

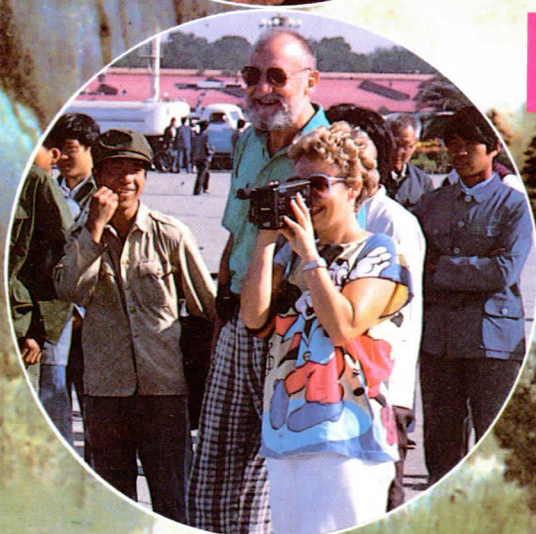
A CHINESE WEEKLY OF NEWS AND VIEWS

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GROWTH EXPECTED IN TOURISM IN 1991



The World Economy
In the 1990s



Taking a peep at my beautiful hometown scenery through a camera.

Photo by Li Shixiang

HIGHLIGHTS OF THE WEEK

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COVER: Top: A couple of newlyweds from Japan hold a wedding ceremony on the Great Wall.

Photo by Xue Chao
Centre: Foreign tourists on the Tiananmen rostrum in Beijing.

Bottom: Foreign tourists visiting the Longmen Grottoes in Henan Province.

Photos by Wang Donghai

China: Economic Reform Still on Track

□ China's economic rectification campaign, up and running since 1988, has been of great benefit to the country. There are still pitfalls, however, on the way of economic reform. To steer the economy clear of potential problems and continue on the road of sustained, stable and co-ordinated development, three top Chinese economists aired their opinions as to how best to integrate planning with market forces and the rationale behind the rectification (pp. 8-14).

The World Economy in Prospect

□ The developed nations in the West are in for a fresh round of economic recession in the next five years, two Chinese economists say. But the picture is not that gloomy on a global scale. The world economic readjustments and positive changes that took place in the decade that has just gone by will have profound influence on the development of the world economy as a whole (p. 24).

The UN Faces Tough Mission in the 1990s

□ At present, mankind still faces many urgent issues to be resolved in the next decade. The United Nations will exert the utmost efforts for settlement of regional hot-spot issues such as the Gulf crisis. Meanwhile it will brook no delay in settling the economic, social, disarmament and environmental protection issues. It is believed that the United Nations will continue to play an important role, only if it deals with these issues in accordance with the purposes and principles outlined in its charter (p. 22).

Progresses in Superconductor Research

□ A series of new discoveries have put China in the world's front ranks in the research of high-temperature superconductors. In the next Five-Year Plan period (1991-95), Chinese scientists will work to put these superconductors into practical use (p. 6).

Fresh Growth of Tourism Expected in 1991

□ In 1990, China's tourism recovered from a slowdown faster than expected. In 1991, it is expected to overtake 1988 as business increases. This statement was made by Liu Yi, director of the State General Administration for Travel and Tourism, in a recent interview with *Beijing Review* (p. 15).

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Readjusting the Economy and Deepening the Reform

by Dai Yannian

Improving the economic environment and rectifying the economic order became the watchword for China in the autumn of 1988. Now, after more than two years, this remains the major task for 1991. Does this mean that China's economic restructuring, which has attracted world attention, has come to an end? The answer is no because the reform is still well under way.

Take, for example, price reform which has figured prominently in various aspects of economic reform. In 1989, China raised the prices of coal, crude oil and salt, as well as charges for passenger transport by railway, waterway and air, the contract purchasing price for grain, the sales price for cotton, and the price of electricity was also raised in some areas. Price reform continued in 1990. Price rises also covered some daily necessities and transport charge which have long remained low. The purchasing prices of cotton, sugar and edible oil went up by 27 percent, 13 percent and 28 percent respectively, the selling prices of detergent and soap by 20 percent, charges for freight transport by railway and waterway by 29 percent and postage by 120 percent. In some areas, the prices of milk, tap water, gas and bus tickets have been jacked up. These price readjustments have, to some extent, improved the situation in which unified prices, set by the state, were kept so low for so long that they did a glaring injustice to the true value of the commodities. They have helped overcome the unfair income gap among trades, and promoted the development of commodity production.

In the past two years, the country witnessed further progress in rural reform, in the transformation of state-owned enterprises and in readjusting the macro-economic control system.

In the late 1980s, China faced such problems as an overheated economy, snowballing capital construction, excessive issuance of money, frenzied consumer spending, demand exceeding supply, inflation and market confusion. These problems seriously hampered the normal development of the national economy and held up the progress of reforms. In a bid to solve these problems, the Third Plenary Session of the 13th Central Committee of the Chinese Communist Party held in September 1988 put forward the policy of "improving the economic environment, rectifying the economic order, and deepening the reform in an all-round way." The policy puts reform on a par with economic improvement and rectification because the above-mentioned problems were due to certain mistakes in our work at the time in addition to long-standing problems in past economic development, the defects of the economic structure, as well as incomplete reform measures. All of these problems, the Plenary Session decided, could be resolved only by deepening the reform. Therefore, economic improvement and the deepening of reform are not contradictory but complementary to each other. Economic readjustment aims to create a better environment for reform, while deepening the reform helps consolidate and develop the achievements of economic readjustment.

Their goals are identical; both are targeted at a steady, sustained and co-ordinated development of the economy.

Economic readjustment has two goals: one is the short-term goal of curbing inflation, establishing a good economic order and environment, and bringing about economic, social and psychological stability. The other is the medium- and long-term goal of readjusting the economic and industrial structures, improving economic efficiency and bringing about a well-rounded economic cycle. In order to attain these two goals, the Chinese government has organically integrated economic readjustment and reform. It has adopted measures to reduce the scale of investment in fixed assets, control the issuance of paper money and the scale of credit, appropriately slow the speed of economic growth and keep consumption demand low. These steps have yielded remarkable results. In February 1989, the growth of retail price index of commodities was 27.9 percent. The figure dropped to 6.4 percent in December, and averaged about 3 percent for all of 1990. The short-term goal for economic readjustment has basically become a reality.

Since 1979, China's reform has scored publicly acknowledged success and the truth that reform is the road to national prosperity has become the common understanding of the Chinese people. China's reform began first in the rural areas and then spread to the cities, from economic restructuring to political reform, proceeding in a steady and orderly way. Practice has proved this method

to be effective. Just as economic development cannot be overheated, reform cannot be conducted with undue haste because, as the saying goes, "More haste, less speed." In 1988, China attempted to solve the price problem. So prices were raised dramatically. This resulted in the steep devaluation of currency and greatly alarmed the people—bank savings deposits were drawn out in large amounts and panic purchasing swept big cities. This situation made normal price reform impossible. In the past two years, the method for gradual price readjustments has pushed price reform forward and become a key to maintaining economic and social stability.

This year, while conducting economic improvement and rectification, China will continue to deepen the economic reform. China's economic reform is aimed at establishing a new system of socialist commodity economy and organically integrating the planned economy and market regulation. This will bring about a balanced development of the macro-economy and fill the micro-economy with fresh vigour. To this end, China will continue to deepen the reform of enterprise management and the functions of government institutions, as well as in the areas of prices, taxation, finance, banking, planning, investment and wages. In the rural areas, on the basis of improving the contract responsibility system which links remuneration with output, China will gradually develop a socialized service system. At the same time, the government will actively push forward reform of the political structure, develop a socialist democracy and perfect the system of the people's congress and the multi-Party co-operation system under the leadership of the Communist Party. Deepening the reform will result in an improved socialist system and continued development of China's economy and society. ■

Japan's Finance Minister in Beijing

Stronger ties between China and Japan are essential to both nations in the current complex international climate, Chinese Premier Li Peng told visiting Japanese Finance Minister Ryutaro Hashimoto on January 9 in Beijing.

Hashimoto, who arrived the previous day for a three-day official goodwill visit, was the first Japanese cabinet member to visit China since June 1989. Li believed that his visit signalled a new development in the normalization of Sino-Japanese relations. "By acting as a pioneer against all odds, you will help enhance Sino-Japanese relations," Li said to his Japanese guest. "We hope that after reestablishing the third round of Japanese governmental loans to China, we will work together in energy development."

In reply, Hashimoto said that Japan does not believe in the isolation of China and that Japan is convinced of the importance of developing ties with China. He said even during the past 18 months, economic and financial co-operation continued between the two countries.

Referring to China's domestic situation, the Chinese premier described the recently concluded Seventh Plenary Session of the Party's 13th Central Committee as successful. The 10-year development programme and the Eighth Five-Year Plan (1991-95) are of great importance to China's future development, he said.

The Chinese leadership with Jiang Zemin as its nucleus is united, stable and enduring, Li said, adding the successful session "has reaffirmed this fact."

He told his Japanese guest that in the past year the Chinese economy developed under difficult circumstances. Still, the industrial growth has reached the target for a 6 percent increase, while the country's agriculture reaped bumper

harvests. The price index was kept under 3 percent, and foreign currency reserves increased. "We are fully confident our economy will continue developing in a positive direction," Li said.

The premier also briefed Hashimoto on China's position concerning international issues, reiterating China's hope for a peaceful settlement to the Gulf crisis. "As long as there is a glimmer of hope for a peaceful settlement to the crisis, no effort should be spared by the international community," he said.

Meeting the Japanese official on another occasion, Chinese Minister of Finance Wang Bingqian said that in addition to the various forms of Sino-Japanese economic and technological co-operation, Japanese loans "have played an important role in promoting China's economic development."

Wang said that he was happy about Prime Minister Toshiki Kaifu's efforts in strengthening Sino-Japanese relations and about Hashimoto's positive attitude toward the third round of Japanese governmental loans as well as World Bank and Asian Development Bank loans for China. ■

Tibet Launches Massive Development Project

The largest comprehensive farming development project in Tibetan history was launched as the new year began in the central and southern parts of the autonomous region.

In an area of 65,700 square km, the Yarlung Zangbo River and its two branches form a 440-km-long strip of river valley extending from Sangri to Lhatse County. Under the jurisdiction of Lhoka, Lhasa and Jihkotse, cities, this area is home to one-third of Tibet's total population and boasts some 1.51 million *mu*, or half of the region's total farmland that plays a vital role in the region's economic development. Rich resources of mineral deposits and



Farmers in Doilungdeqen County are reaping wheat.

CHEN ZONGLIE

the vast pastureland add new dimensions to this comprehensive economic development.

Last year, the State Planning Commission approved the project as part of the Eighth Five-Year Plan (1991-95) and the state's 10-year programme for economic and social development. The total investment is estimated at two billion yuan, to be collected from the state, the local government and individuals as well as foreign supporters.

The project primarily involves development in agriculture, industry and transportation. Once completed by the end of this century, grain output is estimated to increase by 170,000 tons annually and the marketable grain will increase by 100,000 tons, enabling Tibet to meet local needs for grain with its own wheat and highland barley harvests. Other non-staple food, including oil, meat, butter and vegetables, is expected to increase dramatically. Per capita income of farmers and herdsman will reach 850 yuan. By the year 2000, the area will net an annual revenue of 170 million yuan and become a modern and comprehensive production centre in the heartland of the "Roof of the World".

Technicians from all over China have come to work at various construction sites and about 300,000

workers are prepared to join in the project.

Last year, a record harvest was reaped in the region. Total grain yields reached 555,000 tons, or 20,000 tons more than the previous year. Farmers' and herdsman's private incomes increased to 415 yuan. The total industrial output value climbed to 235 million yuan, 6.3 percent more than in 1989. In 1990, the total import and export value was US\$36.08 million, a 17.6 percent increase over the previous year.

The year 1990 saw about 9,000 foreign tourists visiting Tibet and currently the local government has relaxed restrictions on tourist visits to the region, and soon individual tourists will again be allowed to travel there.

The first stage of renovation of the Potala Palace was completed last year. More than 1,400 temples and monasteries in the region have been refurbished and repaired to accommodate public religious activities. ■

Superconductor Research Progresses

Chinese scientists have recently made new progress in developing high-temperature superconductors and in the research of their practical applica-

tions.

