According to the statistics of the customs, in the first 11 months of 1990, the country exported

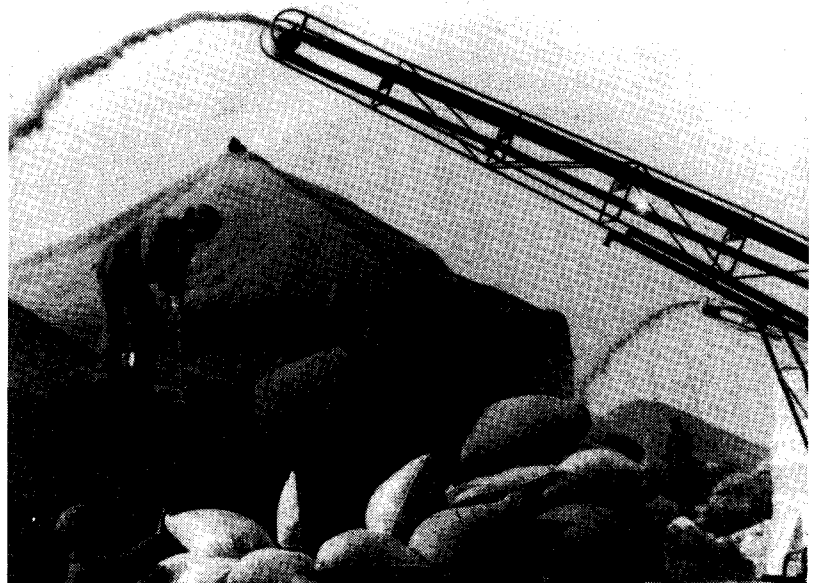
US\$53 billion worth of goods, up 16.2 percent on the same period of 1989. The country's imports during these months totalled US\$45.9 billion, a drop of 12.2 percent. After deducting the aid given gratis by China and the value of goods such as those processed with imported materials and equipment imported by foreign investors which were not paid in foreign exchange, the country's export value outstripped its import value by US\$10.6 billion, thus changing the situation in which the country suffered foreign trade deficit for consecutive years. Simultaneously, with the stabilization of China's political situation and social order and the success of the 11th Asian Games held in Beijing, international tourism gradually revived in the country, bringing in more foreign exchange. Currently, the country's foreign exchange reserves have increased considerably.

Structural Readjustment Began. This is manifest in the following areas:

—The imbalance in the development of agriculture and indus-

A good grain harvest in Fengyang County, Anhui Province.

DING MEI



try has been changed. The ratio of the growth rate of agriculture and industry changed from 1:5.3 in 1988 to 1:2.7 in 1989. It is expected to drop to 1:1.2 in 1990.

—Strain on the supply of coal, electricity and oil has been eased. The ratio of the growth of energy and industry dropped from 1:4.2 in 1988 to 1:1.4 in 1989, and the good trend in this area is expected to be maintained in 1990.

—The investment structure has been improved. The growth of investment in basic industries and infrastructures has outstripped that of the nation's total investment.

—The composition of import and export commodities has been improved. In 1990, the import of machinery, electronic appliances, cigarette, wine, beverage, cosmetics and other consumer goods whose import was restricted by the state dropped one-third from 1989, while the export of cotton, cotton yarn, metallic ore and other raw materials which were of critical shortage in China and whose export was restricted by the state dropped more than 10 percent.

—Township enterprises have advanced amidst readjustment. In recent years, buffeted by decreased loan supply and a sluggish domestic market, rural township enterprises have actively adapted themselves to these changes and expedited the development of an export-oriented economy. Township enterprises in Jiangsu and Zhejiang provinces where the rural industry is concentrated have bristled up again after the recession for a time.

Economic Order Was Initially Straightened Out. Up to now, after readjustment, the various localities and departments have dissolved and merged 103,000 companies which made up 34.5 percent of the nation's total number of companies. Of these, companies in the circulation area

made up more than 50 percent. A number of law- and discipline-breaking cases have been handled and the offenders involved punished. At present, the number of units and people engaged in illegal management has decreased, and a new circulation order is taking shape.

The above facts indicate that the main trend of China's economic development in 1990 was healthy and the endeavours for straightening out the economic environment and order were successful. Of course, we should soberly be aware that the basis for the above changes is weak and the achievements should not be overestimated.

Problems

China's economy began to pick up in 1990. Plagued by High input and low returns, however, have made it hard to steer the economy back on the track of favourable growth in the near future. The economic situation ahead looks still grim, and the task for economic rectification and readjustment and for the in-depth development of the reform remains quite arduous.

The State's Finance Still in Difficulty. Over a long period of time, China's finance has had to carry two heavy burdens: price subsidies and subsidies for losing enterprises. The two subsidies amount to 100 billion yuan annually. Such a big expenditure, plus new factors reducing revenue and increasing expenditure, deteriorated China's financial situation in 1990. This was demonstrated by the facts that, first, enterprises' economic returns continued to drop, the portion of profits and taxes they delivered to the state went down, and their deficits increased by a big margin. Second, allocations for debt repayment shot up; by the end of 1989, China's internal debts reached 80 billion yuan

and external debts US\$41.3 billion. China is now in the peak period of debt repayment. In 1990, China cleared 20 billion yuan of its internal and external debts and interests, 2.7 times as much as 1989's 7.26 billion yuan. In the coming few years, the continued increase in allocations for debt repayment will make it even more difficult for China to balance its finance.

Money Supply Still Exceeds What the Economic Development Needs. Although not much money was issued in the first 11 months of 1990, the net increase of loans came to 248.6 billion yuan, or 102.7 billion yuan more than in the same period of 1989. To top it all, quite a big portion of these loans was converted into cash and bank savings. Therefore, the supply of money in the broader sense of the words, that is, cash plus various bank savings minus financial reserves, represented a 24.5 percent increase from the same period in 1989, much more than what the economic development needed in normal operation. So, should we try to bring about an economic rehabilitation simply by issuing credit and loans, the most likely result would be inflation. At present, the major apparatus we use to control money supply is to call back part of the credits issued. By the end of November 1990, the bank savings of urban and rural residents throughout the country had totalled 693.2 billion yuan or an increase of 178.5 billion yuan from the beginning of the year. This, plus the cash in their pockets, constitutes a potential purchasing power of close to 900 billion yuan.

Economic Returns from Enterprises Drop Continuously. In the first 11 months of 1990, the budgeted state-owned enterprises turned out 115.3 billion yuan in profits and taxes, down 18.8 percent from the same period in 1989. The deficits of losing enter-

prises multiplied. By the end of November 1990, the funds used for end products came to 118.2 billion yuan. This, plus the mutually entangled debts among enterprises, has caused a large sum of circulating funds to deposit in end products. The economic returns of commercial outlets also dropped considerably. The profits by state-owned commercial outlets were two-thirds less than for the same period in 1989. The poor performance of enterprises was caused, first by their internal troubles, such as poor management, poor quality of products, and some managers' poor adaptability to market changes; second, by external troubles such as a lack of binding economic contracts, which often affects normal production; administrative interference, the compartmentalization of the market; and the various increased levies that siphon away much of the enterprises' profits.

The Reform Drags Its Feet. In the transit from the old to a new system, the economic reform is now confronted with "two difficult choices" before it goes one step forward. For example, the best possible arrangement of resources is an important way to restructure the economy and raise efficiency. This, however, requires, first, the best possible arrangement of the increased supply of resources and, second, the rearrangement of the inventories of resources. Both would be quite difficult, partly because an increase in resources will require investments, which is almost impossible at present when the state is in financial difficulty and enterprises perform poorly, and partly because the rearrangement of the inventories of resources means the close-down, suspension, merge and switch to other product lines of some enterprises. This would prove to be extremely difficult, if not impossible, because at present when

the social security system has much to be desired, an increased unemployment rate may affect social stability. The price reform is crucial for reforms in all fields. The distorted price system and the coexistence of two prices for the same products deprive economic accounting of an objective criterion and make it impossible for enterprises to compete on an equal footing. However, to straighten out the prices may lead to price hikes that jump over residents' financial capacity. Another example is the sharing of financial revenues between the central government and localities. If the central government's unduly low share remains unchanged, it will have a tough going financially, finding it difficult to make both ends meet. However, if the central government has a bigger share, the enthusiasm of localities and enterprises may be dampened. Confronted with these "two difficult choices," the central government tends to stress short-term stability, consequently slowing down the pace of reform.

Prospects

A comprehensive study of the operation of the national economy suggests that different macro-economic policy decisions may create different prospects.

The first possible policy decision is to stress the organic combination of short-term economic returns with long-term economic returns with an eye to setting the economy on the right track. It will seek for not only a proper growth of the economy but also a gradual rationalization of the economic system and the operation mechanism. Not only will the "symptoms" but, more importantly, the "root causes" of the economic problems have to be tackled. Efforts should be made to take advantage of the present favourable opportunity

to carry out what is considered necessary reforms, and do a good job in co-ordinating the relations between economic readjustment, economic reform and economic development, that is, to promote economic readjustment with economic reform and to seek for economic development in the process of economic readjustment. This policy decision will prove to be very difficult and even risky, because reform is, in essence, to readjust the structure of interests among different quarters and will inevitably meet with intended or unintended boycotts from those with vested interests. Therefore, careful work will have to be done in this aspect.

The second policy choice is to stress short-term stability and keep the economy going in "ailing" conditions. It may stress control of the overall supply and demand and ignore solutions to deep-rooted problems, that is, to cure only the "symptoms" rather than treat the problem at its roots, or keep the economy on the beaten road of high input and low output. This choice is less risky and may cause the economy to rebound during a period of time. However, such problems as the bad economic structure and low efficiency associated with the irrational economic system and mechanism of economic operation may become more conspicuous, and the main goals set for the economic rectification and readjustment may be left unfulfilled, making it difficult to develop the economy in the future.

The third choice is to stress a rapid rebound of the economy and pursue high output value. This policy choice stands for an overall relaxation in macro-control and an injection of "excitant" into the economy. This policy decision may create a superficial prosperity in the near future. But, under the present

unbalanced economic system, it may also create another rise in demand, consequently nullifying what was achieved in the economic rectification and readjustment.