In 1986, China developed the technology to produce superconductors capable of withstanding temperatures equal to that of liquid nitrogen. Since then, scientists from nearly 20 research institutions have conducted joint research efforts in this field.

According to Professor Yang Guozhen, director of the State Superconductor Centre, Chinese scientists have developed high-temperature superconducting compounds including Bismuth-Strontium-Calcium-Copper-Oxide and Thallium-Barium-Calcium-Copper-Oxide.

Yang said that the critical temperature of Bismuth-Strontium-Calcium-Copper-Oxide has surpassed 132 kelvin.

The critical electric current density, one of the major indices for application of superconductors, of Yttrium-Barium-Copper-Oxide reaches 67,000 amp per square centimetre at 77 kelvin in a magnetic field of 10,000 gauss, Yang said.

He added that Chinese scientists have carried out in-depth research on the mechanism of high-temperature superconductors and formulated some new theories.

In respect to application research, scientists have conducted two field tests with a superconducting device called a "squid," he said.

Meanwhile, the national superconductivity laboratory has been established at the Institute of Physics affiliated with the Chinese Academy of Sciences, Yang said.

According to Professor Gan Zizhao of the Institute of Solid Physics at Beijing University, China will continue researching high-temperature superconductors as one of its major projects during the state's Eighth Five-Year Plan (1991-95) period.

Major aspects of future research include developing technology for producing superconductive materials, high-temperature membranes and devices and the application of high-temperature superconductors in electronics, Gan said. ■

Ranking Official Sentenced to Death

Former director of the Transportation Bureau of the Ministry of Railway was sentenced to death, with a two-year reprieve, for corruption and taking bribes, thus becoming the highest official in Beijing to be convicted and given the capital punishment for economic crimes since China adopted its open policy in the late 1970s.

The Beijing Higher People's Court (BHPC) on January 7 handed down the sentence to Xu Jun, 61, after he appealed a previous death sentence passed on him on November 23, 1990 by the city's intermediate court.

In China a bureau director in a cabinet ministry is immediately below the rank of vice-ministers.

The BHPC confirmed that between December 1987 and February 1989 Xu embezzled 102,500 yuan of public funds and accepted 31,700 yuan as well as a freezer worth 2,350 yuan as bribes. The money, about 63 times his annual salary, allowed Xu and his family to live high off the hog for years.

All this vanished like soap bubbles. The ill-got money and wealth have been confiscated. And Xu will have little chance to leave jail even though he is likely to receive a stay of execution. In China, a death sentence with a two-year reprieve can be reduced to life imprisonment if the convict demonstrates repentance.

Xu's immediate superior Luo Yunguang, former deputy railway minister, got rapped by the central authorities for accepting 4,800 yuan of hush money and dereliction of his duties, which gave green light to rampant economic offences committed by the staff of Xu's department. Luo was sacked by the State Council and subsequently expelled from

the Party by the Party Central Commission for Discipline Inspection last year.

Luo, however, was luckily exempt from prosecution by the Supreme People's Procuratorate last July because, according to the procuratorate, the circumstances of the case were relatively minor and Luo turned himself in and showed repentance.

Xu has come under the watchful eye of the public after his arrest in October 1989 and especially after Luo's acquittal. He was regarded as a "tiger," a term the Chinese employ to depict those offenders who hold important posts. Criminals among lower government functionaries are often likened to "mice" or "flies."

Generally, it is believed that a "tiger" should be punished more severely than a "mouse" or a "fly" for the obvious reason that the former hurts more. In addition, the larger a scandal the government is willing to expose and the more severely it bears upon the offenders, the more effective the anti-corruption drive will become, and the cleaner the administration will appear.

So the verdict on Xu's case has taken some people by surprise. They thought Xu, though a small "tiger," should have been executed just like the notorious embezzlers Liu Qingshan and Zhang Zishan, who caught the attention of the nation in 1952. Liu and Zhang, both senior Party officials in Hebei Province, had lined their pockets with 17,160 million yuan (about 1.716 billion in current RMB yuan). Their death sentences, so the sto-

ry goes, were endorsed by the late Chairman Mao Zedong himself.

Apparently, many want to see a second Liu Qingshan, whom they believe to be existing, brought to justice so as to be convinced of the positive effect of the current anti-corruption campaign.

BHPC President Liu Yunfeng, however, had his own point to make. According to him, Xu's case was less serious and complicated than that of Liu and Zhang. The fact that the money Liu and Zhang had swallowed up



Defendant Xu Jun listens as the verdict is read to him. CHEN XIONG

was a government relief fund for disaster-stricken people made their case, as the president put it, "extremely severe." Additionally, he said, Liu Qingshan was a big drug addict.

The president also poo-pooed the idea that the verdict on Xu was too harsh. According to law, he said, those who embezzle 100,000 yuan and more should be sentenced to death and executed immediately. But they may have the option to leniency in the light of the circumstances of their crime and if they show complete repentance as Xu did.

by Staff Reporter Li Haibo

ECONOMISTS ON DEEPENING THE REFORM**Why Planned Economy Can Be Integrated With Market Regulation?**

by Gao Shangquan

Planned and market regulations reflect the general demand of the modern commodity economy and socialized mass production, and have become the means by which countries with different social systems regulate their respective economic activities.

For a long time, Chinese and foreign scholars have had divergent views on the relationship between the planned and market economy. Some believe that planning cannot be combined with the market and, if they are integrated, only their disadvantages can be combined. Others are of the opinion that planning is strictly socialist and the market strictly capitalist. These one-sided views, however, do not tally with the real economic development.

Common Demands

Planned and market regulations reflect the general demand of the commodity economy and socialized mass production, and have become the means by which countries with different social systems regulate their respective economic activities. Currently, capitalist countries, particularly developed capitalist countries, have attached great importance to interference in the macro-economy by the government and adopted guidance plans as a regulatory means. In socialist countries, to counter the drawbacks of the traditional economic system, a new upsurge in reform is in the making in order to change the highly centralized pattern of the planned economy (which did not take into account

the law of value and the situation of supply and demand) and thus bring the role of market regulation into full play. This change in economic operations has not changed and cannot change the nature of the capitalist or socialist system.

The utilization of regulation by planning and market is aimed at optimizing the deployment of resources and promoting the sustained, steady and co-ordinated development of the national economy. As a means of regulation, planning is not solely owned by socialist countries and the market is not solely owned by capitalist countries. Both are the innate demands of the development of the modern commodity economy. The use of regulation by planning does not necessarily mean socialism. Many developed countries in the world have resorted to the means of planning and administrative interference to regulate their economies. This does not mean that they are socialist countries; they are still capitalist countries because they practise the private system for the means of production. Take France for example. Between 1945 and 1960, it implemented a fairly highly centralized guidance plan as the state exercised control over the prices, interest rate, exchange rate and economic activities with other coun-

The author is deputy director of the State Commission for Restructuring Economic System.

tries, and it was of high importance at the time. There were some mandatory aspects in the French guidance, which plans paid particular attention to micro-economic regulation. France's present-day plan, however, is strategic and macro-economic and, to achieve regulation by planning, the government has set up a special planning office. All this, however, has not changed the social system of France.

Similarly, the use of market regulation does not mean the practice of capitalism. The implementation of the planned commodity economy and the conscious use of regulation through the market are called for by the development of the socialist economy. Since the start of the reform more than a decade ago, China has used the positive role of market regulation in the national economy. The national strength has increased noticeably and the living standards of the people have improved remarkably. Today, China has not changed into a capitalist country. Instead, its socialist system has been consolidated.

Both theoretical and practical experiences have told us that we should focus on economic operations in our discussion about planning and market regulation on economic operations and study and explore concrete ways to combine the planned economy with market regulation.

Characteristics

China's economic reform is aimed at establishing a new operational mechanism which combines the planned economy with market regulation. In this new operational mechanism, the planned and market economies are organically integrated. The following are characteristics of such a combination:

First, planning is compatible

with the law of the commodity economy and the rules of economic operations. The planned and market regulations are unified on the common basis of a commodity economy.

Second, the main problem to be solved by regulation through planning is to balance supply and demand in the national economy, optimize the economic structure and raise macro-economic efficiency; while the main problem to be solved by market regulation is the creation of motive force, sparkling vitality and bringing efficiency to enterprises in both production and management. The planning and market functions are not antagonistic, but, on the contrary, complementary.

Third, planning follows the law of value and gives expression to its flexibility and adaptability through the market. Under the guidance of plans and the macro-economic control, the market displays orderliness and organization.

The integration of plans with market regulation can take various forms.

For instance, it can, through the mandatory plan, exercise direct planned control over some important products that have a close bearing on the national economy and people's livelihood. With regard to the supply of raw materials needed for the production of important products by large and medium-sized key enterprises, for example, enterprises can conclude a supply and demand contract in accordance with the principle of exchange at equal value.

Through the guidance plan, the state can work out industrial policies and development plans for enterprises and, at the same time, use such economic levers as interest rate, exchange rate, tax rate, credit and discounts to give guidance to the economic activities of enterprises and ensure

their production and operational activities to develop in accordance with the demand of the state.

With regard to prices of important daily necessities and services, the state will adopt a strict pricing policy and set ceiling and bottom prices. At the same time, it will adopt a policy of necessary price subsidies to protect the interests of producers and consumers.

The state will protect fair competition and maintain the market order principally through the practice of strengthened management over tax revenue and the formulation of necessary laws and decrees.

Future Tasks

To bring about the organic combination of planning with market regulation, it is necessary to further deepen the reform and establish the structural basis for combining the two. To this end, the major tasks for reform now and for a period of time in the future will be as follows:

(1) Deepen reform of the planning system, change the traditional forms and means of planning, and establish a new management structure for planning which can organically combine planned and market regulation.

(2) Establish an overall control system which facilitates the organic combination of the planned economy and market regulation.

(3) Safely promote the price reform and gradually develop the socialist market system.

(4) Consolidate achievements already made in enterprise reform and allow enterprises to become relatively independent producers and distributors of commodities.

(5) Set up fair market rules and maintain the basic order of the socialist planned commodity economy. ■

ECONOMISTS ON DEEPENING THE REFORM**Planned Economy and Market Regulation**

by Ma Hong

The law of value and the law of proportionate development are the theoretical basis for the full integration of a planned and a market economy. Planned regulation is used mainly to deal with problems arising at the macroeconomic level, while market regulation tackles problems at the microeconomic level.

The author is secretary-general of the State Council Development Research Centre.

Since 1979, China has taken many significant measures to restructure its economy, making successful breakthroughs in some areas. Theoretically, it is clear that the socialist economy is a planned commodity economy based on public ownership; that planning and market regulation are intertwined throughout society in unified and mutually supporting roles; that the state's economic macro-management by direct, administrative means should be replaced by indirect control through the combined use of administrative, economic and legal measures; and that enterprises are encouraged to become relatively independent commodity producers and managers, invested with the appropriate decision-making powers in both production and management. In practice, China has reformed the traditional, highly centralized economic system and given play to the role of the law of value and the mechanism of market. In the countryside, we have introduced, in combination with collective management, the household-based contract responsibility system that links remuneration with output, continued expansion of enterprise autonomy and delegated some powers to localities. This has aroused the enthusiasm of localities, enterprises, workers and staff members, and farmers for production, and brought about the revitalization of our coun-

try's socialist economy.

However, the problem of how to organically integrate the planned economy with market regulation has not yet been thoroughly solved and needs to be further probed.

The Three Basic Ideas

Recently, there have been many ideas floating around about economic restructuring. They can be boiled down into the following three basics: maintaining or increasing centralized planning, operating the economy through the market regulation, and combining both market and planning.

Advocates of the first idea believe that the loss of control over the macro-economy in recent years and the emergence of various defects of the economy are directly or indirectly connected with the undue stress on the role of the market. To rectify the economic order, they argue, it is necessary to emphasize the role and regulatory mechanism of planning in the economy.

Proponents of the second idea, on the contrary, believe that the loss of control over the macro-economy and the problems arising in the present economic life are connected, directly or indirectly, with the traditional, planned economy, due in large measure to the fact that the system of a planned economy has not been thoroughly discarded. To steer the country's economy

into a healthy orbit, they argue, it is necessary to dramatically weaken mandatory planning and various administrative controls and allow market mechanisms to regulate the economic process as a whole.

Although advocates of the two ideas can be found in economic circles, there are currently more standing in favour of the second. Among economists of the central government departments, especially in the planning departments, a majority, not surprisingly, stand for the first idea. Among those working at the local level, however, especially in enterprises, a majority prefer the second idea.

Whether they advocate the first or the second idea, though, the impression is given that planning and market regulation are antagonistic and separated from each other. There is a consensus among most economists, however, that the two ideas overlap and combine with each other organically.

Both planning and market regulation are subject to the common economic laws—the law of value and the law of proportionate development. These two laws constitute the theoretical basis for the organic combination of the two. Generally, planned regulation mainly deals with problems arising at the macro-economic level while market regulation mainly deals with problems arising at the micro-economic level.

Specifically, planned regulation has the following five characteristics: it is of a long term nature, aggregate in quantity, proportionate, parametric, and crucial.

By long term, we mean that a country's development programme for five years, ten years or an even longer period and its annual economic plans should be embodied in state plans so as to provide information and guid-

ance for the development of the micro-economy, enterprises and other economic institutions. This is something which cannot be done by an individual enterprise or any one economic institution.

Being aggregate in quantity refers to macro-economic norms such as the economic growth rate, level of employment, living standards, inflation rate, the amount of money to be issued, the overall amount of credit, balance of international payments, and per-capita income.

The fact that it is proportionate refers to some important economic ratios and the balance between different economic sectors, such as the overall supply and demand, the ratio between accumulation and consumption, the proportion of primary, secondary and tertiary industries, the proportion of agriculture, light industry and heavy industry, the co-ordinated development of different regions, and the ratios between different economic sub-sectors. Macro-economic policies and policies for the development of new technology should be made to monitor, overlook, guide and interact with these ratios.

Its parametric nature refers to the fact that the state induces enterprises and other economic institutions to fulfil its plans by regulating market parameters, such as interest rates, prices, exchange rates and tax rates. Of course, when needed, direct administrative means are applied.

Its crucial nature refers to the fact that a few economic sectors, specifically, those products and construction projects vital to the national economy and people's livelihood should be guided more by planning than other means. This is one of the advantages of the socialist system.

Regulation by Market

Roughly speaking, all production activities in the micro-

economic field should be subject to market regulation.

Specifically speaking, market regulation is used for:

First, aside from the few products that are vital to the national economy and people's livelihood and which therefore should be subject to direct state control, the reproduction of ordinary products should be regulated by market forces. Enterprises decide by themselves what, how and how much to produce in light of market changes. Most small and medium-sized enterprises have already begun operating in this manner.

Second, enterprises should be invested with the power to decide whether their production should expand. Currently, enterprises have such power in name only. This finds expression mainly in the fact that the allocation of funds is still decided by the central and local governments. The result is that some enterprises which should be developed cannot do so because of a shortage of funds while others which should not be developed are given the necessary funds.

Third, resources should be readjusted through market regulation. For example, the annexation, merger and re-organization of enterprises by way of paid transfer, leasing and introduction of the joint-stock system will help to reorganize basic assets.

In short, such concerns as the aggregate quantity and ratio and problems of a long-term nature in the macro-economic field as discussed above should be solved through planning while the simple reproduction, expanded reproduction and readjustment of assets should be regulated by the market. In this way, a sound economic development pattern will be developed which is micro-economically vigorous and macro-economically co-ordinated. ■

ECONOMISTS ON DEEPENING THE REFORM

How to Combine the Planned And Market Economy

by Jiang Yiwei

The law of value realized through the mechanism of competition and the relation between demand and supply in the market place may play a regulatory role in rationalizing the variety, quantity and quality of products and the industrial structure. Socialist countries can regulate and control their economies through both direct and indirect methods.

The author is a senior research fellow and editor-in-chief of the monthly magazine *Reform*.

The question of how to combine the planned economy with market regulation is, in fact, a question of how to practise the commodity economy in a planned way and how to correctly handle the relations between a planned and a commodity economy. The following are some of my suggestions on how to combine the two.

A Comparison

In my view, the commodity economy is not a social system connected with any kind of class relationships. Historically, the production and exchange of commodities originated in the late primitive communist society, and the commodity economy existed throughout the slave, feudal and capitalist societies. It is a form of economic operation formulated on the basis of social division of work and a form of the objective motion of matter. Therefore, it has its own objective law of development. It has developed from a rudimentary, simple commodity economy in the late primitive communist society to the complicated capitalist commodity economy in an advanced stage. I predict, therefore, that the planned economy of the socialist historical period will be a more perfect form of the commodity economy.

A plan, as people's subjective

assumption, can only be turned into reality when it truly reflects objective reality. The regulatory measures for the implementation of plans, therefore, can promote the economic development only when they conform with the objective law of development. Otherwise, one will be punished by the objective law.

To practise a planned commodity economy, there is a need to regulate and control the activities and development of the national economy in a planned way according to the objective law governing the development of the commodity economy. The implementation of this is of major concern in the current deepening of China's economic structural reform.

The Role of the Market

The nucleus of the law governing the commodity economy is the law of value, realized through the mechanism of competition and the law governing market demand and supply. Its regulation of the national economic activities is known as market regulation and covers two aspects of the economy:

First, the regulation of production. During the competition of commodities in the market, when supply exceeds demand, competition between the sellers will emerge and the price of commod-

ities will come down. When the demand outstrips supply, competition between buyers will occur and the prices of commodities will go up. The rise and fall of prices thus caused will help regulate the variety, specification, quantity and quality of commodities and stimulate the progress of technology.

Second, the regulation of industries. Industries whose products are in short supply always report high prices of their commodities and a high capital profit rate, while industries whose output is oversupplied will register a low capital profit rate. The rise and fall of the profit rate will help regulate the growth and decline of different industries, and the distribution of all natural resources.

The above-mentioned two regulatory roles may rely completely on the spontaneous regulation of the market, or may be adjusted by certain government agencies or monopoly groups. Although capitalist countries actively advocate their free market economy, the pure, spontaneous market economy is rarely seen. The governments of some developed capitalist countries, to differing degrees, also introduce macro-control over their national economies.

The socialist economy, based on public ownership, possesses immense state-owned assets. Socialist countries, therefore, can use the economic strength of the state and various economic levers to participate in and affect the operation of the commodity economy in a planned way and guide the national economy in a highly efficient and co-ordinated manner. The view of some economists who believe only privatization can bring about the commodity economy has, like the view which equates the commodity economy with capitalism, confused the commodity economy with the social system.

In the socialist society, the re-

gulation of the activities and development of the national economy through planning according to the objective law governing the commodity economy can be divided into direct and indirect regulation and control.

Direct Regulation

First, the state directly places orders for goods to regulate and control the production of important materials.

Under the present system, the state issues mandatory plans for the regulation and control of production of important materials, a structure which actually contradicts the law governing the commodity economy. In the reform, the mandatory plan should be replaced by the state material and commercial departments directly giving production enterprises orders for goods according to plans. The state material and commercial departments may then choose and order quality products and conclude contracts with production enterprises. The enterprises are committed to first fulfil the state contract which should clearly define the variety, specification, quantity, quality and prices of products and the date of delivery while the state must grant the production enterprises necessary production conditions. This practice will turn mandatory administrative behaviour into the commercial behaviour of commodity production and exchange.

The state material and commercial departments must give priority to key production enterprises and key construction projects in supply of materials, which will also be turned into a market commercialism through supply contracts.

This practice will help the material and commercial departments play the role as "reservoirs" of commodities, regulating supply and demand and the price of market commodities through

the purchase, sale and storage of important materials. We should use economic levers to regulate the economy and, in fact, the material lever is the most important and effective means available. China used this lever in the 1950s, which helped stabilize and develop the national economy.

Second, the method of direct state investment is adopted to regulate and control capital construction and readjust the industrial structure and the distribution of resources.

Generally, it will take a very long time and exact a huge cost if a country completely relies on the spontaneous role of the market to readjust the direction of capital investment. Socialist countries, with abundant state-owned capital, can, by relying on this strength, directly readjust their industrial structure in a planned and proportionate way, overcome the "bottlenecks" of their economies, and concentrate their power on developing capital- and technology-intensive industries. Direct state investment, however, should no longer be mandated administratively but should instead be decided by commercial considerations and investment efficiency. Every type of investment companies should be established to work as capital-management enterprises. They should make investment according to state plan and industrial policies and ensure the fulfilment of quotas for the capital interest rate in order to reinvest with recouped profits.

The state investment companies may fall into two categories. One is those engaged in investment in public utilities which should also be managed as enterprises and make profits even though the interest rate set for them may be lower than other enterprises. The other is those investing in profit-making enterprises which are chiefly high-tech and key capital-intensive enterprises. These enterprises are not necessarily solely state-funded

but may be of a mixed ownership with funds collected through a variety of forms.

Third, the shareholding method is adopted to regulate and control enterprises through the power of shareholders. This kind of direct state regulation and control is different from direct administrative interference in enterprises' production and management activities. Following the principle of separating the proprietary right and the management power, the investment companies exercise their shareholding power to control important policy decisions of enterprises, such as the direction of development, important personnel appointments and removals, profit distribution, and the shut-down and suspension of production. Enterprises, as independent legal persons, should conduct independent management and assume responsibilities for their own profits and losses by applying their proprietary right over their assets.

Fourth, in addition to the above methods of direct regulation and control, the state may adopt necessary administrative means to directly regulate and control the activities of the national economy, such as the introduction of licence control over production, construction and import and export, the practice of monopoly sale of some special commodities, and temporarily setting the ceiling and bottom price for some commodities. As the commodity economy develops, however, these administrative measures should be reduced or eliminated.

Indirect Regulation

First, the comprehensive application of various economic levers.

The key link in the state's macro-regulation of the national economy by using economic levers lies in the control over the supply of money. This is the "master gate" of the whole econo-

my and the control over the bank's interest rate, tax rate and foreign exchange rate comes second. With the further development of the commodity economy, negotiable securities and stock markets will become an important link in China's economic life. Socialist countries must not only manage well the negotiable securities and stock markets but also have the ability to use the state's special funds for the direct regulation and control over the negotiable securities and stock markets. This will allow the direct regulation and control over the national economy. The management and control of commodity prices should be gradually relaxed in order to give play to market prices. The material levers are encouraged for the regulation and control of the national economy while the use of administrative measures are discouraged.

Second, giving play to the guiding role of plans.

Through the above reform, the mandatory part of state planning will be replaced by the state's direct orders for goods and direct state investment. Simultaneously, the guiding role of plans in economic activities should be fully displayed as the state formulates economic plans to guide the development of various sectors. Although this kind of plans are not mandatory, their accuracy based on scientific forecast will help to gradually foster their authoritative nature and ensure that all economic entities believe that without following them they will suffer losses. They will, therefore, accept their guidance willingly. At the same time, the state should use its strength to provide various trades with accurate economic information and consulting services. Instead of weakening the role of economic planning, this practice will more effectively guide the healthy development of the national economy.

Democratic System

The practice of transforming a product economy relying on administrative orders from above into a planned socialist commodity economy means, in a sense, achieving socialist economic democracy, which is the foundation of socialist superiority.

Socialist and capitalist commodity economies share a general characteristic and also have fundamental differences. The operational mechanism of the commodity economy and its basic law constitute their shared, general character while their fundamental difference lies in their varied economic organization.

Foremost, the workers of socialist enterprises are not hired labourers and labour, therefore, is not a commodity. The income of labourers depend on their individual and collective contributions and is generated according to the principle of "to each according to his work." The income value is not equal to the price of labour created on a labour market. The labourers are not only the masters of the state and of society but, most importantly, masters of their own enterprises.

The operating behaviour of socialist enterprises as producers and managers of commodities may be identical with that of capitalist enterprises. Organizationally, however, the two have fundamental differences. Capitalist enterprises take capital as the main body while socialist enterprises consider the workers and staff as the core of the enterprise. Socialist enterprises are, as Marx said, associations of free and equal producers and they must, therefore, practise economic democratic centralism. The masses of workers and staff, by sharing power, responsibility, interest and risk of the enterprise, bring into full play their enthusiasm and creativity. ■

Tourism: Prospects For 1991



At the turn of the year, "Beijing Review" interviewed Liu Yi, director of the State General Administration for Travel and Tourism, who discussed the prospects for tourism in the new year.—Ed.