Weighing the pros and cons of the three choices, it is obvious that prospects to be created by the first choice is desirable. For their realization, the following work should be done.

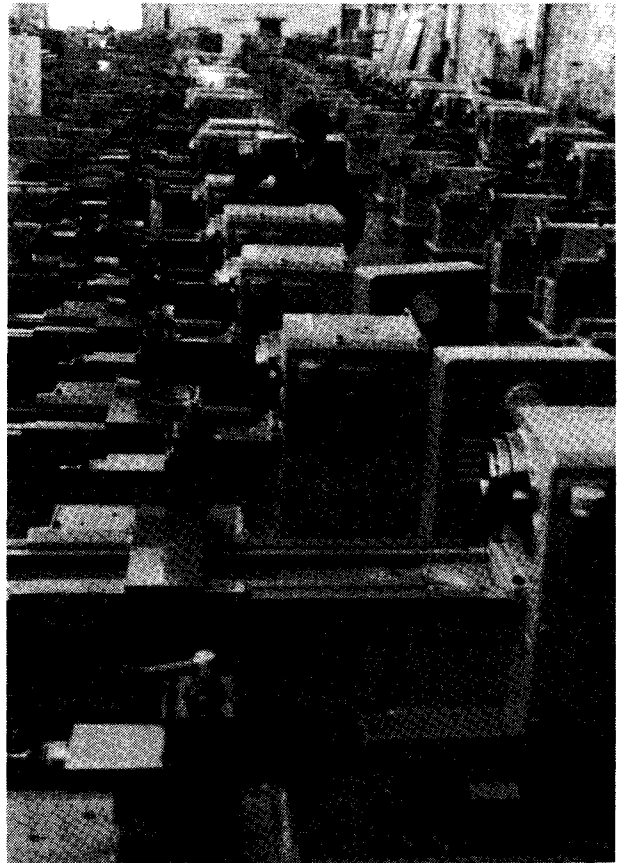
—Readjusting the structure of interest. Whether the economic rectification and the deepening of the reform is aimed at controlling the demand, readjusting the economic structure or increasing the central government's ability for macro-regulation, it is necessary to

readjust the present structure of interest. Of course, the readjustment of the structure of interest must be done to such an extent that it will not destabilize the general situation.

—Readjusting the economic structure. The sustained, stable and co-ordinated growth of the economy is determined by whether the economy is well structured and well proportioned. During the past economic rectification and readjustment, excessive demand has been forced down, and the excessively high growth rate of the industry declined, creating a favourable condition for readjusting the economic structure.

In readjusting the economic

structure, the first and foremost consideration is to energetically strengthen agriculture. As the saying goes, "Without agriculture, society would not be stable; without food grain, riot would occur." China, with 1.1 billion mouths to feed, can only rely on itself for supply of food grains and other farm and sideline products. Whether the agricultural situation is good or not is crucial for the situation as a whole. The development of all non-agricultural sectors is determined by the amount of surplus products agriculture can afford to supply. Therefore, to develop the economy as a whole, it is necessary, first of all, to develop agriculture.



XU XIANGJUN

Left: Hunan Province is known for freshwater aquaculture. Picture shows another big catch in the province's Yuanjiang County.

LI JIN

Right: The Jinan No.1 Machine Tool Plant exported a lion's share of its output in 1990. Here another batch ready to go.

To restructure the economy, it is also necessary to expand the production of energy and raw materials and increase the ability of shipment. It is necessary, in line with industrial policies, to readjust the structure of investment, to further cut down on investment in run-of-the-mill projects and to increase investment in basic economic sectors, especially in agriculture, coal, petroleum, power and railway construction.

In improving economic structures, energetic efforts should also be made to make full use of and rationalize the distribution of production factors in order to enhance economic returns.

—Economic rectification and readjustment should be combined with a deepening of reform. While continuing to rectify and readjust the economy, efforts should be made to speed up the reform step by step. The reform policies should be continuous and stable, and former reform measures should not be negated indiscreetly. In addition, attention should be paid to the negative effects of the reform, which should be remedied by probing new measures or by improving the measures in effect. Reform experiments should be continued. While summing up the experiences gained in the reform, it is necessary to formulate medium and long-term development programmes, specifying the focus of reform and pertinent measures for each period so as to carry out the reform smoothly. The reform should be deepened in such a way that it will benefit the readjustment of the economic structure, the improvement of the macro-economic returns, the rationalization of the relations between the state, collective and individuals in distribution of economic returns. Technical progress should be made an important goal of the reform. Such an economic environment and me-

chanism should be established that give full play to the enthusiasm of enterprises for technical progress, and favourable policies should be adopted for technology- and knowledge-intensive enterprises so as to steer China's economy away from high accumulation but low efficiency, high input but low output. While continuing to invigorate the micro-economy, stress should be put on strengthening and improving the macro-economic management, concentrating the country's financial strength, foreign exchange earnings and materials to a proper extent, and raising the central government's ability to control the overall supply.

Since China began reform and opening to the outside world, changes have taken place in its economic system and economic operation mechanism, as seen in the following facts: the coexistence of different ownerships and management forms with the public ownership at the dominant position; the obvious expansion of the scope and role of market; the formation of a pluralistic pattern of economic interests; the expansion of decision-making powers of localities and enterprises; and the initial establishment of a stratified economic management. All these changes require the state to establish a macro-regulatory system and improve it, to act in accordance with economic laws in the process of deliberating economic plans and regulating the economy, to conscientiously adhere to and apply the law of value, to comprehensively use economic, legal and administrative means for economic management, and to make effective and scientific macro-economic policy decisions timely. All these are aimed at promoting the economy to develop in a sustained, steady and coordinated manner. ■

PEOPLE

A British-Educated Doctor Finds His Destination At Home

by Our Staff Reporter
Huang Wei

Feng Changgen, who was awarded a doctorate of physical chemistry by Leeds University (UK) in 1983, has made remarkable breakthroughs in thermal spontaneous combustion theory both before and after his return from Britain and was promoted professor at the age of 36.

Of the doctorate treatises kept at the Leeds University library, one of the best physical chemistry theses for 1982-83 was unusual. On the title page were written in Chinese and English: "This thesis is dedicated to my motherland—the People's Republic of China." The author of the dissertation is Feng Changgen, a Chinese student in Britain.

"By doing so, I only wanted to record my devotion to serving my country," Feng said in an interview on the campus of the Beijing Institute of Technology. "I was born of an ordinary worker's family in Shaoxing, Zhejiang Province. Regarding our material conditions and the knowledge, ability and wisdom of my parents, it was hard for them to turn me into a 'foreign' doctor. During my four-year stay in Britain, I spent in foreign exchange the equivalent of the yearly income of about 200 Chinese farmers. It can be said that my doctorate was obtained with the wealth and kindness of these labourers."

As a member of one of the earlier groups of Chinese students studying abroad after China introduced the reform and open policy, Feng returned in late 1983, without the slightest hesitation, to the mechanic and engineering department of the Beijing Institute of Technology, with a doctorate of physical chemistry from Leeds University. There he became a teacher.

Like other returned students, Feng worried about funds, research topics and

equipment for his scientific research. The ensuing years proved that his worries were uncalled for. Immediately after his return, Feng's leaders encouraged him to work hard, helped him familiarize himself with the country's scientific research situation and strove to obtain scientific research funds for him. Feng himself also applied for the Science Fund from the Chinese Academy of Sciences and his application was approved that very year. The Beijing Institute of Technology established a research fund especially for returned students. Less than one year after his return from Britain, Feng accepted three research tasks.

"It should be acknowledged that the research conditions in our country are indeed inferior to those in some developed countries," Feng said. "However, funds and equipment for most scientific research topics can be guaranteed. In the past few years, no funds for our scientific research have ever been sus-

pending." Feng's laboratory, for instance, is equipped with a large high-tech, high-speed camera for shooting the explosion process.

Feng's major research subject is thermal spontaneous combustion. This is a fairly new research field which deals with the explosive phenomenon arising from chemical reactions in research laboratories or during the construction of engineering projects. Postgraduates of related specialties lacked textbooks. After Feng's return to the institute, the first thing he wanted to do was to write a treatise on the theory on thermal spontaneous combustion. It was what he had always yearned for during his stay in Britain. Feng thought about it for a long time and had compiled impressive documentation (some theories in the book are Feng's research achievements). A 370,000-character treatise, the first of its kind in this field in China, came out after one year and was used as teaching material for postgrad-



Feng Changgen at the Leeds Airport after attending an academic meeting held in the Federal Republic of Germany in 1982.

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uates.

In the following years, Feng made a number of achievements and published more than 60 papers on thermal explosion alone. He also published another treatise of 200,000 Chinese characters called *The Theory of Thermal Ignition*. These experiences have been widely used in combustion, explosion, chemical engineering, heat transfer as well as in safety engineering.

One of Feng's best research achievements is the study of ignition in thermal spontaneous explosion. Just as everyday meteorological phenomena are explained in terms of temperature, humidity and wind-force, the exothermic situation arising from the chemical reaction of the thermal spontaneous combustion is explained by different parameters. These parameters will determine the explosion of the chemical reaction. Biot number, one of these parameters, can have the value between zero and infinity. However, it is difficult to calculate each corresponding critical exothermic situation for giving the value of the Biot number. Semenov, a Soviet chemist who won the Nobel Chemical Prize in 1956 and another chemist adopted the method of "exponential approximation" to calculate the criteria when the Biot number is zero and infinity, in 1928 and 1939 respectively. In the following 40 years, no breakthroughs were made in the field. Feng said that the key to solving the problem lies in finding out the mathematical principle of these calculations. During his stay in Britain and after his return, Feng, relying on his solid mathematical knowledge, conducted numerous calculations and finally obtained the result of all the values of eight decimal places. He didn't adopt any approximate method. In addition, he conducted mathematical re-

search into other theoretical problems of thermal spontaneous combustion with advanced mathematical methods and computers and scored a series of achievements. Thus Feng became the first person to systematically study the theory of thermal explosions in China.