Beijing Review: What's your evaluation of tourism in 1990?

Liu: In 1990, China's tourism recovered from the slowdown in 1989 faster than expected. In the first 11 months, the number of visitors to China totalled 25.0582 million, 12.8 percent more than the corresponding period of the previous year and 89.5 percent of the number who came during the same period of 1988. The number of foreign tourists on organized tours remained close to that of the corresponding period in 1988. Of these, 3.9448 million were received by tourism departments, 32 percent more than the previous year. Foreign exchange earned in the 11-month period reached US\$1.98 billion, up 17.5 percent on the same period of 1989 and equal to 98.5 percent of 1988. Estimates are that the number of people visiting on organized tours for the whole year is likely to surpass 4.2 million and the foreign exchange thus earned will approach the 1988 level.

In 1988, China received more foreign tourists and earned more foreign exchange from the business than any other year. That year, China's

travel agencies received 31.69 million overseas tourists (including 4.35 million on organized tours), earning US\$2.247 billion in foreign exchange. Reports from various localities, whether in well-known or less frequented tourist resorts, show an increase in the number of foreign tourists in 1990. For example, visitors to Beijing between January and November last year reached 942,500, a 53.2 percent increase over the same period of 1989. Overseas tourists to Hainan Province numbered 778,400, an increase of 16.8 percent over the same period of 1989. These include 130,000 foreign tourists, an increase of 47.8 percent. Tibet hosted 5,000 overseas tourists, a 100 percent increase. Guangzhou received 1.6336 million overseas tourists, an increase of 45.8 percent. In July 1990, China received 495,600 organized overseas visitors, 25.3 percent more than in the corresponding period of 1988; and the number of foreign visitors increased 3 percent, making the month the one in the latter half of 1990 in which the number of overseas tourists first outstripped that in the same per-



Foreign tourists visiting the Great Wall.

MA JUNTIAN

ments and enterprises from 30 provinces, municipalities and autonomous regions in China's mainland, on a scale unprecedented in the history of China's tourism, displayed their products. The fair was attended by leaders of world's tourism organizations, well-known international personages, and more than 1,000 foreign travel businessmen. The gathering demonstrated to the whole world China's determination to continue to follow its policies of reform and opening to the outside world, China's stable social order, and China's confidence and capacity to revive its tourism.

BR: What are the prospects for China's tourism in 1991?

Liu: China's share of the Western tourist market has not been fully recovered. This demonstrates the potential for growth. In 1991, I expect China's tourist industry to overtake 1988 as it rides a new wave of increased business.

China's rich tourist resources are acknowledged worldwide. We not only have a 5,000-year-old cultural civilization, a wealth of national customs and varied geographical natural scenery, but also the enormous changes that have taken place following rural and urban reforms—all of which is very appealing to tourists.

In terms of communications, accommodation and other facilities, China has close to 1,800 tourist hotels with nearly 300,000 rooms, and hotels in some major tourist cities are of very high quality. Another asset is China's highly praised food establishments, always an advantage to the country's tourist industry. Since 1989, China's air traffic has greatly improved with the addition of 45 jumbo passenger planes; its transport capacity increasing 30 percent compared to 1988. A number of airports have been built or expanded, and 23 new international and domes-



WU RENYAN

French chefs teach Chinese cooks how to make French dishes in the Dynasty Hotel, a Beijing-based Sino-foreign joint venture.

iod of 1990. Although progress was extremely uneven, with certain traditional markets recovering at an unsatisfactory pace, tourism developed healthily in China in 1990.

The 1990 development in tourism was due not only to the 11th Asian Games held in Beijing but also to the variety of efforts made by various localities to promote sales. Before, during

and after the 11th Asiad, China held the China Exhibition of Essential Cultural Relics, the China Tourism Art Festival, the China Tourism Shopping Festival, the World Tourism Day, and, of particular note, the China Tourism Trade Fair held early in October 1990 in Shanghai, a major indicator of China's tourism industry. During the Shanghai fair, tourism depart-

CHINA

tic air routes opened. CAAC now operates 44 international air routes leading to 37 cities in 27 countries and regions, and there are 326 domestic air routes which connect 80 major cities. Moreover, many cities in the inland have started direct passenger flights or chartered plane services to Hong Kong. As far as railway transportation is concerned, China boasts 1,100 luxury trains in service and 14 short-distance trains. Regarding highway transportation, with the completion of a number of high-grade roads, China has dozens of tourist highway roads in service. The 15 luxury tourist boats plying waters of the Changjiang (Yangtze) River, offer a chance for overseas visitors to see the landscape along the Three Gorges. The foregoing shows that the prospects for tourism in

1991 are quite good.

BR: What services need to be improved in order to meet the new tourism boom?

Liu: The quality of service is a question of much concern by overseas tourists and many problems have come to the surface. We, however, have taken steps to improve the situation. Beginning in the second half of 1989, we have undertaken, with certain results, to train cadres and staff members, grade tourist hotels and consolidate travel agencies.

China's tourist workers are by and large dedicated to their work. However, some behaviour is not acceptable. During consolidation, effort was made to improve quality. Some 17,000 tourist guides, for example, have passed qualification examinations and been issued tourist guide certificates. Before the

convocation of the 11th Asiad, special training was conducted all over China. Some cities set up organs to handle tourist complaints and provide visitors with consultancy services. All of these have combined to boost quality tourist services.

In 1990, about 408 hotels were graded and 167 of them are over three stars. A regular examination has been planned for tourist hotels in the future and more hotels will be graded.

China now has 61 first-class travel agencies and 834 second-class ones, most of which were set up in recent years. Some of them are not qualified to operate and some are operating illegally. The sole aim of the consolidation begun last year, however, is to strengthen management. Those which operate without the proper operating conditions will be reor-



American tourists at a dancing party given by minority people in Yunnan.

SONG GUOMIN

ganized or closed down. This work is still going on.

Currently, the management over tourist prices is not on the right track. Some travel agencies and hotels induce tourist business not with improved management, better service and active promotion but with forced-down pricing and, even, underhand methods. In order to check this behaviour, the State General Administration for Travel and Tourism and the State Commodity Price Bureau are carrying out a reform of the management sys-

tem through promulgation of new rules and regulations and administrative measures.

BR: What major programmes are proposed for 1991?

Liu: At the tourism trade fairs in Shanghai, the various localities proposed new programmes and new scenic spots. With an eye to increasing tourist locations in high demand, efforts will be made to develop programmes and routes with fairly developed conditions. In order to meet various needs of the tourists, we have divided existing and newly

opened tourist routes into national, provincial and special lines. The national routes feature top-notch excursions to various tourist spots having convenient transport facilities in various provinces and cities. Provincial routes will feature visits to major local tourist attractions in various provinces and cities. Special routes refer to combination trips, namely national routes with special tourist features such as *qigong* (deep breathing exercises), study, Buddhism and food trips.

We will continue to hold tourism and shopping festivals, as well as world tourism day and various provinces and cities are expected to organize a rich variety of tourist activities.

BR: Would you tell us a bit about the long-term prospects for China's tourist industry?

Liu: After a decade-long effort, China's tourism industry has grown on a considerable scale and become fairly important on the international tourism market. Although China suffered from setbacks in tourism in 1989, China, as a terminal on the international tourism market, will surely see bigger development in the 1990s. Tourism will become the world's No.1 foreign exchange earner by the end of this century and the Asia-Pacific region will emerge as perhaps the world's hottest tourist spot. China has worked out plans for the development of tourism during the Eighth Five-Year Plan period (1991-95), as well as plans for the development of tourism in the next ten years. It is expected that in the following ten years, the number of overseas tourists and the amount of foreign exchange to be earned will grow at an annual rate of 12-15 percent. ■

Foreign tourists visit the Zhaibung Monastery in Lhasa.

CHEN ZONGLIE



Improving Enterprise Contract System

by Yang Peixin

A contract responsibility system was introduced in a number of urban enterprises on a trial basis in 1981, following the adoption of the household contract responsibility system in China's rural areas. It has been popularized nationwide since 1987. Under the system, factory directors (managers) and employees of state-owned enterprises contract certain production tasks from the state and, apart from tax payments, turn over a portion of profits to it. Part of the profits are kept by the enterprises to use as expansion funds, collective welfare funds and bonuses. If a contracted task fails to be fulfilled, losses must be made up from the enterprises' own funds.

As the contract system prompts enterprises to create more profits and taxes and enables employees to receive more pay for more work, good results have been reported from the first group of enterprises that have adopted the system. At present a second group of enterprises across the country are carrying it out.

The Gains

From 1979 to 1986 before the contract system had been implemented, the state-owned industrial enterprises within the framework of the state budget paid the taxes and turned profits to the state at an annual increase rate of 0.13 percent; in 1987 and 1988, after the contract system was implemented, the figure stood at 11.33 percent. Despite shortages in energy, raw and semi-finished materials, transport, funds and foreign exchange early in 1989 and a sluggish market at the end

of the year, these enterprises registered a 0.25 percent increase in profits and a 6.6 percent rise in the amount of profits delivered and taxes paid to the state. In the first half of 1990, as the enterprises were often operating under capacity, their profits fell 18.6 percent short of the budgeted figure, while the amount of profits handed over and taxes paid to the state decreased by only 4.41 percent. In Shanghai, enterprises handed over their special-purpose funds accumulated over the years in order to meet the quotas for profit delivery and tax payments prescribed in contracts signed with the state finance department. As a result, the city's financial revenue increased annually by more than 10 billion yuan, 25 billion yuan and nearly 30 billion yuan respectively in the last three years. Without the enterprise contract system, there would have been greater difficulties in market supply and financial revenue and expenditure. The contract system closely rallied the effort of the enterprises, employees and the state in overcoming the difficulties in marketing and slow goods turnover in 1981 and tackling a sluggish market in 1989, proving itself a pillar of the national economy.

The contract system helps the state overcome difficulties and the enterprises accelerate their technical transformation. The original value of fixed assets in the budgeted state-owned enterprises increased by about 200 billion yuan in 1989 over 1986. More than 20 percent of the funds for capital construction investment in state-owned industrial enterprises as well as over one-third of

the investment funds for renovation and transformation were raised by the enterprises themselves. Therefore, the funds invested in the fixed assets came mainly from the portion of profits kept by the enterprises after handing over what was required by the state.

From 1979 to 1989 the profits of Beijing's Shoudu Iron and Steel Co. totalled 12.071 billion yuan, of which 8.3 billion yuan, or 68.8 percent, was handed over to the state. Some 3.731 billion yuan was kept by the company, accounting for 31.2 percent. During the decade, the company increased the value of its fixed assets by 3.19 billion yuan; by contrast, the net value of its fixed assets in 1978 was only 1.103 billion yuan.

In the past, the Anshan Iron and Steel Co. in Liaoning Province relied entirely on state investment for technical transformation. After instituting the contract system, the company started raising funds on its own. During the Seventh Five-Year Plan period the company's investment in technical transformation reached 6.7 billion yuan. Except for 440 million yuan borrowed from the state, all of the other funds were raised by itself, and its fixed assets reached 5.5 billion yuan in value.

The contract responsibility system requires an enterprise to link its economic efficiency with its total payroll so that when efficiency is raised, employees' living standards can also be improved. The annual per-capita wage in the industrial enterprises before the contract system averaged 1,388 yuan in 1986; it reached

2,177 yuan by 1989, a rise of 56 percent in three years. The enterprise, now having its own welfare funds, repaired and built houses for the employees and thus eased the strain in housing.

Tangible results have been seen in the enterprises in Anhui for three years after the contract system was brought in. Industrial output value increased at an annual rate of 11 percent, the income from sales of products increased progressively at an annual rate of 20.7 percent and profits increased at an annual rate of 15.3 percent. In three years the profits and taxes in the contracted enterprises went up to 5.779 billion yuan, of which the profits and taxes handed over to the state accounted for 67.88 percent. The original value of fixed assets in 1989 increased 4.318 billion yuan over that in 1986, a rise of 48.7 percent.

Jingzhou Prefecture, Hubei Province, has 311 key enterprises. In the three years after the contract system was introduced, their profits handed over and taxes paid to the state increased by 78.3 percent while the profits they retained rose by 156 percent as against the previous three years. Of the profits retained by them, 66.8 percent were used to develop production and 15.8 percent were converted into fixed assets. Funds raised by enterprises themselves for technical updating in proportion to the total for this purpose (including self-raised funds, state allocations and other financings) increased from 27 percent in 1986 to 48 percent in 1989. The number of enterprises with over 10 million yuan in output value, or capable of netting over 1 million yuan in profits annually increased from 56 to 181. Jingzhou became one of China's eight prefectures with over 10 billion yuan in gross industrial output value.

Now efforts are being made to bring the second group of enter-

prises under the contract system. Admittedly, the operational environment of the contract system has deteriorated since 1988. This is the result of the price increases for raw materials and energy brought about by the inflation, and of the sluggish market, the stockpiling of products and increasing losses in enterprises brought about by an austerity policy. Under the contract system, this problem should be resolved by fixing basic quotas that the enterprise should strive to fulfil on pain of compensation and higher quotas that, if overfulfilled, will entitle the enterprise to state awards.

Different Opinions

Some people accuse the contract system of encouraging enterprises to resort to shortsighted actions for immediate gains. In fact, the contract system is the best mechanism for overcoming shortsighted behaviour. With no state investment for ten years the Shoudu Iron and Steel Co. increased rolled steel output from 1.169 million tons to 3.142 million tons, a rise of 168.7 percent. Its growth rate ranks first among the ten large iron and steel companies in the country. In 1978 it had only 1.103 billion yuan in fixed assets, while in 1989 its newly added fixed assets reached

3.19 billion yuan. Under the contract system, Beijing's eight leading machine-building enterprises spent 169 million yuan on technical transformation in two years, an increase of 111.6 percent as compared with the 86 million yuan in the preceding two years. In fact, short-term behaviour is a rare occurrence in enterprises under the contract system, particularly in large and medium-sized industrial enterprises.

As the Beijing Municipality pointed out when it summed up its experiences in implementing the contract responsibility system: The system has no inevitable link with short-term behaviour. On the contrary, only by genuinely implementing and improving the contract system can such behaviour be eliminated. As for small enterprises contracted to individuals, it is possible that short-term behaviour may arise. This should be resolved by improving the contract system and awarding the contracts to all members of an enterprise instead of a few individuals.

Some people criticized enterprises under the contract system for profiteering by raising the prices of their products and in this way causing price fluctuations and even higher prices.

When you come down to it, were these enterprises in fact be-

ZHENG SHUFU

The Shoudu Iron and Steel Co. is China's model enterprise in reform. The renovated No. 2 Steel-Making Plant uses computers to control production and is now operating at advanced international level.



nepiciaries, or were they victims of inflation and price hikes? A survey made by the office of the State Council reported: In Tianjin, the prices of all the 200 major raw materials were raised in 1988 by an average of 32 percent, which meant a 2.557 billion yuan dent in the profits of the city's various enterprises. The enterprises augmented their incomes by 1.6 billion yuan through raising their prices and the state reduced taxes by 310 million yuan, making up for three-fourths of the deficit. The enterprises themselves digested 550 million yuan, reducing the loss in profits to 188 million yuan in profits.

Some people criticized: "It isn't proper for one enterprise after another to negotiate with the state on responsibility contracts. But in fact, such negotiations are in complete conformity with conditions in our country. Because enterprises in our country differ in the amount of state investments and in the levels of technology, equipment and labour productivity, the level of profits lies in how great the mandatory tasks are and the quantity of raw materials they receive from the planned supply. These differences in objective economic conditions and subjective managerial level determine that only by negotiating one by one and making a concrete analysis of concrete conditions can the enterprises in different circumstances compete on an equal footing. In Xiamen City, the profit level within the same industry differed by 108 times. Therefore, the unbalanced economic development determines that some unstandardized measures must be adopted. Some people have raised the criticism: The method of contracting works is not standardized, as if this matter can be settled by a change-over to the levy of income tax. Aren't the regulatory business tax rate different in each enterprise? Didn't the enterprises' in-

come tax also include tax reduction and exemption? These factors indicate how impossible it is to realize standardization no matter what measures are taken, for the situation of each one is different.

Other people have remarked that contracting is an interim method that had to be adopted to suit the requirements of the current situation.

Officials from the economic commissions of Hunan and Anhui provinces pointed out that the core of the contract system is a system of responsibility, the main function of which is to encourage enterprises to create more profits. After an enterprise has implemented its contract, it hands over to the state a fixed amount of its profits. If the contracted tasks are not fulfilled, the enterprise and the employees must make up the deficiency with their own funds; this is a form of pressure on them. If they surpass their quotas they will have enough funds to expand production and improve the livelihood of the workers and staff; This constitutes their motivation. Under such a mechanism, the workers and staff are masters of their own affairs and the workers' congress discusses not only issues concerning their livelihood and welfare, but methods of increasing production, practising economy and strengthening operational management as well. Centred on the responsibility system, the contract system combines responsibility and rights with profits. This should be the basic system for enterprise management.

Development

Currently, improvement and perfection are sought through spreading the relatively standardized contract system as practised by the Shoudu Iron and Steel Co. Concretely speaking, it

includes the following several points: 1. Bring in all the members in the enterprise, not only the managers themselves and the leading groups, in carrying out the contract system. 2. Contracted enterprises should ensure fulfillment of the basic figures set by the state, and all profits over and above the set quotas are to be kept by the enterprise. 3. Establish a system of personal responsibility inside the enterprise. 4. Use funds which remain after profits have been handed over to the state, more in production development rather than in welfare and bonuses. 5. Link the total payroll with the enterprise's profits and taxes.

At present, the major demand is to give enterprises the right to invest and to carry on foreign trade independently. During the economic improvement and rectification in 1989, because of the excessive scale of capital construction, the right to carry out expanded reproduction was withdrawn in some enterprises. Now the limitation should be properly decontrolled to actively encourage technical transformation of the enterprise, so as to ensure readjustment of the product mix and industrial structure. In regard to enterprises which need to be renovated, expanded or newly built, priority should be given to help them decide on the project and start construction at the earliest possible date. At the same time, the right to engage in foreign trade independently should be granted to large and medium-sized enterprises, allowing them to enter the international market, to export their products, import equipment, bring in technologies, compete in the international market and face its tests. Therefore, it is necessary to carry out structural reform in the sphere of planning, investment, finance, banking, foreign trade and so on, in order to remove obstacles to enterprises in their efforts to carry out expanded reproduction. ■

The UN Role Strengthened

by Guo Jishi

In 1990 the international situation drastically changed. The old world fabric has crumbled and the new one has not yet taken shape. During this unstable transitional period between the old and the new world orders, the role of the United Nations, the most influential international organization in the world, has clearly been strengthened. Last year the United Nations made great efforts to safeguard world peace, promote international cooperation and seek settlement of some other urgent issues of common international concern. This increased UN activity is broadly appreciated by the international community.

Gulf Situation

The August 2, 1990 Iraqi armed invasion and subsequent annexation of Kuwait obviously violated the United Nations Charter and the accepted norms of international relations. Following this, the United States and some other countries de-

ployed troops to the Gulf region. The Gulf crisis has become the centre of the world's attention.

The United Nations has spent countless hours trying to fairly resolve this crisis. The UN Security Council continuously adopted 12 resolutions, condemning Iraq's invasion of Kuwait, demanding the unconditional withdrawal of Iraqi troops from Kuwait and calling for the restoration of Kuwait's independence, sovereignty and territorial integrity. The Security Council's action has generated a great deal of pressure on Iraq.

Other Regional Issues

The Cambodian question arising from Vietnamese aggression has existed for more than 12 years. This has not only inflicted great suffering on the Cambodian people, but it has also threatened peace and stability in Southeast Asia. Therefore, in efforts to promote a just and reasonable settlement of the question, the five permanent mem-

bers of the UN Security Council have held six rounds of consultations and two working conferences and worked out five documents, laying down a good foundation for a final political solution to this issue.

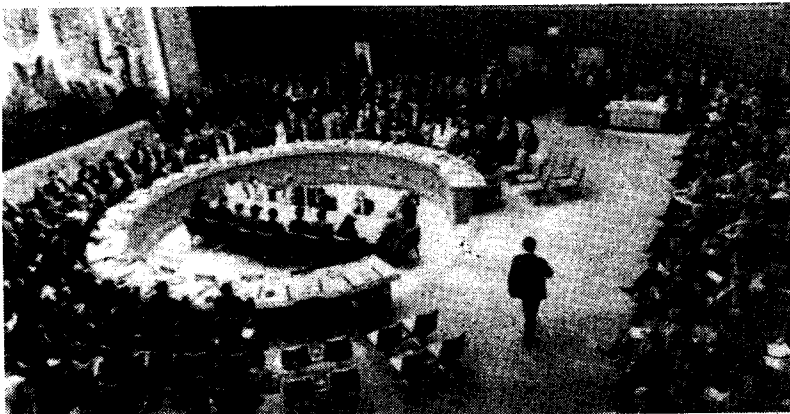
Namibia won its independence with the direct help of the United Nations in March of last year. The founding of the Republic of Namibia marked the fulfillment of the historical task of decolonization in the African continent.

In Central America, the ceasefire and the general elections in Nicaragua early last year were also the direct result of UN intervention. The United Nations played an important role in promoting, supervising and mediating talks between rival sides.

The Middle East issue has not been forgotten by the international community in spite of the Gulf crisis. On October 8, 1990 the Israeli authorities carried out a bloody suppressive act against the Palestinian people in Jerusalem. The Security Council immediately deliberated on this and unanimously adopted a resolution condemning Israel's atrocity. The UN General Assembly last year adopted many resolutions on the Middle East issue centring round the Palestinian question. The resolutions sympathized with and supported the Palestinian people's just struggle for their right of national existence, and urged the Israeli authorities to change their policy. In the resolutions, the UN also called for the convocation of an international peace conference on the Middle East in an attempt to seek a fair, reasonable and lasting settlement of the Mideast issue by political means.

On November 29, 1990 the United Nations Security Council adopted Resolution 678 by a vote of 12 to 2 with one abstention, authorizing member states to use all necessary means to restore peace and security in the Gulf region unless Iraq complies by January 15, 1991 with UNSC resolutions calling for its unconditional withdrawal from Kuwait.

photo by GAO XUEYU



Third World Economy

In recent years, for various reasons, the economic difficulties of many developing countries have become increasingly aggravated. These countries face heavy debt burdens, worsening trade conditions and outflows of capital. In an attempt to strengthen international economic co-operation, promote the world's economic growth and especially aid developing countries in their battle to overcome their economic difficulties, a special session of the UN General Assembly was held last April to discuss these economic issues. The session adopted a declaration, stressing the rejuvenation of the developing countries' economies as the most important task of the 1990s. The declaration also called on the international community to create a favourable international environment and energetically support the efforts of developing nations to resolve their economic and social issues. The General Assembly in the past year also adopted the fourth 10-Year International Development Strategy, aiming to guide international economic co-operation projects to promote economic and social development in developing countries.

Environmental Protection

Environmental protection has become a major concern of the entire world. Last year the United Nations continued to make extensive preparations for the convocation of an environment and development conference in 1992. Last year the General Assembly also adopted a resolution, calling for this conference to be held at the head-of-government level. In addition, under the sponsorship of the UN World Meteorological Organization, the second climatic conference was held last October and adopted the Ministers' De-



Chinese delegates, headed by Vice-Minister of Foreign Economic Relations and Trade Wang Wendong (middle), attend the conference on the least developed countries sponsored by the United Nations in Paris in September 1990. photo by XU BU

claration, which included the principles to be observed by the international community in environmental protection.

The War on Dings

In recent years the increase in worldwide drug use and narcotics trafficking has brought devastating effects to all mankind. To ban narcotics on the globe brooks no delay. Therefore, the UN held a special conference on banning narcotics at the beginning of last year and adopted a Political Declaration and Programme of Global Action. It declared the 1990s the decade of banning narcotics. This will further mobilize world opinion to strengthen the international co-operation and foster an environment in which the world can make a concerted effort to stamp out drugs.

Disarmament

Major events took place in the field of disarmament last year. Last May the meeting of the UN deliberation commission on disarmament reached a consensus opinion on the many disarmament topics which were ignored for years and left unsolved. The negotiation of a treaty that would completely prohibit the production and use of chemical weapons is entering new depths. At last year's General Assembly China said the Soviet Union and the

United States should share particular responsibility to see that this is carried out. China's two proposals to urge the Warsaw Pact and NATO to reduce nuclear and conventional weapons first were unanimously passed again. With the relaxation of tensions between the East and the West, the United States and the Soviet Union reached an agreement in principle on the partial reduction of strategic nuclear weapons. Of course, the above mentioned progress is limited. Disarmament remains a difficult task that calls for greater international efforts.