Feng's achievements were highly estimated in world academic circles. Prof. Peter Gray, member of the Royal Society of London and Master of Gonville and Caius College of Cambridge University, said Feng made outstanding contributions, solved many problems and pointed out the way for further study. Feng was awarded the prize by the Henry Ying Tung Fok Education Foundation for young teachers of postgraduate studies and the Royal Society K.C. Wong Fellowship Award. An article published abroad in 1989 evaluating the study of thermal explosions in recent years said nine out of the 16 papers that made outstanding contributions to the study of thermal explosions were written by Feng. Up to October 1989, according to incomplete statistics made by the *US Science Citation Index*, Feng's important papers had been quoted 55 times by experts and scholars in various countries.

"I am no wiser than other ordinary people but have put all my knowledge and ability into studying. When I was young, my mother told me that 'a slow sparrow should make an early start.' I have found this to be true and have done like the bird."

During the chaotic "cultural revolution" (1966-76), China abolished the examination system for institutions of higher learning. When Feng was recommended to attend university at the age of 22, he had only completed his first year of junior high school. Earlier, Feng had

been an apprentice in a factory. After entering university, he realized it would take him some ten years to catch on his schooling. However, he finished all courses in three years. Feng noted, "In the face of such an arduous task, I decided to attend the lectures conscientiously, take down notes diligently and review lessons frequently. To study English, I wrote words on many paper strips. I brought them with me and whenever I had the chance, be it while walking or in line for meals, I would learn them by heart. I believe studying is like mountaineering; I have to climb the mountain from the bottom up."

In 1978, Feng graduated from the Beijing Institute of Technology with flying colours and was admitted to postgraduate studies abroad.

In March 1980, when Feng came to the fuel and energy department at Leeds University, a famous British institution of higher learning, he found that the content of the programme was different from what he had studied. He immediately went to see a professor of the department and, in his poor English, asked to change the programme. Feng said, "China is a big country and its industrial and agricultural production scale is also fairly big. What I want to study is the knowledge badly needed by my country." The professor appreciated the student's judgement and boldness and agreed to try. Feng became a postgraduate of the department of fuel and energy and of the department of physical chemistry.

Feng is still excited when he recalls his study in Britain. "I spent most of my time in the laboratory, computer centre and library; I seldom went shopping or to bars. Study is my biggest delight." During his stay in Britain, Feng worked about 15

hours a day, often until midnight and even sometimes until small hours in the morning. When he was badly sleepy, he would doze off for a while. At Leeds University, everyone, from his tutors to the security personnel, was impressed by Feng's assiduousness and diligence.

Feng still has the diligence that made him surpass many others. "All my achievements are the results of constant hard work."

In addition to completing his teaching and scientific research tasks, Feng has also actively promoted academic exchanges with other countries. He invited his tutor to visit China and give academic lectures. With Feng's active participation, the mechanics and engineering department of the Beijing Institute of Technology signed a co-operative agreement with the School of Chemistry of Leeds University in 1989. During his visit to Britain early in 1989, he helped organize the International Symposium on Pyrotechnics.

In 1986, Feng was promoted to be an associate professor. His tutor, Prof. Peter Gray, sent him a congratulatory letter saying, "This is outstandingly good news, and well deserved. The future of science in China is in the hands of people of your generation and background and if your country can give you the necessary opportunities, there should be a very impressive time ahead."

"Our country is doing what he said," Feng noted. Since 1987, Feng started teaching on his own to postgraduates. In 1989, Feng, 36 years old, was promoted to be a professor.

Feng is now deputy director of the Research Institute of Explosion and Safety Techniques under the Beijing Institute of Technology and director of the Na-



HUANG GONG

Feng Changgen working on the computer at Leeds University in 1982.



DUAN WENHUA

Feng Changgen and his students at Beijing Institute of Technology in 1990.

tional Public Laboratory for the Prevention and Control of Explosion Disasters.

In 1989, Feng was elected one of the Ten Outstanding Figures of the Chinese Youth.

Speaking of his family, Feng could not conceal his pride. He has a very caring wife and a clever five-year-old son. They live in a flat with two bedrooms and one sitting room. His wife is

doing research at the Beijing Institute of Commerce and does most of the household chores, so as to enable Feng to have more energy and time for his research. Occasionally, Feng seeks pleasure in shopping and cooking, bringing his son to kindergarten and going for an outing with his family after a period of intensive research. ■

Impressive Economic Development of Yanan

by Our Staff Reporter Li Li

In the past ten years, the total agricultural output of Yanan has increased 100 percent. Its industrial output increased 3.4 times and its retail sales volume 2.31 times. A large natural gas field was recently discovered in the area around it.

How are the economic situations in the landlocked former base areas of the Chinese revolution while the economies of China's coastal cities are developing vigorously? We journalists recently visited Yanan, the former seat of the Central Committee of the Chinese Communist Party and the Government of the Shaanxi-Gansu-Ningxia Border Region from January 1937 to March 1947. Di Kaoshan, secretary of Yanan Prefectural Party Committee, and Gao Pengfei, chief of the Administrative Bureau of Yanchang Oil Mine briefed us on the economic development in their area. We left with a deep impression that the party and government had given great support to the local economic development and that Yanan, like other parts of China, has a bright future.

Yanan is situated in the northern part of China's Shaanxi Province at the centre of the Loess Plateau. It experiences frequent natural disasters and used to be a poor agricultural area. Limited by its poor natural conditions and other extenuating circumstances, its economy had developed slowly between 1949 and 1978. Its people lived in extreme poverty before the 1970s. In 1978, its per

capita grain output was less than 309 kg while its per capita income was as low as 66.8 yuan. From 1970 to 1979, the state had resold 7.89 million kg of grain to it each year and provided a total relief fund of 5.99 million yuan to it. The proportion of its financial self-sufficiency stood at only 25 percent.

The Party and government have paid great attention to the economic development of Yanan after the third plenary session of the 11th Party Central Committee held in 1978. Since 1988, Jiang Zemin, general secretary of CPC Central Committee, Li Ruihuan, member of the Standing Committee of the Political Bureau and Premier Li Peng have separately come to Yanan to inspect for themselves and made a series of instructions to accelerate the economic development of Yanan. The Party and government have taken the following measures to support Yanan's economic development:

1. Providing financial assistance. From 1979 to 1989, the state provided a total of 232.1 million yuan to Yanan in the name of supporting economic development in the underdeveloped area. In 1986, the state gave an additional 37.64 million yuan in interest-free loans to the seven main pover-

ty stricken counties of the area for special projects designed to stimulate economic growth. The two volumes of funds totaled 269.74 million yuan.

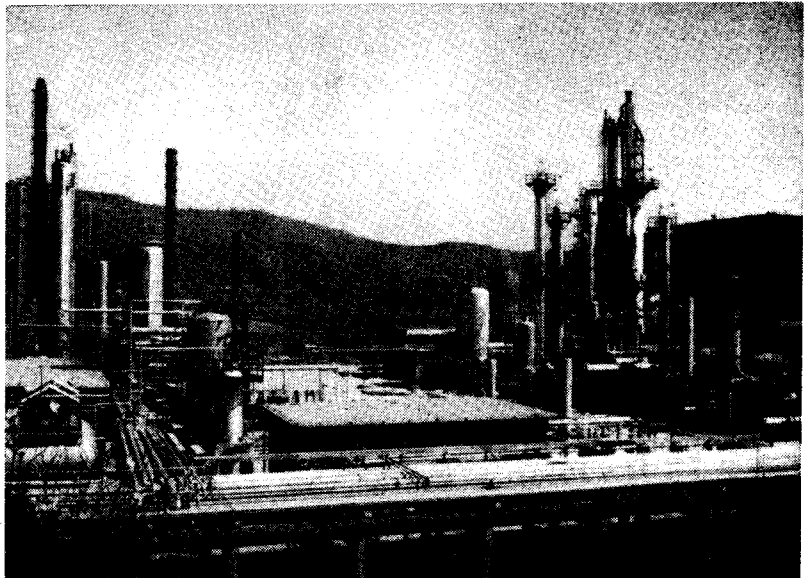
These funds have been used to construct a total of 42,700 hectares of rice paddies, plain and terraced farm fields; plant 308,000 hectares of trees and 237,000 hectares of grasses; tackle 3,452 square kilometers of water-loss and erosion of soil; erect 2362 kilometers of rural electric lines; build 2,544 kilometers of new roads and repair 826.5 kilometers of old roads. These funds have also helped to construct, transform or expand a total of 70 local industrial enterprises which produce oil, coal, cigarettes, wool products, leather goods, electric power, fertilizer and cement. In addition, these funds helped establish or expand 9 colleges or special technical schools, 11 vocational schools, 30 middle schools, 247 primary schools, 98 recreational stations, and 19 hospitals, epidemic prevention centers and health clinics. Generally speaking, these funds have played a great role in helping the area improve its rural infrastructure and commodity production by promoting its industrial development.

2. Enacting a series of preferential policies to increase the financial self-sufficiency of the local enterprises. Yanchang oil mine is a key industrial enterprise in Yanan. It is the first oil mine which was discovered and explored in China's mainland 84 years ago. It had once invited Japanese as technicians and entered into a contract with American oil companies to jointly explore the mine. However, its output remained low. From 1907 to 1934, it extracted only 2,842 tons of crude oil. In April 1935, the Red Army led by the Chinese Communist Party arrived in Yanan. Under the leadership of the Chinese Communist Party,

every effort was made to increase the oil output of the mine by drilling a few new rich oil wells. During the 15 years from 1935 to 1949, it produced a total of 4,133 tons of crude oil. The increased oil production made a great contribution to the Chinese revolution. After New China was established in 1949, its oil output increased and remained steady at 10,000 to 20,000 tons per year.

In 1978, Yanchang oil mine was listed by the government as one of the priority projects to support in the economic development of Yanan. Subsequently the government made a series of preferential policies to further develop the mine. They are as follows:

- (1). The state subsidized the mine on a quota basis;
- (2). The mine was given a spe-



Yanan Oil Refinery located in Luochuan County of Yanan, introduced modern refining equipment from Canada in 1986, which has increased its annual oil refining capacity to 700,000 tons.