China's Participation

As a founder of the United Nations and one of the permanent members of its Security Council, China observes the purposes and principles set forth in the United Nations Charter and works to enhance the UN's role. As in the past China actively took part in UN business last year. Chinese Foreign Minister Qian Qichen in his speech at the UN general debate set forth the Chinese government's views on the world situation and its principled position on major international issues. He again proposed the establishment of a new international political and economic order based on the Five Principles of Peaceful Coexistence. China has always pursued an independent foreign pol-

icy of peace in the United Nations and China formulates its own principled position on major issues according to the merits of the matters themselves. During the Security Council deliberations on the Gulf crisis last year, China voiced its principled position and safeguarded international peace and justice within the UN. Its attitude was extensively appreciated and well commended.

On the Cambodian issue, China participated in many rounds of consultations, attended the Jakarta and Paris conferences and made its own contributions to the political settlement of the issue. China also actively took part in the 1990 UN economic,

social, disarmament and environmental protection activities. China closely co-operated with other third world countries and protected their interests.

Expectations

The United Nations has its drawbacks. One outstanding manifestation is that the United States and some other Western countries have taken advantage of the drastic changes in the international situation and given enormous publicity to their values and priorities within the United Nations. They have attempted to force their views and policies upon others in order to achieve their own interests.

Furthermore, a few big countries have used the UN as a forum to carry out their power politics. While discussing, deliberating or voting on major issues in the UN, these countries, relying on their strength and even the use of both hard and soft tactics, tried hard to pass the resolutions they support. As to the economic and social difficulties of the developing countries, although the UN adopted some resolutions, it implemented few of them. Developing countries are deeply dissatisfied with these aspects of the UN, and hope that in the new decade the UN will strive to eliminate them and continue to make contributions to safeguarding peace and development for all mankind. ■

Prospects for World Economy in 1990s

by Huang Suan and Zhen Bingxi

In the first half of the 1990s, developed Western nations will experience a downward trend in their business cycles and will confront a new round of economic recessions. However, the adjustments and positive changes in the 1980s will have significant impact on the future development of the international economy.

Rises, drops, advances, and declines. This is the rollercoaster nature of the world's economy. Now many indicators suggest that the US economy is facing a recession.

In the past few years, developed nations have adopted measures to adjust exchange rates and trade policies in search of a solution to the economic imbalances they are experiencing. Both the United States and Japan propose that "structural obstacles" must be surmounted. The United States demands that Japan alter its systems as well as laws concerning foreign investments, home marketing, use of land and relations between fin-

ancial groups to open its door further to foreign commodities and capital. At the same time, the United States will also have to wipe out its enormous budget deficits and other structural problems of its own. The US government and Congress have worked out plans for balancing the budget by fiscal year 1995. However, no matter what means are used, raising taxes or reducing spending, there will surely be a slow down in the growth of the US economy, thus deepening its economic recession.

The world economy also currently faces capital shortages. Currency deposits of OECD (Organization for Economic Co-

operation and Development) nations rose in recent years, but are still lower than in the 1960s and the 1970s. Some Western countries are attempting to expand investments, while East European and developing countries are urgently in need of economic assistance. This worldwide excessive demand for funds will help maintain high interest rates or perhaps even increase them, creating a restraining condition on the growth of the world economy.

Mild Recession

Western countries are facing a comparatively milder economic

recession than the ones they previously experienced. A serious regression of production and trade seems unlikely. Financial turbulence will not be serious enough to upset the world economy for several reasons:

First, the world economy itself is strong enough to resist periodical financial storms and fluctuations in oil prices.

Second, in 1989 the inflation rates of the seven industrialized powers averaged 4.5 percent, a smaller figure than the levels which preceded the 1973-1975 and 1980-1982 recessions. Moreover, Western nations' macroeconomic policies have followed the austere trend established during the 1980s. Therefore, it seems impossible that a recession will be as deep as those in the past.

Third, Western enterprises are increasing investments with the goal of winning future market shares and increasing their economic competitiveness. Some countries, like Japan, are constantly trying to increase its investments. There are no signs of a sharp drop in investments in fixed assets in the United States.

The demand for energy in the 1990s will rise to all-time high levels, but not enough to give rise to another oil price hike. Even if oil prices skyrocket again, there will be no serious results owing to the strengthening of Western countries' ability to resist the attack of an oil crisis.

Moreover, it seems highly impossible that all major Western nations will be in a recession at the same time. And because of the diversification of their industrial sectors, it is unlikely that a crisis will simultaneously hit all industries.

A New Upturn

Macroeconomic adjustments during the low-ebb period will unquestionably bring about sig-

nificant changes in the world economy and usher in a new era. During the 1980s, positive changes occurred in the world economy. In giving full play to budget policies, Western nations attached greater importance to their monetary policies. The goal of their macroeconomic policies shifted from realizing full employment to checking inflation and seeking stable economic growth. By the late 1980s, Western countries basically had inflation under control. They also practised comprehensive privatization of state-owned enterprises in order to strengthen the mechanism of competition and increase economic efficiency and financial revenues.

Significant changes have also taken place in the industrial sector. The proportion of service trades in Western economies rose remarkably, while that of manufacturing industries moderately fell. From 1980 to 1987, the proportion of service trades in the US economy rose from 53 percent to 60 percent while manufacturing fell from 21 percent to 19 percent. In manufacturing, high-tech industries enjoyed top priority.

Moreover, developed nations and some developing countries are attaching greater importance to science, technology and education as a means of developing production. Western nations' expenditures on research and development have doubled every five or six years since the postwar period.

International trade and investment abroad are increasing rapidly. Japan's investment abroad in 1987 and 1988 accounted for half of its total investment abroad in the past 35 years. Currently some 15 percent of the world's commodities are sold in international markets and 20 percent produced abroad. This internationalization will raise the overall world technological

level, improve management skills and promote the development of the world economy.

The debt problem which haunted the world's economy in the 1980s will also ease, and the growth of developing countries' foreign debts will slow down. The proportion of the US government's budget deficits, as a percentage of its GNP, fell to 2 percent in 1989 from 3.8 percent in 1983. If the US budget deficits are completely eliminated or considerably reduced in the next five years, this will lead to a rise in the country's currency deposits and investments, thus stimulating the US economy. It would also alleviate the current worldwide shortage of funds and lower interest rates. Thus developed countries will also be able to meet the Soviet Union's and East European countries' urgent need for funds, promoting the development of the world economy.

The world economy will not develop as quickly in the 1990s as it did in the 1950s and 1960s, nor will it accumulate as much wealth. However, the speed of its development will exceed that in all other periods of history and the benefits realized will be more than those of the 1950s and 1960s.

From the end of World War II to early 1970s, the annual growth rate of the world economy averaged at 5 percent. Five international organizations including the International Monetary Fund and the World Bank estimated the annual growth rate of the world economy to be between 3.1 percent and 3.7 percent during the 1990s. If their estimation is correct, the average annual growth rate of the world economy will be higher during the later years of the decade after it experiences the mild recession which accompanied the new year. It will be a great success if the world economy is able to maintain an annual growth rate

of 3.5 percent in the next 20-30 years. More importantly, the quality, the technical level and benefits of the products produced in the 1990s will be better than those produced in the 1950s and 1960s. Although Western nations will not possibly rid themselves of economic crisis or recession, it seems unlikely that they will have a serious economic crisis in the immediate future, at least in the 1990s.

In comparison with the 1950s and the 1960s, the world economy will develop at a lower speed, but more efficiently. This prediction is based on the following factors:

(1) Most of the countries will pursue an economic policy that supports an acceptable economic growth rate while maintaining a low rate of inflation. (2) The service sector will play an increasingly important role in their national economies. (3) Most countries, especially Western nations, will increasingly rely on their scientific and technological advances to develop their economies. They will continue to invest heavily in research and development, attempting to develop their technology intensive industries. This will slow the growth of their total economic output value, but will stimulate the growth of their net output value because of the increase in the variety of designs and special features of their products. (4) As investment in scientific and technological fields increases in most of countries, investment in the production of raw materials and primary products continues to shrink. This has the benefit of reducing production costs.

It can be expected that high quality, efficiency and steady growth will be the major goals of the world economy.

Main Features

In the next five years, the world economy will be in a tran-

sitional period in which the stage of the slow economic growth will give way to expansion. The rapid development of new products, technologies and inventions will surely lead to future breakthroughs in science and technology. However, what impact the detente of the world situation and the tremendous changes in Eastern Europe will have on the world economy remains to be seen.

A new imbalance in the world economy will emerge. The economic strength of the United States and the Soviet Union will decrease while the strength of Japanese and European economies will increase.

Since 1989, the growth rate of the US economy has remained lower than the average economic growth rate of the OECD member nations. The US economy will continue to experience a decrease in its growth rate as the government attempts to battle its mounting deficit problems.

West European countries have partially extricated themselves from their previously rigid economic system and established a new enthusiasm. Stimulated by the future establishment of a unified market, their economies have entered a period of revival and exceeded the growth rate of the US economy. The Japanese economy will continue to grow. This will result in an unfavourable change to the United States in the 1990s when comparing its economic strength with that of Japan and Western Europe. The economy of the Soviet Union will continue to experience great difficulties in the coming years.

The situation will also be unfavourable to developing countries. Some international organizations estimated that the economic growth rate of the developing countries will be much higher than that of the developed coun-

tries in the 1990s. However, as the role of science and technology in economic development increases and the population of developing countries continues to grow, the gap between developing and developed nations will expand. Countries in Africa and Latin America will be particularly affected. This will primarily be reflected in a greater disparity between per capita incomes of developing and developed nations.

The tendency towards multipolarization and regionalization of the world economy will develop rapidly. The integrated European market to be established in 1992 will be a great development of the process of international integration. Not only will this be beneficial to European countries, but also countries outside of this region. The integration of the world economy will stimulate cross investment among countries both in and out of the region and strengthen the economic relations between them.

As the Cold War era comes to an end, economic competition will replace military confrontation as the primary source of international struggle. The world powers have increasingly taken into account the competitive position of their national strengths. All are trying to increase their economic, scientific and technological strengths so as to elevate their international position and obtain greater benefits from their diplomatic relationships.

Along with the increase in Japanese economic strength, the increased economic competition between Japan and the United States has developed into a struggle for the right to dominate the Western economy. In the future, the most powerful country in the world will not be the United States or the Soviet Union in spite of their strong military strength, but Germany which has strong economic strength. ■

Socialism's Advancing And Tortuous Nature

QIUSHI
(Seeking the Truth)

Since the 20th century, socialism has evolved from an ideal to reality, being victorious in a number of countries. This advancing process involves many frustrations. Moreover, the advancing socialist system frequently encounters new difficulties and problems. Such a situation enforces the idea that socialist development is a historical process of unity between its advancing nature and tortuous nature.

The advancing of socialism is an inherent law governing the historical progress of socialism. Capitalism created a new productive force for social production which, however, took place along with the birth of the private ownership by the means of production. Since there existed insurmountable contradictions between the two, the development of capitalism inevitably called for a more advanced social system that could replace it. Thus socialism came into existence.

The advancing nature of socialism has two implications: One is that socialism is a process of historical development which refutes capitalism; two is that socialism is an invincible developmental process. Socialism has a vital future simply because it is new and is able to replace capitalism which will eventually die out.

The tortuous nature of socialism means that socialism is a historical progress filled with setbacks. The development of any form of society involves a long historical process. The more profound the social metamorphosis, the more tortuous the process will be. Since capitalism has undergone evolutions from the embryonic stage to the establish-

ment of capitalist economic and political systems, the development of socialism naturally will also undergo the long process of a painful birth, turbulent social changes and struggles against feudalist forces. Since the replacement of an exploiting system by another involves many difficulties, the development of socialism aims to wipe out and replace the last exploiting system of mankind—capitalism—which represents the greatest and most profound change in human society, will naturally meet with difficulties and setbacks. Second, the development of socialism is an arduous undertaking. As socialist countries rose from an underdeveloped capitalist system, they could not but undertake the task of achieving commercialization, socialization and modernization of production, a historical task that should have been accomplished under the capitalist system. This poses socialist countries with a series of new tasks to achieve socio-economic development by waging an unremitting struggle. Meanwhile, it poses Marxist classic writers with many new subjects for in-depth study and repeated and careful experimentation. This brand-new thing of socialism can advance only when probing and experimentation are made in the light of these countries own conditions.