An apple orchard in Yanan. An abundant apple harvest was achieved in Yanan in 1989.

cific amount of the money from the sale of its crude oil to be used for the maintenance and technical development of the mine;

(3). The quota of oil the mine was required to sell to the state remained unchanged for some years. All oil produced above the quota would be sold by the mine at market price;

(4). The profits of the mine were turned over to the higher authorities on a fixed quota.

The above preferential policies accelerated the development of the mine. Its crude oil output has annually increased by 24.52 percent. In the Sixth Five-Year Plan (1981-1985), it produced a total of 500,000 tons of crude oil, which equaled the total output of the mine in its previous 75 years. In the Seventh Five-Year Plan (1986-1990), its crude oil output increased to 1.43 million tons, 2.8 times that of the Sixth Five-Year Plan. The Yanchang oil mine has developed into a stable and profitable enterprise with four oil mines, two oil refineries, two chemical fertilizer factories, one oil machinery factory and eight drilling companies.

3. Helping the local government to improve the transportation system. The poor transportation conditions have been the major factor impeding economic development of the area. In the past, local transportation relied primarily on highways. However, there was only one highway between Yanan and Xian on which the traffic was often heavy. In order to improve the transport conditions, the government decided to build a railway from Yanan to Xian which required a total of 440 million yuan. The railway is expected to be completed in 1992. The opening of the railway will lay a sound foundation for the economic development of Yanan.

Thanks to the concerns and support of the party and government and the great efforts by the

Yanan people, tremendous changes have taken place in Yanan.

1. Its grain output has risen steadily and its rural economy is developing in all areas. Since 1980, its output of grain has reached a level of 500 million kg nearly every year. Grain output hit an all time high in 1984, reaching 600 million kg. Although there was a natural disaster in 1989, its grain output still was 550 million kg, 42 percent over that of 1978. The per-capita grain output during the same period increased from 309 kg to 396 kg. Total agricultural output value reached 510 million yuan, twice as much as that produced in 1978. The rural economy has also diversified, with cigarettes, fruits, sheep and potatoes production becoming the sectors of the economy expanding most rapidly. Their combined output value reached 290 million yuan in 1989, accounting for 57 percent of the total agricultural output value. The per-capita income of rural residents reached 330.6 yuan in 1989, nearly four times that of 1978 and 48.3 percent higher than in 1985.

2. The primary enterprises have developed rapidly and the backward conditions of its industries have been improved. The industrial output value and profits have grown steadily since 1980. The area's total industrial output value exceeded that of the agricultural sector for the first time in 1988. In 1989, it reached 640 million yuan, 4.4 times that of 1978. Oil, coal, cigarettes and wool spinning industries have become the backbone of the local economy. In 1989, the four trades fulfilled an output value of 431 million yuan and made 254 million yuan in profits, which made up 67.3 and 95.8 percent of the area's total industrial output value and profits respectively.

3. Both the urban and rural

markets are active, increasing financial revenues yearly. The number of the state, collective and private shops and stands has increased to 8,700, employing 29,600 people. The retail sales volume for 1989 amounted to 623 million yuan, 2.31 times higher than 1978. The sources of financial revenue have also increased with the development of the market economy. Yanan's tax revenue in 1989 reached 200 million yuan. Its financial revenue reached 188 million yuan, 7.48 times that of 1978. The proportion of its financial self-sufficiency increased from 25 percent in 1978 to 51 percent in 1989.

4. Education, culture, science, medical and health services have improved greatly. By 1989, the rate of school-age children enrolled in school reached 97 percent. There are 13 counties where primary education has become universal. About 1449 drinking water wells have been repaired or reconstructed. The endemic diseases which harmed the health of the local people for centuries, such as keshan, kaschin-beck and fluorine poisoning, have been nearly eradicated. Nine TV transmission stations have also been established.

In general, Yanan's economic reformation is in its infancy stages. Its target in the 1990s is to continue to raise the standard of living for all its residents and increase the industrial and agricultural production to a level never before achieved in Yanan.

It was reported recently that a large field of natural gas was discovered in Yanan and its outlying areas, extending from the provinces of Shaanxi, Gansu and Ningxia to Inner Mongolia. As the quality of the gas in the field is high and easy to extract, the drilling of the field will have great economic value, adding new vigour to the economic development of Yanan and its neighbouring regions. ■

The GCC Rises to the Challenge

by Wu Wenbin

At a time when the Gulf crisis continued to escalate, the 11th summit meeting of the Gulf Co-operation Council (GCC) adopted the Doha statement and issued a final communique, reaffirming that Iraq must unconditionally withdraw its troops from Kuwait before January 15 and restore the legitimate government of Kuwait in order to avoid war in the region.

The four-day summit meeting closed at the Paliamentary Palace in Doha, the capital of Qatar, on December 25. The leaders of the six member nations of the GCC, which was formed in 1981, conducted extensive, in-depth and frank discussions about a series of major issues concerning the Gulf countries and the Arab world, particularly the Gulf crisis. These discussions took place in an atmosphere of unity and friendly consultation in which

the participants reached a consensus opinion on the principles of summing up the past, facing the reality and building the future.

The Gulf crisis triggered by Iraq's August 2nd invasion of Kuwait and how to resolve it was the most important topic discussed at this summit. At present the Gulf crisis continues to escalate. Both the US-led multinational forces and Iraqi troops are fully deployed and staring each other in the eyes with daggers drawn. To avoid a catastrophe of war, the international community and related Arab countries have made unremitting diplomatic efforts, but the threat of war still looms large. The GCC, which is drawn into this crisis, urgently needs to unify its stand so as to jointly deal with this crisis.

The leaders of the six GCC

member states held two rounds of secret talks and repeated bilateral and multilateral closed-door consultations. Afterwards they unconditionally condemned Iraq's aggressive action, demanding that Iraq implement the resolutions adopted by the United Nations Security Council, the Arab Summit and the Islamic Conference Organization and unconditionally withdraw its troops from Kuwait. They called for the restoration of the legitimate Kuwaiti government and rebuked any proposal seeking a joint settlement of the Gulf crisis with any other Middle East issue. They said they are determined to restore Kuwait's sovereignty through peaceful means, but do not rule out the possibility of war.

Qatari Amir Sheikh Khalifa Bin Hamad al-Thani at the meeting stressed an Arab settlement in accordance with the UN Security Council resolutions. A settlement brought about by military conflict would not be conducive to the stability of the Gulf region, the unity of the Arab people, nor conform with the supreme interests of Arab nations. Omani Sultan Qaboos also emphasized that the Gulf crisis should be peacefully resolved on the basis of the internationally adopted resolutions. Sheikh Zayed of the United Arab Emirates maintained that no efforts should be spared to peacefully settle the Gulf crisis. King Fahd of Saudi Arabia in his speech said that all opportunities to settle the Gulf crisis peacefully should be exhausted before the situation develops into war. The

Gulf leaders meet at the 11th summit meeting of the GCC held in Doha, the capital of Qatar, on December 22-25, 1990. WU YIHONG



final communique pointed out that the invited troops from the Arab, Islamic and other friendly countries would return to their respective countries immediately after the threat which initiated their invitation disappears. The above collective stance is testament to the sincere desire of the GCC's leaders to peacefully resolve the Gulf crisis.

The economic and security co-operation of the GCC was another item discussed at the summit.

Recalling and summarizing the 10-year course of co-operation, the leaders of the GCC believe the present GCC circumstances would not conform to the rapidly changing situation in the Gulf region and the world. Therefore, they decided to set up military and economic commissions. The two commissions are respectively in charge of developing a new joint defence system and drafting economic agreements designed to remove tariff barriers, accelerate the process of integration and establish a common market of the GCC. This will undoubtedly strengthen the unity and co-operation of the GCC and promote the economic prosperity of the Gulf region.

The summit also decided to set up a fund with US\$16 billion to aid those Arab nations which suffer losses during this Gulf crisis. It reaffirmed its consistent stand on supporting the Palestinian cause, the Lebanese government's attempt to implement the Greater Beirut plan, and for the establishment of good-neighbourly and friendly relations with Iran.

The results achieved at this summit, as a GCC official noted, were particularly significant in light of the fact that it was held in the shadow of the Gulf crisis. They will have a positive impact upon the settlement of the crisis and promotion of overall Arab unity. ■

World Situation Unstable Despite Detente

by Hu Xueze and Bing Jinhu

In spite of the dramatic changes in US-Soviet relations, from adversaries to partners, the world is still facing many problems that threaten peace and security.

In the past year, a series of significant changes took place in the international community centring round the German unification, the Gulf crisis and the tremendous instability in the Soviet Union and Eastern Europe.

The bipolar Yalta system in which the United States and the Soviet Union confronted each other by dividing and ruling Germany and Europe has come to an end. This can be seen in the following developments:

- German reunification. The crumbling of the Berlin Wall in October 1989 led to the official announcement of reunification by both Germanies on October 3, 1990. In December, the first united German government was formed by Helmut Kohl, who won the national general elections with his Christian Democratic Union.

- Substantial changes in US-Soviet relations. The two super-powers have moved from confrontation to global co-ordination and co-operation. The

co-operative position that the Soviets took on the Gulf crisis, German reunification, East European events, and regional conflicts like Nicaragua, Angola and Cambodia convinced Washington that Soviet foreign policy and strategy have fundamentally changed. In 1990, the two countries held four summit meetings between their presidents and more than 20 meetings between their foreign ministers, resulting in far-reaching co-operation in arms control, bilateral relations and resolving regional conflicts. It seems impossible for this co-operative trend to reverse.

- The end of military confrontation between the North Atlantic Treaty Organization (NATO) and the Warsaw Pact. The past year saw two summit meetings by the two military blocs, at which it was announced that the military function of the two organizations would be changed. A "partnership" attitude would replace the hostile one between them. At the Paris summit meeting of the Conference on Security and Co-operation in Europe

(CSCE) in November, the two sides signed an agreement on conventional arms cuts.

The role of the United Nations has been enhanced significantly and major powers have shown an unprecedented consensus in coordinating their positions.

The world is becoming multipolar, with the two superpowers sharing more power with new emerging forces, such as Japan, Europe, India and Brazil. Neither Washington nor Moscow is able to unilaterally manipulate the world situation. Instead, they need international organizations and other countries to co-operate with them. After Iraq's invasion of Kuwait last August, the United Nations Security Council adopted 11 resolutions demanding the withdrawal of Iraqi forces from Kuwait and the restoration of Kuwait's territorial and sovereign integrity. The five permanent members of the Security Council — the United States, the Soviet Union, China, Britain and France — also met five times last year on the Cambodian question and worked out a framework under which a solution could be achieved. On food



HAN JUCE

On May 31, US President George Bush (right) holds a welcoming ceremony for visiting Soviet President Mikhail Gorbachev.

aid to the Soviet Union, the United States, Germany, Britain, France, Italy, Spain and Australia demonstrated unprecedented agreement, as did Washington, Moscow, London and Paris on the question of German reunification.

Various forces in the world are

adjusting their political alliances and economic relationships in the wake of these changes.

Politically, relations between big powers are characterized by both competition and co-operation. While conducting multi-channelled diplomacy, these countries are especially active in regional diplomacy. Last year, Soviet President Mikhail Gorbachev visited Germany, Italy, France and Spain. Chinese Premier Li Peng visited Indonesia, Thailand, Singapore, Malaysia, the Philippines, Sri Lanka and Laos. US President George Bush, on his part, visited Mexico, Uruguay, Argentina, Chile and Venezuela, countries in the US's "backyard."

Economically, the three economic rims centring respectively round the United States, Japan and Western Europe are developing rapidly and the world economic integration process is accelerating. The function of the seven Western industrial nations summit has been elevated to paying more attention to common

Towards a solution to the Cambodian question: On February 27, 1990, Son Sann (right), prime minister of the Coalition Government of Democratic Kampuchea, at a meeting in Jakarta, Indonesia, with Vice-President Khieu Samphan. XINHUA



political issues while continuing to co-ordinate their economic relations.

Europe is in the process of building a post-cold war order, with the United States, the Soviet Union, Germany, Britain and France being the major participants and the European Community (EC), NATO and CSCE the three major entities. It is hard to predict which of these three entities will be the dominant force in the future order. The EC is the most vigorous, NATO the most powerful, and the CSCE the most representative.

Asia is struggling to shred the cloak of the cold war. Last September the Soviet Union and South Korea established diplomatic relations. The Democratic People's Republic of Korea began talks with Japan on establishing diplomatic ties with each other. Prime ministers of both North and South Korea held three meetings. China resumed diplomatic ties with Indonesia and established diplomatic relations with Singapore and Saudi Arabia. China and South Korea also set up non-governmental trade offices in each other's capital. These examples highlight the realignment of relations among Asian nations.

The Middle East is on the brink of a hot war. The Iraqi invasion of Kuwait aggravated the already complex circumstances in the region. The Gulf crisis has divided the Arab world and debilitated the Arab Co-operation Council. Egypt, Iran, Saudi Arabia and Syria are promoting their role, becoming more prominent actors on the Middle East stage.

In terms of internal developments, the Soviet Union and Eastern Europe have totally relinquished Stalinist socialism and introduced a multi-party political system, featuring a parliamentary legislature and an ex-

ecutive office of the presidency. In addition, they have tried to shift to a market economy, but have been confronted with the grim realities that accompany such a transition. In Western Europe, the resignation of Margaret Thatcher marked the end of an era and an adjustment of Britain's policies towards the rest of Europe. Germany is gradually developing its eastern territory. Japan is steadily advancing from an economic power to a political and military power, as can be seen in the proposal of the United Nations Peace and Co-operation Bill, which allowed the government to send troops to the Gulf in the name of co-operating with the United Nations. The bill was aborted due to strong internal and external opposition.

The tendencies towards both relaxation and tensions are growing, and international relations in this transitional period are confronted with many destabilizing factors.

East-West relations are relaxing, but the decline of the United States and the Soviet Union, the latter in particular, and the rise of Japan, Germany and other regional powers, have broken the old bipolar balance of power. Political, economic, ethnic, religious and territorial disputes that were once hidden have surfaced.

In the meantime, the East and the South are attempting to move towards the West and the North. While retaining ideological and security touches, East-West relations will assume an increasingly heavier economic colour. The Soviet Union and East European countries are becoming more dependent on the West, at least economically. The economic and social gap between the North and South is further widening. What is more, the East and the South are competing against each other for Western capital and technology.

In arms control, disarmament and armament are both taking place, further breaking the traditional balance of power. Although the disarmament trend between East and West is alive and well, arms trade worldwide is growing. The arms race is intensifying in some countries and regions. Proliferation of advanced weapons and nuclear weapons is expanding. Countries like Iraq are actively developing nuclear, biological and chemical weapons. Germany and Japan are using non-nuclear technology to develop advanced weaponry.

Forecast

The international situation in 1991 may feature the following:

Contradictions and struggles within the Soviet Union will continue to intensify. The mainstream faction headed by Soviet President Gorbachev will probably hold on to power. The current political policies and economic reforms will continue, and a loose union will be built on the basis of federation or confederation. However, other possibilities cannot be excluded.

Whether the Gulf crisis is settled peacefully or by war, the Middle East turbulence will continue as the countries in that region will readjust their relationships. Egypt, Saudi Arabia and Syria will see their role enhanced, while the clout of Iraq will be weakened. Relations between the United States, Europe and Middle East countries will become more complicated. US and European military presence in this region will become a major problem which, in the process of the readjustment of state relations, will probably cause new conflicts.

The process towards European unity will be accelerated. Political detente, economic co-operation and further reduction of arms will greatly contri-



ZHANG XUN

The Middle East labyrinth: Syrian President Hafiz al-Assad holds talks with Egyptian President Hosni Mubarak in Cairo.

bute to the early realization of a financial and monetary union. Preparations for an integrated market will be basically completed by the end of this year. The European Community and the European Free Trade Association are likely to formally merge into an European economic zone. The EC will play an even more important role in determining the future pattern of Europe and the CSCE will also strengthen its influence.

With the breaking of the old balance of power in Europe, European countries have begun to rebuild their relations. The Franco-German axis is loosening, while France, Britain and Italy will strengthen their ties in order to check on a reunified Germany. France, Italy, Spain and Portugal will develop close ties among Latin countries and establish an interregional economic bloc with five north African countries. Italy, Austria, Hungary, Yugoslavia and Czechoslovakia are considering setting up a regional organization, which may include Bulgaria and Romania. Germany is vigorously developing a special relationship with Washington and Moscow, indicating that it plans to form a

New Triangle in Europe.

Generally, the situation in the Asian-Pacific region will continue to ease, with some factors remaining uncertain. In Soviet-Japanese relations, when Gorbachev visits Japan, he may make some concession on the northern four islands to reach a partial settlement of this problem. Under such circumstances, Soviet-Japanese relations will improve considerably and continue to develop. Japan may extend the Soviet Union loans worth billions of US dollars and food aid to help the country recover from its staggering economic problems. However, it is unlikely that they will sign a peace treaty, nor will they find a way to jointly develop the Soviet Union's Siberia region. Overall, no substantial change in Soviet-Japanese relations will appear.

In the Korean Peninsular, the north-south prime ministers conferences will gradually dissolve their differences, reduce hostility and seek more common interests and understanding. Cultural and sport contacts will increase. The two parts of Korea will develop relations with the United States, the Soviet Union, China and Japan on different levels. Japan

and Pyongyang will probably establish diplomatic ties. Moscow and Seoul will greatly develop their current relations. However, north-south relations cannot be dramatically improved in a short time due to their chronic estrangement.

In Cambodia, the issue of forming the Supreme National Council is likely to be settled in the first quarter of 1991. At the Paris Conference scheduled for March, the four factions involved in the Cambodian conflict will probably sign an agreement on the principles concerning the Cambodian question set forth by the five permanent Security Council members.

This agreement will seek a cease-fire, the reorganization of armed forces, the performance of power by the SNC and the holding of general elections. However it will take a long time to carry out the agreement, which depends largely on the results of Vietnam's leadership reshuffle at the seventh congress of the Vietnamese Communist Party to be held in May. In general, the direction of a political settlement of the Cambodian issue is unlikely to be reversed.

Sino-US relations will gradually warm up. On the part of Washington, it will slacken restrictions on the transfer of technology. Capitol Hill will ease pressures, allowing the World Bank to offer loans to China, and the exchange of visits by ministerial-level officials will be resumed. However, the resumption and improvement of Sino-US ties will not be smooth. Sino-Japanese links will have a better prospect. The third yen loan is now being implemented, and contacts between ministerial-level officials will be restored. However, Sino-Japanese relations, checked by Sino-US ties and relations between China and Western Europe, are unlikely to progress quickly. ■

China Applies Agro-ecology Practice

ZHONGGUO KAIFA BAO
(China Development News)

China has carried out experimental agro-ecology practices in more than 270 townships and 170 counties in 29 provinces and autonomous regions. So far more than 400 agro-ecology farms and 27 agro-ecology townships, covering a total area of 37 million *mu* (15 *mu* = 1 hectare), have been built.

China began to launch the agro-ecology practices in the early 1980s and since then various types of agro-ecology projects have been built in accordance with different ecological environments and economic and technological levels. The scale of agro-ecology practices has gradually increased and remarkable economic results have been achieved. The statistics from 36 pilot units show that their income per capita exceeded the country's average. In Pingsha village, Xinshi Town, Baiyun District, Guangzhou city, the income per capita has reached more than 2,000 yuan, a 90 percent increase over 1985, prior to the experiment.

The implementation of agro-ecology practices has also prevented the deterioration of soil erosion and bettered ecological environment for agriculture. In Hequ County, Shanxi Province in the middle reaches of the Huanghe (Yellow) River, where soil erosion is serious, more than 60,000 hectares of land have been controlled using agro-ecology practices and more than 6 million tons of sand have been prevented annually from entering the Huanghe (Yellow) River.

According to an investigation at some testing sites in several provinces and cities, the implementation of agri-ecology practices has increased total grain output by 15 percent. Hequ

County gained a total grain output of 50 million kg in 1988, a 63 percent increase compared with 1983.