(Issue No. 21, 1990)

Match-Making By TV Acclaimed

RENMIN RIBAO
(People's Daily, Overseas Edition)

A new TV programme "Tonight We Acquaint Ourselves," presented by a Beijing TV Station, attracts hundreds of thousands of viewers, while serving as a bridge for those seeking marriage. It is a bold step for ordinary people to

advertise for a spouse and express their opinions about love through TV. The most admired are those who dare show themselves on the screen.

People in China consider love and marriage an important event. According to ancient admonition, male or female must be married when they have grown up. Long ago, parents arranged their children's match, who never worried about marrying a wife themselves. Now having freedom to love and marry, people have shed the old ways. A family's happiness is measured primarily by love. However, love is difficult to find among so many people. With the appearance of more and more adult singles, organizations such as marriage services have been established. It is said many people found their spouses there, but evidence shows that most singles secretly went to a marriage service or published an ad in the newspaper, some even have remained silent to their parents concerning this issue. It is quite understandable, because gossip would say you are either unable to find a spouse or are too choosy. Only those with great courage show their face on the screen.

The singles who had been televised on the five TV programmes come from a variety of professions such as university teachers, graduate students who are still studying in universities, reporters, nurses and government functionaries. The applicants range in age from the old who are nearly 60 years old to the young in their prime. They revealed their elegant demeanour and accomplishments by their self-introduction and deportment, and expressed their good wishes for love and hope to get replies.

(November 3, 1990)

The Reports on China

The article by Ge Wu "Stability and Developments" in Notes From the Editors column on March 27, 1990 (Spanish edition) highly praised the Communist Party of China which, supported by the people, adopted a series of measures to mobilize people for the economic development and brought the production of grain, coal, iron and steel up to the world level.

The article by Lu Yun "Characteristics and Advantages of the Multi-Party Cooperation System" was also well done. Through his writing, people can clearly see democratic parties' role in helping the Communist Party.

*G.L. Sanchez
Cuba*

The first time I read BR was issue No. 44. I was very interested in the news about China and the selected articles of Chinese press that cannot be heard in Japan. I also take interest in the articles about China's politics and economy because I study political science at university. I also like the article of "Expectations at Odds With Realities" in the issue people understand that, whether in China or Japan, students want to work in large enterprises and in the surroundings of the capital. But in Japan more and more people are paying attention to their spare time. People want to have two days rest, no overtime and reject dirty and hard work. What about China? I think people do the work in the place where their talents can be highly appraised.

*Tomoko Agari
Kyoto, Japan*

The article in No.38, 1990 "The Origin of the Chinese Legal System" reported China's socialist democracy and denounced the propaganda of China's autocratic rule.

The article "Nuclear Technology Boosts Agriculture" showed the progress of Chinese science. It also told us about

the advantages of radio-biology.

Naturally, I read with great interest the reports about the 11th Asian Games. Buildings constructed for the games, organizations and sports achievements (particularly achievements made by China) left a deep impression on us. The detailed report of the opening ceremony in issue No.40 showed the public's wide participation.

*Foerster
Germany*

About International Issues

The editors and authors of your articles in "International" column deserve praise for their fresh and interesting presentations. You publish many articles about Asia. Now, how about some more on Africa?

*D.N. Oguama
Nigeria*

Through your international articles I get a different perspective on international affairs.

*H.Yirenkyi
Ghana*

Your international articles are quite interesting but the views are China's alone and leave out other perspectives. You ought to publish a collection of views on different topics so that yours can be compared.

*T.S. Barinee
Nigeria*

I like very much the article "Germany Becomes a Unified Nation Again." It shows the sympathy of the Chinese people and government for the reunification of the German people and the concern for a positive relationship with Germany.

*Foerster
Germany*

New Import Duty Rates For 49 Goods

According to a decision of the State Council Tax Regulations Commission, the General Customs Administration of China (GCAC) adjusted the import duty rates for 49 kinds of commodities, which became effective as of January 10, 1991. The duty rates of 40 goods were reduced and those of nine increased. At the same time, decisions have been made to stop levying export duties on ferromolybdenum.

Import duty rates for four kinds of commodities dropped by an average of 17.5 percent. For example, import tax rates for urea, weed killer and other means of agricultural production decreased from 6 percent to 5 percent; methylbenzene, ethyl carbinol and chemicals, from 20 percent to 17.5 percent; refined naphthalene, from 25 percent to 20 percent; preliminary plastic, synthetic rubber and paper pulp, respectively from 35 percent, 9 percent and 3 percent to 30 percent, 7.5 percent and 2 percent; pulse-code modulation multiplexing equipment for optical fibre and digital communications, from 20 percent to 12 percent; and bulk parts, spare parts and components, from 20 percent to 9 percent.

According to the customs statistics for the first 11 months of 1990, the import value of the above-mentioned 40 commodities was US\$3.75 billion, accounting for 16.5 percent of the total import value for the same period.

In addition, the import duty rates for air conditioners with refrigeration capacity exceeding 100,000 calories/h mobile telephones and seven other kinds of goods were increased.

The GCAC noted that the aim of the readjustment is to further carry out the reform and opening to the outside world and boost the sustained, stable and co-ordinated development of the national economy. In line with the requirements of the state industrial policy, there will be an increase in the import of materials needed by agricultural and industrial production so as to meet the needs for increasing foreign trade. At the same time, China hopes the effort will expedite negotiations on the restoration of its seat in the General Trade Tariff Agreement. ■

Dalian Lures Foreign Businessmen

The Dalian Economic and Technological Development Zone, established in 1984, has become a hot spot for foreign investment. According to Zhang Wenyi, an official of the Liaoning office handling matters relating with opening to the outside world, the zone had approved the establishment of 172 foreign-funded enterprises by the end of October 1990 with a total investment of US\$602 million, 125 now in operation.

Zhang said that the main characteristic of these foreign-invested enterprises is the large investment. The average investment for solely foreign-owned and joint venture projects in the zone is US\$4 million, 11 projects each having investments of more than US\$20 million. One project is an oil refinery, a joint venture with a Hong Kong business to refine 5 million tons of crude oil annually. With an investment of US\$350 million, the refinery is the largest foreign-funded enterprise presently operating in China. Another notable characteristic is that over 90 percent of

the enterprises are production-oriented, in the field of electronics, light industry, textile, machinery, food and building materials. An average of over 80 percent of the products manufactured by solely foreign-owned, co-operative and joint venture enterprises are sold on international markets, having brought in some US\$230 million in foreign exchange during the past six years.

It is easy to understand why Dalian is popular for foreign investors. The city lies behind China's northeast vast hinterland with its rich resources and has a solid industrial foundation and a large contingent of technological personnel. Today, 85 percent of investment in the city has connections with large industries in northeast China. The investment environment in the city, moreover, is perfect, with a complete set of laws and regulations. During the past six years, 600 million yuan has been invested in infrastructure facilities necessary for the zone.

In 1990, there were some new trends in foreign investment. First, foreign businessmen all increased their amount of investment. For example, a Japanese company which went into production with an initial investment of 4.9 billion yen almost doubled its investment in 1990. Secondly, foreign investors have been recommending other investors for the development zone. Japanese investors alone have brought a dozen or so new investors to the zone.

The overall plan for the zone covers 20 square km, of which five square km for start-up construction have been completed. The remaining 15 square km should be completed within ten years.

Currently, villas for foreigners, a scientific and technology centre, a petrochemical refinery

area, a seaside holiday resort, and a food street are on the drawing board. The goal is to complete the various facilities for the zone step by step. ■

Cement Exports Show Promise

The broad international market for building materials and the ample supply of resources created during China's present economic readjustment are helping China expand its cement exports. According to an official of the State Bureau of Building Materials Industry, China's cement exports for 1990 are expected to reach 7 million tons, worth US\$200 million, making up 16.7 percent of the total building materials exported. It has become the largest single export item of all nonferrous building materials.

In the past few years, he said, due to large-scale capital construction nationwide, cement production could not meet demands and little was exported—only 150,000 tons in 1988, and 450,000 tons in 1989. In 1990, the sharp down in domestic demand and the rapid development of the building industry in the Asian-Pacific Region boosted China's cement exports. The development offered bright prospects for future exports.

China now has over 60 large and medium-sized cement producers and over 2,000 small ones with a total annual output of 210 million tons, more than enough to meet the country's domestic needs and with surplus for export. During the 8th Five-Year Plan period (1991-95), China will establish in the coastal and Changjiang (Yangtze) economic areas a group of modern large and medium-sized cement production and auxiliary facilities,

using increased investment and possible foreign capital. China's annual output of cement is expected to reach 240 million tons and the volume of exports to continue to increase.

by Zhang Jianxin

Chengdu's First Foreign Regulations

The first regulations of Chengdu concerning the management of land used by foreign-funded enterprises were announced recently.

The regulations stipulate that foreign-funded enterprises must present applications to the city's administration of state owned land. If the land is in an area under city or town zoning programmes, the enterprises concerned must first apply to the city zoning department for a site permit and then apply for approval from the city hall or the provincial authorities. The city's administration of state owned land will then sign contracts and grant them the State Land Use Certificates. At the same time, the foreign businessmen must also pay fees for the use and development of the site.

According to the regulations, foreign-funded enterprises, engaged in the development of education, energy, and the construction of infrastructure facilities will be free from land use fees for a certain period of time. Export-oriented or technically advanced enterprises built in outlying areas will enjoy reduction or exemption in land use fees for a certain period of time. Such enterprises built in downtown areas may also enjoy the same treatment, depending on each case. When the land-use fee reduction and exemption expires, those enterprises may apply to the city's State Land Ad-

ministration for an extension.

At present, Chengdu has 77 foreign-funded enterprises involving a total investment of US\$252 million. ■

2nd Round Japanese Loan to China

The ceremony marking the signing of promissory notes by the Chinese and Japanese governments for the second period yen loan to China in 1990 took place in Beijing on December 21, 1990.

An official of the Ministry of Foreign Economic Relations and Trade revealed that the loan of 42.633 billion yen is to be used chiefly in the development of the Dapeng Bay Yantian Harbour in Shenzhen, highways, post and telecommunications facilities in Hainan Province, telephones in nine provinces and municipalities, a civil air traffic control system and the railway project from Shengmu, Shaanxi Province to Shuoxian, Shanxi Province.

It is reported that between 1990 and 1995 the Japanese government will give China 810 billion yen for the construction of 42 projects. In 1990, the first year of the third period, 17 projects are to be carried out in three stages. The first stage includes seven projects amounting to 36.511 billion yen, of which the signing of the agreement between the two governments took place in November 1990.

It is also reported that the signing and exchanging of promissory notes between the governments for the third period loan of the fiscal year of 1990 occurred in March 1990.

by Yao Jianguo

Foreign Exchange Commercial Bills

Shenzhen is about to issue foreign exchange commercial bills for the first time. This will be a financial reform breakthrough.

Approved by the State Administration of Foreign Exchange Control, the Shenzhen United Co. of the China National Nonferrous Metal Industrial Corp. (Nonfemet Industrial Co.) will issue foreign exchange commercial bills to public organizations and the general public on January 18 this year in Shenzhen. It is the first enterprise in China to issue such bills.

The Nonfemet Co., established on November 1, 1984, owns 53 enterprises (including some joint ventures) and has established joint venture corporations, and trade and financial relations with companies in 16 countries and regions as well as with more than 300 companies in China. The total amount of business carried out in the 84-90 period reached 1.5 billion yuan (including foreign exchange conversion). The company has thus become one of the strongest financial enterprises in Shenzhen.

Of the US\$8 million value foreign exchange commercial bills to be issued in the first period, some US\$5 million will be converted into HK\$39 million and distributed to the public. The period of distribution for the bills will be nine months with an interest rate higher than that of banks during the same period and they can be extended, mortgaged, cashed or transferred.