(Issue No. 168)

China Successfully Houses Millions

RENMIN RIBAO
(People's Daily, Overseas Edition)

Between 1979 and 1989, China provided new houses for 500 million people, acquiring a reputation as the world's biggest housing producer. In that decade, completed housing covered 9.2 billion square metres compared with 3 billion square metres completed in the 30-odd years up to 1979.

Today, the dwelling area per capita for rural residents surpasses that of urban residents. In urban areas, the size of the city is inversely proportional to the dwelling area per capita.

Population, land and economic conditions dictate the type of housing in Chinese cities. Concentrated dwelling arrangements or small residential areas have become the norm. Small residential areas have become a priority with the Ministry of Construction. It plans to build 20 small residential areas every two years throughout China, at least 200 in the next decade.

Many Chinese cities are now considering the reconstruction of old parts of their cities where population densities are high and housing conditions poor. For large cities such as Shanghai and Tianjin, the reconstruction should begin immediately.

The building of multi-level commercial dwellings will also continue in urban areas.

Less money should be spent on rural housing but quality must remain high. In some rural areas, the building of commercial dwellings in villages and townships is being considered.

Programmes for rural housing will gradually be developed, and the practice of constructing similarly designed dwellings in villages, which has already been done in some rural areas, will be encouraged.

(July 14, 1990)

Rural Women Seek Education

NONGMIN RIBAO
(Farmer's Daily)

In Jiachu, a mountain village in Yongkang County of Zhejiang Province, women are striving for a college education.

In this village, with less than 100 households, one woman out of every three households is seeking a college degree with the China Agricultural Correspondence College.

In the past the village was inaccessible. Because modern scientific technology and other outside information had not reached this rural area, there was no opportunity to receive an education.

The reform awakened the villagers, first the men established businesses and engaged in trade. The women then realized that it was hardly possible to lift themselves out of poverty and become rich without mastering science and technology. Upon learning the news that the China Agricultural Correspondence College would provide opportunities to study in their home village, they applied for admission. Ms Jia Meixi enrolled herself in the college after graduating from high school. Mrs Jia Meidong, though in her mid-50's, also enrolled for study.

Now, in order to meet the farmers' demands, the college has established a branch in the village where a teacher has been assigned.

(Nov. 3, 1990)

Sino-Foreign Auto Enterprises Grow

In recent years, China's automobile trade has made tremendous progress by using foreign capital, and has absorbed direct investment of US\$460 million from 12 countries and regions.

An official of the China National Automobile Corp. said that China has 39 Sino-foreign auto enterprises, of which 32 are joint ventures, three wholly foreign-owned corporations and four co-operative enterprises. They produce automobiles, motorcycles and spare parts.

The Shanghai-Volkswagen Corp. Ltd. was the first joint venture with the German Volkswagen Corp. in China. Since opening for business in April 1985, it has produced 60,000 Santana sedans, the most common car in China today.

The Audi model of the Changchun No. 1 Automobile Plant, Peugeot of Guangzhou, Steyr of the Jinan Heavy Truck Works, Isuzu of Jiangxi, Daihatsu of Tianjin and Iveco of Nanjing all sell well on the Chinese market.

Although China carried out an economic austerity policy in 1989 and overall profits in the automobile industry experienced a dropoff, some foreign-financed auto makers experienced a more profitable year. The Shanghai-Volkswagen Corp.'s profit margin increased by more than 20 percent.

The 40,000-odd jeeps produced in 1990 by the Beijing Jeep Co. Ltd., a Sino-US joint venture, sold out, forcing the company to produce an additional 50,000. It is reported that jeeps to be produced during the first half of 1991 have all been ordered.

Recently, the German Volkswagen Corp., which manufactures the Santana in co-operation with Shanghai has again signed a

joint-venture agreement with the Changchun No. 1 Automobile Plant to produce 150,000 Golf sedans. The investment for this project is 4.2 billion yuan, with shares being split between the China and German parties 6 to 4. It is scheduled to be completed in 1994 and carries a time limit of 25 years. The China Second Automobile Works has also recently entered into a joint-venture agreement. The agreement with the French Automobiles Citroen Co., which calls for the production of 300,000 sedans, was signed in Paris on December 19, 1990.

The official expressed that the Chinese automobile industry will further invite foreign capital and introduce advanced foreign technology. We particularly encourage foreign businessmen to invest in the production of auto spare parts, industrial equipment, and in the development of items which can supply the necessary technology to improve China's automobile production and testing standards.

by Li Ming

New Trade Agreement With Japan

China signed a new long-term trade agreement with Japan in Tokyo at the end of 1990. Before the signing of the new agreement, the two sides highly praised the positive role played by the long-term trade agreement concluded 13 years ago in the development of economic and trade relations between China and Japan.

An official of the Ministry of Foreign Economic Relations and Trade noted that China will, according to the new trade agreement, increase the annual export volume of coal from 3.7 million - 4.1 million tons to 3.9 million - 5.3 million tons in addition to maintaining the past annual export level of 8.8 million - 9.3 mil-

lion tons of crude oil. Also, there will be an increase in items of technology, complete sets of equipment and building materials exported by Japan to China.

In order to smoothly implement the new trade agreement, the Chinese side has set up special organizations to overlook the trade of technological equipment, coal and oil between the two sides.

Since the first Sino-Japanese long-term trade agreement was signed in February 1978, China has exported to Japan 110 million tons of crude oil and more than 38 million tons of coal with a total value of more than US\$20 billion. The value of the technology, complete sets of equipment and building materials imported from Japan exceeded US\$10 billion. The agreement has played an important role in developing bilateral trade, especially in ensuring stable crude oil and coal supply for Japan, increasing the import of machinery equipment and in enabling the Sino-Japanese trade to develop towards a balanced expansion.

The two sides noted that the signing of the new trade agreement would not only offer favourable conditions for China in its export of crude oil and coal to Japan but would also be important for China to import necessary technology, equipment and building materials from Japan. ■

Foreign Funds Expand Telephone Networks

During the 7th Five-Year Plan period (1986-90), China's telephone networks in Tianjin, Shanghai and Guangzhou were expanded and renovated with the second overseas economic fund loan from Japan. The networks were recently examined, approved and put into operation. -

It is the first large project undertaken by the Ministry of Post

and Telecommunications which uses advanced overseas equipment and technology to transform urban telephone networks. The total investment is 1.157 billion yuan, of which 832 million yuan is foreign capital. China has signed 290 goods supply contracts with over 70 companies in Japan, Sweden, the United States, and Hong Kong.

The project started in October 1985. Equipment was installed in 1987 and later put into operation in a four-step process. In the past five years, 300,000 programme-controlled exchangers and the corresponding connecting equipment have been installed in 55 telephone bureaus in the three cities. The programme-controlled exchangers account for approximately 70 percent of the total telephone equipment. Besides, a fee-collecting centre, a software centre and maintenance centre have been set up in each of the three cities. In Tianjin and Shanghai, a mobile telecommunications system has also been installed.

By June 1990, the number of households in the three cities with phone service reached 260,000. The completion of the expanded telephone networks in the three cities have relieved the telephone traffic-jam and improved the quality of telephone communications there.

Guangzhou has become the first provincial capital in China to fulfil all-number exchange and transmission and has recovered 240 million yuan of investment.

by Kou Zhengling

Taiwan Establishes Hi-Tech Centre

Taiwan's businessman Pan Siyuan invested US\$30 million to set up the Pan Pacific Scientific and Technological Centre in the Fuzhou Economic and Technological Development Zone, Fujian

Province. The centre's construction is scheduled to begin soon.

With an area of 120,000 square metres, the centre is equipped with biological technology, special materials, and high precision scientific and medical apparatuses and various new technological projects. The entire industrial centre is presently still under construction and is expected to be completed for three years. At least three new technological industrial projects will have been put into operation by early 1992.

Pan Siyuan is the chairman of the Board of the Pan Pacific Group, which has set up more than 30 branches throughout the world. Since 1979, Pan has established 17 joint ventures and solely owned enterprises in Hainan, Hubei, Shandong, Zhejiang and Fujian provinces and Beijing, Shanghai and Tianjin cities. His products are exported abroad, valued at more than US\$20 million annually. Currently his enterprises recover between 40 percent and 50 percent of the initial investment per year.

The mainland has improved its investment climate, Pan said, and enjoys an abundance of cheap labour and well qualified intellectuals. Many feasible hi-tech projects have yet to be developed to their maximum potential, signaling that there is much to be accomplished in China. ■

Jinzhou Opens to Foreign Ships

On December 20, 1990, a Japanese freighter fully loaded with cargoes left the Jinzhou Harbour, northeast China's third largest on its maiden voyage. This marked the 49th port of China to be opened to foreign bulk cargo ships.

Jinzhou Harbour, located inside the Jinzhou Bay of the northwest part of Liaodong Peninsula in China's Bohai Sea, is about

35 km from Jinzhou city. A favourable natural environment enables the harbour to withstand frostbitten temperatures in the winter without freezing the port shut. With excellent natural conditions for the development of a large comprehensive port, it is an important import and export centre for Northeast China's open coastal zones and inland areas.

Construction of the harbour began in October 1986 and carries a total investment of US\$50 million, of which US\$18 million was provided in the form of a loan by Kuwaiti government. The first-phase project has already been completed. A sundry goods berth and a refined oil berth have been completed and are operational with an annual handling capacity of 1.58 million tons.

The second-phase project has been designated as a top priority during China's construction programme between 1990 and 1995. This phase will expand the Jinzhou trading port handling capacity to 2.8 million tons. Five 10,000-ton-class berths including one for refined oil and four for sundry goods are scheduled for construction during this period as well.

Hu Zhanshan, mayor of Jinzhou city said, that the port's opening would not only promote the city's opening up to the outside world but play an important role in the economic development of the vast inland area of northeast China and Inner Mongolia. At present, the city has become a major terminal between the above-mentioned areas and the outside world.

In order to improve the port's overall economic climate and take full advantage of an open trading port by attracting foreign investment, the city has established the Jinzhou Harbour Special Economic Zone and formulated special regulations and

incentives to encourage the influx of foreign investment into the area. Overseas Chinese and foreign businessmen are encouraged to invest and conduct business.

by Liu Jianjun

Foreign Funds For Baotou

The Baotou people's government in north China's Inner Mongolian Autonomous Region has formulated a series of preferential policies to attract foreign businesses to invest in the exploration of its rare-earth high-tech development zone.

The policies include the following:

—Foreign businesses are allowed to operate high-tech enterprises in the high-tech development zone by establishing joint ventures, wholly foreign-owned enterprises or co-operatively managed projects. Foreign-funded enterprises can utilize and develop land at no cost.

—From the date of registration, high-tech enterprises will enjoy a five-year income tax exemption, a 50 percent tax break in the following five years and income tax is levied at a 55 percent rate thereafter.

New production and management buildings used for technological development will be exempt from construction tax.

—Products (including instruments and equipment) that rare-earth high-tech enterprises import for the purpose of developing export-oriented products will be exempt from customs duties, industrial and commercial consolidated tax, product tax and value-added tax for a period of five years. So will products, samples, raw and auxiliary materials, components, spare parts, and accessories imported for producing import-substitutes as well as goods directly con-

sumed in the process of production.

—New products, manufactured according to the trial production plan of the autonomous region's scientific and economic commission and qualified and approved by an examination process, will enjoy a three-year exemption of product tax and value-added tax.

Baotou was approved to be the only rare-earth high-tech development zone in China by the people's government of the Inner Mongolian Autonomous Region in September 1990.

According to the plan, the zone will be entirely completed in ten years. From 1991 to 1993, it will build a group of start-up, high-tech enterprises. During this initial stage, it will develop highly pure rare-earth products, such as rare-earth permanent-magnetic material, rare-earth luminous material, fine ceramics, rare-earth hydrogen-storing material, and their coinciding primary products, 12 in all. From 1994 to 1996, it will gradually set up a group of high-tech enterprises and at the same time speed up construction of auxiliary projects. From 1997 to 2000, it will turn to the comprehensive development of high-tech industries and the construction of a high-tech industrial base.

Baotou is one of the 13 largest cities in China and the largest industrial centre in the minority regions. It boasts 75 percent of the world's rare-earth resources. The Baotou Iron, Steel and Rare-Earth Co., the largest of its kind in China, operates a group of key rare-earth factories, a rare-earth research academy, and units relating to the research and development and practical application of rare-earth material. Baotou also possesses more than 50 internationally accepted technological items for dressing, separating and intensive processing of rare earth. The Baotou-based National Rare

Earth Survey and Testing Centre has made wide contacts with, and become a respected member of international rare-earth circles. The Baotou area boasts 82 types of rare-earth, capable of producing over 200 specific rare-earth products, which account for 60 percent of the country's total rare-earth output.

Baotou has all the necessary conditions to foster industrial development, including convenient communications and ample water and electricity supplies. Clearly Baotou has a favourable environment for the establishment of a rare-earth high-tech development zone.

by Li Ming

News in Brief

- A consortium of ten Japanese banks recently provided the China National Petrochemical Corp. with US\$80 million in loan. It is the largest international commercial loan provided directly to China since international banks restored lending to China a short time ago. The loan will be used for the construction of the 300,000-ton Qilu ethylene project in Shandong Province.

- The Huaneng International Power Development Co. signed a contract in Beijing with the Technology and Economy Export Integrated Co. of the Soviet Union at the end of 1990 for the import of two Soviet 300,000-kw power generators for the Yingkou Power Plant.

The project will make use of extended credit and barter trade. For example, 80 percent of long-term loans provided by the Soviet Union will be repaid through repair of Soviet ships, the remainder to be paid by export of Chinese light industrial products, textiles, electronics products, daily use articles and other goods.

According to the contract stipulations, the power plant will be completed and put into operation in February 1994. ■

National Opera Festival Held in Zhuzhou

A national opera festival, the largest ever since the founding of the People's Republic of China, was held recently in Zhuzhou City, Hunan Province. During the festival, 15 Chinese opera troupes presented 15 programmes. People from all walks of life, old and young, went to the local theatres to appreciate the ten-day-long performance.

The China Opera and Dance Drama Theatre performed episodes from four modern Chinese operas including *The White Haired Girl*, a production of the 1940s reflecting the landlords' suppression and exploitation of the peasants. Fourteen other operas were all new works produced since 1985, including both Western opera and works steeped in Chinese tradition. The subjects were varied, relating to contemporary life, history and ancient Chinese legends.

The opera *Ah Lilang* presented by the Yanbian Song and Dance Troupe from Jilin Province was highly acclaimed by the audience. The opera is based on a popular Korean folk tale, an oriental *Romeo and Juliet*. The story tells of Li Lang, a poor young farmer who falls in love with Ah Ying, a girl of noble family. Ah Ying's father is opposed to the love affair and forces his daughter to marry General Pei. Ah Ying's father and General Pei conspire to throw Li Lang into the sea. The grief-stricken Ah Ying kills herself at the wedding ceremony. However, Li Lang survives and returns, only to find his love dead. Ah Lang also commits suicide. In this opera, the music and dance of the Korean nationality, the plot, music, the stage design and the actor's artistic talents combined to produce an outstanding artistic production. The opera won three awards for best opera, best music and best per-

formance.

The opera *Come and Go*, which also won praise from the experts, is a combination of several ancient Chinese legends. In prehistoric times, there were ten suns in the sky, which baked the earth causing great sufferings among the people. Hou Yi, a legendary hero in Chinese mythology, shot down nine of the Suns with his magic arrows, thus relieving the masses from the calamity. Hou Yi won the love and respect of the people but aroused the hatred and jealousy of Feng Meng. Feng Meng, in order to drive a wedge between Hou Yi and his beautiful wife Chang E, stole a magic arrow from Hou Yi and gave it to Butterfly, his own mistress. He told Chang E that Hou Yi himself had given the arrow to Butterfly as a love token. Then Feng Meng killed Hou Yi with the arrow. Hou Yi, after death, was transformed into a leader of devils and shot his arrows into the eyes of Feng Meng and blinded him. However, Hou Yi and Chang E remained far apart forever in two different worlds. The opera won awards for performance and best music composition.

Quite a number of operas focus on contemporary life. The Huadeng Opera Troupe from Anshun Prefecture, Guizhou Province presented a local opera, *People of My Hometown*. This opera describes the confrontation between new ideas and values and traditional ideas and customs by telling the story of a young eel, a *Bouyei* nationality girl named Jin Mi. *Sea Flower*, performed by the Changhai County Artistic Troupe from Dalian City, depicts the life of fishermen on an island who begin to live a prosperous life under the Chinese reform policy. Since the work was produced in 1986, it has been performed more than 200 times

and won high praise.

Operas featuring modern Chinese revolutionary history made up a large percentage of the operas presented at the festival.

Mulberry Tree, performed by the Changsha City Song and Dance Theatre, tells the story of a veteran Red Army soldier who returns home after victory. It depicts the glorious sentiments of the old revolutionary fighter and eulogizes the people's strong belief in revolution and their sacrifices and contribution to the revolutionary cause. In the opera *Red Earth*, the struggle of a contingent of women's Red Guards in Jiangxi Province in the 1940s is depicted in a romantic way.

During the festival, cultural officials from the central and local governments, directors and critics had heated discussions at a number of forums. In a speech by He Jingzhi, acting minister of culture, opera workers were encouraged to create more and better operas incorporating both modern ideology and national character.

The Ministry of Culture gave awards to 39 opera performing units who had made outstanding achievements in recent years.

Western opera was first introduced to China at the beginning of this century. In more than half a century, Chinese opera developed rapidly. Since the founding of the People's Republic of China, Chinese opera units have staged over 100 operas. During the ten years of reform and opening to the outside world, greater achievements have been made in the field of opera production. China has created and staged more than 70 new operas between 1980 and 1990. Large numbers of playwrights, composers, set designers, directors and actors were trained. Apart from Chinese national operas, many world classics have also been staged.

by Feng Jing

Farmer Paintings Exhibited in Beijing Gallery

The colours are bold and vivid. The style is simple and child-like. Painted on pink *Xuan* paper (a high quality paper made in Xuancheng, Anhui Province, used especially for traditional Chinese painting and calligraphy), several youngsters are playing with a yellow dragon while little girls sing and dance happily. This folk painting, together with more than 400 other paintings expressing different local flavours, has aroused strong interest among both Chinese and foreigners at a display set up in the Beijing Concert Hall.

However, all of the artists are farmers from Jinshan County of Shanghai, Pixian County of Jiangsu Province, Dafang County of Guizhou Province, Lunan County of Yunnan Province, Ansai County of Shaanxi Province, Jilin city of Jilin Province, and Yangliuqing Town in the suburbs of Tianjin. This China Folk Painting Exhibition, which opened at the end of 1990, proved to be so successful that on the opening day alone, dozens of works were purchased by art enthusiasts from Australia, Austria, Sweden, Germany and Romania.