The foreign exchange raised by the company will be used chiefly for importing nonferrous metals, and for intensive processing of products for export.

by Peng Haike, Ren Junjie

Foreign Investment Zone in Wuxi

Cai Xinghai, deputy director of the office in charge of attracting foreign investment for development in the city of Wuxi, eastern China's Jiangsu Province, recently announced that his city had decided to establish a foreign investment zone. Foreign investors are being invited to deal in land development and management of real estate and to invest in the development of tourism, sports, recreation and comprehensive services.

With a total area of 14 square km, the zone consists of five independent but interconnected parts. They include an industrial investment district close to the centre of the city; a tourist and comprehensive investment district, a harbour industrial investment district; a porcelain industrial investment district and a lakeside service centre.

Cai said that the zone's most outstanding feature is its location in a scenic area and proximity to the city proper. It is an ideal place for work and rest. Foreign investors may establish productive projects and make an independent investment in the tertiary industry in the zone.

As one of 15 open cities in China, Wuxi has set up more than 100 foreign-funded enterprises involving a total investment of US\$1 billion since it was designated a foreign economic open zone in the Changjiang (Yangtze) River Delta. ■

News in Brief

● In order to ease the strain on entry and exit traffic at the Luohu and Wenjin check points in south China, Shenzhen has decided to invest in the expansion

of traffic throughput of the Huanggang check point.

The plan calls for the construction to be divided into three stages: The completion of the first-stage project will result in a daily entry and exit traffic of 10,000 vehicles, the second-stage project, 30,000 and the third-stage project, 50,000. At present, 2,500 vehicles pass the check point each day and it is expected to increase reach 5,000 in the first half of this year.

In addition, the first floor of the Luohu Integrated Inspection Building is for an entry passengerway and the third floor for an exit passengerway. Every day, an average of 70,000 or 80,000 people enter or leave the check point. During peak periods, however, up to 140,000-150,000 people do so. As a result, the strain on the system is great. For this reason, Shenzhen has decided to rebuild the building's second floor into a special passengerway for Taiwan compatriots, overseas Chinese, foreigners and domestic residents as well as tourist groups.

● Since December 27, 1987, the Shanghai Yaohua Pilkington Glass Co. Ltd., the largest Sino-British joint venture of its kind, has produced 500,000 tons of float glass and exported 45 percent of its output. The exports have been worth US\$75 million. The company paid off part of loan before the due date and yielded 21 million yuan in profit. Among more than 900 foreign-founded enterprises in Shanghai, the company was listed as one of the most profitable. Early this year, it realized its target of distributing the first dividends in the third year following commencement of operations. ■

CORRECTION: In the chart on p. 16 in our issue No. 1, the unit for steel, grain, meat and aquatic products should be million tons.

2nd Drama and Opera Festival

The Second Chinese Drama and Opera Festival, which ran for 20 days, ended in Beijing on December 10, 1990. The first festival was held in 1987. During the festival, performing troupes from 22 provinces representing 18 varieties of local Chinese operas presented 44 programmes.

Apart from drama, the festival included a great variety of local forms of Chinese operas such as Peking Opera, Jinju Opera, Pingju Opera, Chuanju Opera, Yuju Opera and Huangmeixi Opera. These traditional forms of Chinese opera demonstrated the richness of Chinese culture.

Among the 44 programmes, 14 focused on contemporary subjects. Other programmes included historical drama, legend, traditional operas and plays adapted from Western classics.

Jinshitan, a modern drama performed by the Liaoning People's Art Theatre, tells the story of villagers of Jinshitan in northern rural China. Laohuang and Jinhua were lovers, but Jinhua's father sold her in order to support the family and she was married to a remote place. Several years later, Jinhua escaped and came back home, but Laohuang had married another girl. Two decades passed and it was a time of reform and opening up. Laohuang, middle-aged by now, led the villagers to set up a collective enterprise, hoping to get rid of the poverty. However, the enterprise experienced difficulties and owed a large debt. So Laohuang made a ridiculous decision: have his daughter marry an idiot whose father promised to salvage the enterprise. His daughter, Xiaocui, and her lover

were torn apart. At this time Jinhua, in order to save Xiaocui, married the idiot herself. She sacrificed herself for the love of the young couple and the enterprise. From the story of Jinhua and Xiaocui, people can see the hope of the new age and the shadow of history. The audience was greatly impressed by the profound ideology and artistic charm.

Historical Chaoju Opera *Ding Richang* presented by the Jieyang Chaoju Opera Troupe from Guangdong Province, eulogized the patriotic spirit of Ding Richang, a hero in modern Chinese history. In the late Qing Dynasty (1644-1911), Western powers bullied and attacked China, using their modern weapons. Ding, in the hope of saving China with advanced science and technology, founded the Jiangnan Arsenal. The arsenal began production, but Ding himself aroused the jealousy of other officials and was removed from his position. The audience praised the troupe for creating a very good local opera. Chaoju Opera is an old drama form with a history of more than 500 years, and which is popular in eastern Guangdong Province, southern Fujian Province, Hong Kong, Taiwan and southeast Asia.

Jing Chai Ji is one of the four greatest Chinese opera classics. The Jiangxi Ganju Opera Troupe performed a modified version of the play at the festival. In ancient times a girl named Qian Yulian was married to Wang Shipeng, a poor scholar. Later, Wang Shipeng won first place in the imperial examination and went to the capital to be a high official. The prime minis-

ter wanted his daughter to marry Wang, but Wang refused. However, a letter to his wife was intercepted and changed to a letter of divorce by Sun Ruquan who wanted to marry Qian Yulian. Qian's stepmother tried to force her to marry Sun. Qian threw herself into the river but survived. Qian and Wang did not reunite until several decades later. Huang Wenxi, the playwright, said, "While revising the historical play, I tried to combine modern ideas with the essence of the classical play, discarding the feudalist thoughts and keep its artistic beauty." Actress Tu Linghui, who played the part of Qian Yulian in the play, showed her outstanding performing talents by portraying the complex psychological make-up. This 28-year-old actress has won many awards in national opera competitions.

The Story of Zhujixiang performed by the No.1 Yueju Opera Troupe of Guangdong Province tells a story of the Southern Song Dynasty (1127-1279). Concubine Hu was prosecuted in the court and escaped to a place called Zhujixiang where she was protected by the villagers. She later fell in love with Chu Wan. The imperial army came looking for her, threatening to slaughter all the people there. Concubine Hu, in order to save the villagers, killed herself in the well. Zhu Wan who ran after her, saw this. He condemned the troops and killed himself. The two ascended to heaven and became a couple for ever. The opera achieved a high artistic level, exposing the darkness of feudalism and showing the unyielding spirit of the Chinese people.

One of the most successful plays presented at the festival was *Love and Debt*, a Luju Opera based on the Shakespearean play, *The Merchant of Venice*, performed by the Luju Opera of Anhui Province. The setting was changed to a location in southern China, and the whole story became typically Chinese. Hou Lu, the playwright, said, that Shakespeare belongs to the world and what he advocates in his plays, such as love, friendship and generosity, are universal human ideals. In the play, Xia Laokou (Shylock in Shakespeare's play) is a selfish, lusty Chinese landlord. Young actor Hu Rongjun played the role of the sly and wicked landlord well. An Daoling (Antony in the original play) was played by 31-year-old actor Wang Lifu. He portrayed the hero's kind, bold and straightforward character well. The music of the play is light and lively, adding new flavour to the tradition of Luju Opera. Fu Chenglan, the director, said "It is just like a wild flower in the field, common but fragrant."

In recent years, traditional Chinese operas faced many chal-



A scene from the Yueju Opera "The Story of Zhujixiang."

CHEN MENGLIN

lenges from other media including TV, films and popular music, having to deal with such difficulties as decreasing numbers of viewers and shortage of funds. However, the opera workers made various attempts to

promote the development of Chinese local operas. The festival is one of the results of those efforts. At the same time, this achievement also encourages them and shows the promising future of Chinese local opera.

by Feng Jing

A scene from the Luju Opera "Love and Debt."

LISHIXIN



Black Pottery Art Revived

Sculptor Qiu Zhihai became renowned both at home and abroad for reviving ancient black pottery art which had been lost for four millennia. In Qiu's warehouse, a black eggshell pottery cup, 20cm in height and 0.02-0.05cm in thickness, weighs only 18g, showing Qiu's high level of craftsmanship.

With a soft black lustre and a peculiar sense of mystery, black pottery originates from the Longshan culture of China's New Stone Age about 10,000-4,000 years ago. First found in Longshan Town east of Jinan in 1928, this pre-historic culture was believed to have spread to the lower Huanghe (Yellow) River Valley. Because most of the artifacts were black pottery, it was also called "black-pottery" culture. The rich and varying designs and patterns reveal the evolution from primitive totem worshipping to acquiring religious concepts of gods and ghosts. Because black pottery was replaced by bronze-ware for practical reasons, it was a lost art form for more than 4,000 years.

Qiu has made more than 3,000 black pottery works in recent years, including utensils and containers using historical designs, such as *ding* (an ancient three-legged tripod or four-legged caldron for holding meat and cereals), *li* (an ancient caldron for holding meat and cereals), *dou* (hemispherical bowl on a high stem with a spreading foot, used for holding fruit) and *bei* (cup); replicas of ancient bronze sculptures and painted brick reliefs; modern works reflecting national characteristics and the look of the times. Whether they are big or small, from one metre to several millimetres long, they are "black as lacquer, bright as a mirror and thin as paper." Weighing lightly in your palm, it

rings if you flick it.

Qiu was born in 1935 in Laoshan County in Shandong Province. His father died when Qiu was a child, and the family became desperately destitute. Qiu had to live by begging and take shelter in temples. He gradually became interested in the dough figures moulded by folk artisans on the street and statues of gods and Buddha in the temples. He tried to learn how to mould clay figures.

In 1956, Qiu joined the People's Liberation Army. At an exhibition held by the army, he presented a set of clay sculptures which told of his miserable childhood. Later on, he created some clay sculptures depicting army life. In 1977, some of his works were collected by art galleries and museums, which, along with his later achievements in urban sculpture, won him a council membership in the China Sculptors Association.

Beginning in 1977, he toured the black pottery ruin sites and collected over 200 specimens of black, grey and white pottery. Having analysed a large quantity

of historical records and materials, he became knowledgeable about the unique style of black pottery art.

With the help of a pottery master at a village-run kiln factory and his son Qiu Shisen, a college graduate majoring in sculpture, Qiu invested all his 10,000 yuan savings in the kiln factory for trial firing. By making hundreds of tests over four years, he finally mastered the technique of black pottery production.

In January 1988, the China Art Gallery exhibited some 300 black pottery works by Qiu. Since then, similar exhibitions have been held in Japan, Hong Kong, Taiwan, Singapore and the Soviet Union, with great success.

To date, 46 of Qiu's art works have been purchased by the China Art Gallery, the Singapore State Museum and museums in Taiwan, Hong Kong, Japan and the Soviet Union. Qiu was awarded the first prize for progress in science and technology by China's Ministry of Culture in 1989 and a gold prize at the 38th Brussels Eureka World Invention Fair.

by Lu Yun

A TV Documentary About '90 Asiad

The Beijing Nanhai Film Corp. and the China Central Television Station (CCTV) have recently completed a 144-minute TV documentary on the grand XI Asian Games.

The three-part '90 Asian Games not only features the major competitions and exciting matches for the gold medals, but also vividly portrays the daily life of the athletes from various countries as well as life at the Asian Games Village, making the viewer feel as if he is actually

there.

This documentary shows China's great achievements in the games as well as its defeats and disappointments. It also reports the competition results of other participating countries.

A combination of aesthetics and reporting, this documentary is more complete and detailed than live coverage with its colourful presentation of the opening and closing ceremonies as well as the thrilling moments in the competitions. ■

Chinese Paintings by Yang Mingyi

Yang Mingyi, born in Leshan, Sichuan Province in 1931, is now a renowned professional painter in his province. When he was growing up and learning to draw in Taiwan, he followed the style of Zhang Daqian, a master Chinese painter. He specializes in Chinese painting, calligraphy and *qigong* (a system of deep breathing exercises). The paintings introduced here are free sketches which are detailed in brushwork. These ink-splash and colour-splash landscape paintings are bold, unconstrained and possess great momentum with unique rhythm and style.



Huangshan Mountain Shrouded in a Veil of Mist.



A Family Living Near the Mountains.



River, Mountains and a Returning Boat.