All the exhibits reflect the peculiar aesthetics and techniques of Chinese folk art. The style has developed from such folk art forms as embroidery, paper-cut, wax printing and knitting that have been carried on for thousands of years. The yellow dragon painting mentioned above, for example, was painted by former embroiderer Cao Jinying from Jinshan County using the design and colour patterns of Jiangsu Embroidery. "It can be said it is the first true farmer painting in terms of its content, form and technique," said Wu Tongzhang, chairman of the Jin-

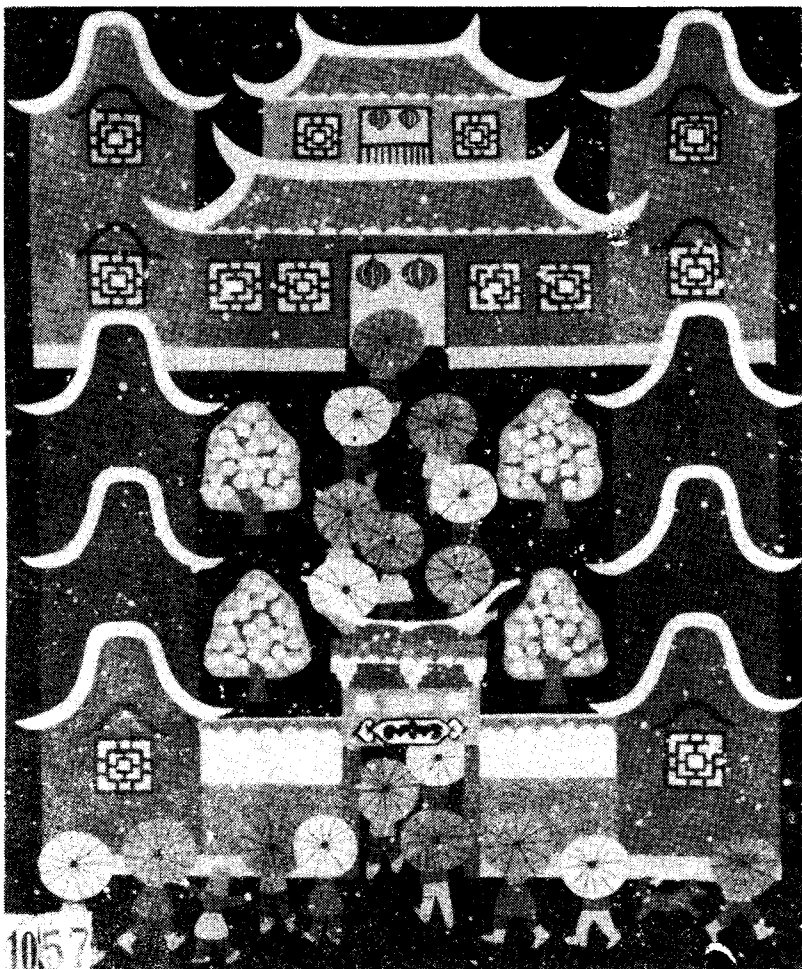
shan Farmer Painting Society.

Ruan Sidi, 84, was adept at papercutting in her youth, and she began to paint when she was 72 years old. Her works *Hatch Egg* is distinguished by its rich colours, impressing viewers as being lively, subjective and emotional. In the centre of this painting is a colourful hen brooding on multicoloured eggs in a grass basket surrounded by flowers. The whole picture creates an auspicious, fruitful and beautiful atmosphere.

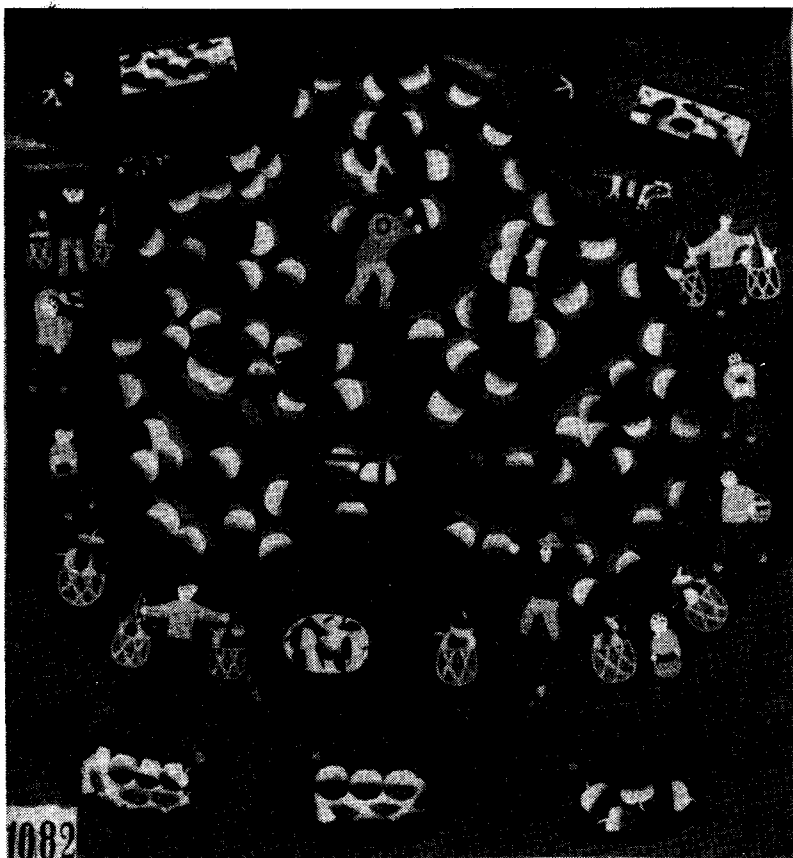
Many works at the exhibition

are characterized by full designs and a strong sense of decoration. In *Fishing* painted by a woman farmer, Chen Dehua, two fishing nets spread out like two flowers in the centre, while moon-shaped fishing boats, fishermen, big fish as well as small flowers fill in the whole scene. As an ideal life scene in the author's imagination, the work is surrealistic and aesthetically pleasing.

Although the painters focus on presenting their feelings about the realistic life, their works are inevitably marked with aborigin-



Going to Night School in Snow by a farmer from Shanghai's Jinshan County.



Picking Peaches by a farmer from Shanghai's Jinshan County.

al and religious traces from early folk art. For instance, *Smoking Monkey* painted by Zhang Zhilan, a woman farmer in Ansai County, reminds one of totem worshipping among ancient people. The painting's subject is traditional—a big monkey, painted with simple lines and colours, enjoying himself with a long-stemmed tobacco pipe dangling from his lips. In terms of style, it is suggestive of the papercut art form seen in Shaanxi Province.

Most paintings by farmers of Dafang County are based on ancient myths and legends of such minority nationalities as the Yi and Miao. These works are conspicuous for their exaggeration, distortion and abstraction and enable the artists to give full play to their imaginations. Almost all of the works are painted with

weird colours, and the images are hard to distinguish. When one examines them closely, there seems to be nothing definite, but by stepping back, they are at once mysterious and obscurely beautiful.

Beginning in 1991, the Beijing Concert Hall art gallery will reserve an area for the exhibit of Chinese folk painting art so that both Chinese and foreign viewers can appreciate and buy the paintings at any time, according to Qian Cheng, manager of the art gallery. Meanwhile, in order to keep art-lovers abreast of the current trends in Chinese painting, the gallery will hold exhibitions of high quality paintings, especially works of promising new artists with unique style but unknown in painting circles, and thus help promote the development of Chinese painting.

by Cui Lili

Sichuan Cuisine Wins World Fame

Sichuan styled dishes, one of the four leading Chinese cuisines, is gaining popularity in foreign countries.

The cuisine, noted for its spicy and chilly flavours, originated in southwest China's Sichuan Province and has developed over a period of 2,000 years.

Today, Chinese master chefs specializing in Sichuan cuisine are travelling in more than 30 countries and regions worldwide. The Sichuan Cuisine Association (SCA) alone has sent nearly 1,000 chefs to give cooking demonstrations and train foreign chefs in the past ten years.

Lu Junliang, secretary general of SCA, told Xinhua recently that the province has co-operated with its foreign partners in establishing more than 50 Sichuan restaurants throughout the world.

Sichuan chefs have also helped organize exhibitions, cooking competitions and Sichuan food festivals in the United States, Japan, Switzerland, Sweden, Norway, Singapore, Malaysia, Thailand and Hong Kong.

A book on famous Chinese dishes, which was compiled jointly by China and Japan and published in Chinese, Japanese and English, provides a detailed introduction to the varieties and cooking skills of Sichuan foods.

A few other Chinese chefs employed by foreign restaurants are also working on their own books about Sichuan cuisine with the help of foreign chefs. ■



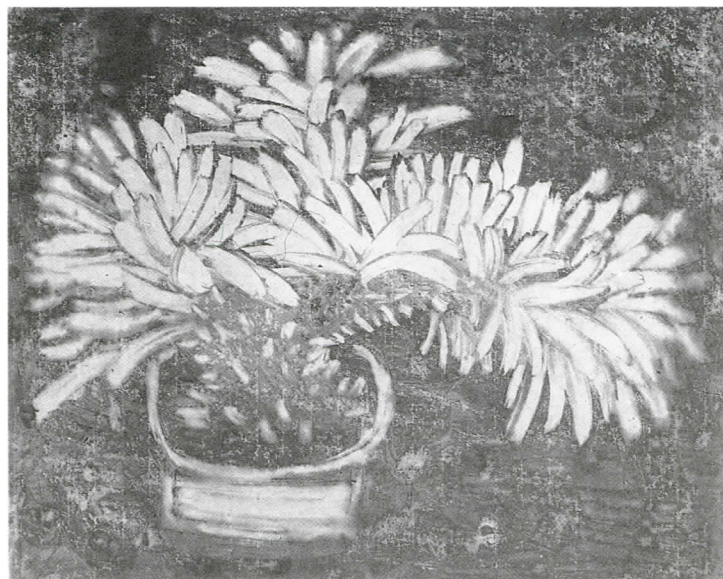
Chrysanthemums.

Paintings by Sun Hongbin

Sun Hongbin, born in Yutai County, Shandong Province in 1940, is now working at the Zhongqu Cultural Bureau in Jining City of the same province. The paintings introduced here are made by reprinting on paper from glass. This new technique, a combination of colour ink painting and engraving, was first created by the artist.



Egrets.



Potted Grass.

ART PAGE

BEIJING REVIEW

A Window on China



Beijing Review, China's only weekly foreign language current affairs magazine, was first launched in English in March 1958. It is now available in English, French, Spanish, German and Japanese. As well as the regular English edition, a North American edition is printed and distributed in the USA.

In January 1988, *Chinafrique*, a monthly in French, was published by *Beijing Review* for distribution in African countries.

The six editions are essentially similar in content but vary to cater for the readership in different regions of the world. The magazine aims to

- provide information on political, economic, cultural and social developments and trends in China;
- offer insight into the theories, lines, principles and policies of the Chinese Communist Party;
- acquaint readers with Chinese views on major international issues.

Beijing Review is an important source of information for overseas government officials, experts, scholars and business people interested in recent developments in China. It is often quoted by foreign media and is used by professors as a source of reference for students of overseas universities.

The back cover of *Beijing Review* carries colour advertisements.

Beijing Review is airmailed to over 150 countries and regions. It is distributed by the China International Book Trading Corporation (Guoji Shudian), P.O. Box 399, Beijing, China.