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JIANG ZEMIN VISITS JAPAN



Foreign Minister Qian
On World Issues



Setting up a grazing area.

Photo by Wang Minbin

HIGHLIGHTS OF THE WEEK

CONTENTS

Jiang's Visit Heralds New Spring in Sino-Japanese Relations

□ General Secretary Jiang Zemin's visit to Japan is an event of historic significance. It will greatly contribute to a better understanding and more fruitful ties of friendship and co-operation between the two countries. It will also help establish a new order in Asia and the world as a whole (p. 4).

Foreign Minister Qian Meets the Press

□ At a press conference held by the current session of the 7th National People's Congress, Chinese Foreign Minister Qian Qichen warned France that Sino-French relations will suffer setbacks if France sells fighter-bombers to Taiwan. Qian also discussed a wide range of questions concerning China's foreign policy (p. 9).

NPC Deputies Talk on Reform and Opening Up

□ China's campaign for reform and opening to the outside world has since spring developed with increasing momentum. During the Fifth Session of the Seventh National People's Congress held from March 20 to April 3, deputies aired their views on the drive (p. 14).

China's Debt Repayment Capacity Strengthened

□ As China's fiscal policies enjoy ever-better international review and its debt repayment capacity increases, developed countries such as Japan, Britain, France and Denmark and world financial institutions have indicated their willingness to provide more loans for the country's modernization programme. This move demonstrates the international community's firm confidence in China's debt repayment capacity (p. 18).

NOTES FROM THE EDITORS 4

New Spring in Sino-Japanese Ties
Heralded

EVENTS/TRENDS 6-8

Jiang on Domestic and Global
Issues

No Change in Satellite Deal
Thinner Workforce to Raise
Efficiency

US Works Protected in China

INTERNATIONAL

Qian Qichen on China's Foreign
Policy 9

Sino-Japanese Co-operation in a
Changed Situation 12

CHINA

NPC Deputies on Reform and
Opening: New Situation and
New Plans 14

China's Debt Repayment
Capacity Strengthened 18

Shenyang: Polishing Old
Enterprise Brass 20

Trial Resettlement of Residents 24

TOURISM 29

BUSINESS/TRADE 30-31

CULTURE/SCIENCE 32-34

COVER: Jiang Zemin, leader of
the CPC's third generation.

Photo by Liu Jianguo

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New Spring in Sino-Japanese Ties Heralded

by Our Guest Commentator Wang Dajun

The cherry blossoms in full bloom and the warm weather in Tokyo proclaim not only the arrival of spring in Japan but also a new stage in Sino-Japanese relations. Jiang Zemin, general secretary of the Central Committee of the Chinese Communist Party will pay a five-day official visit to Japan at the invitation of the Japanese government starting April 6.

Jiang's visit, an extremely important event, coincides with the 20th anniversary of the normalization of Sino-Japanese relations and comes at a time when the Chinese government has decided to step up reform and open wider to the outside world and the old international order is giving way to a new one.

According to authoritative sources, Jiang and Japanese Prime Minister Kiichi Miyazawa will look back on the course of the development of Sino-Japanese relations, explore ways of further promoting friendship and co-operation, and exchange views on Asia and the world situation and on how to establish a new international order. He will also meet with His Imperial Majesty Akihito, Emperor of Japan and invite him to visit China.

During his stay in Japan, Jiang will meet with old and new friends who have promoted Sino-Japanese relations and business leaders. In Tokyo he will make a speech reiterating China's determination to continue its policies of Sino-Japanese friendship and reform and opening to the outside world. Therefore, his visit is seen as significant for the forging of more fruitful ties of friendship and co-operation between the two countries and for the establishment of a new order in Asia and the world at large.

Since normalization of Sino-Japanese rela-

tions in 1972 the governments and people of the two countries have made great efforts in developing friendly and co-operative relations and achieved gratifying results.

In the past two decades leaders of the two countries have exchanged visits on many occasions. Government officials, non-governmental organizations and the 21st Century Committee for the Sino-Japanese Friendship have regularly met to exchange views on how to develop bilateral relations in a healthy way. Since early last year, after the relations went through a difficult period, many leaders of the Japanese government and political circles have visited China one after another.

In August 1991, former Japanese Prime Minister Toshiki Kaifu became the first leader from the developed countries to visit China since June 1989, marking the complete restoration of and a new start in the bilateral relations which once were cool. Prime Minister Miyazawa, who came to power in September last year, said that his government would continue to deepen Japan-China

Both China and Japan have long come to the realization that their friendship and co-operation is important not only to their national interests but also to peace and stability in Asia and the world as a whole.

friendly relations.

Both China and Japan have long come to the realization that their friendship and co-operation is important not only to their national interests but also to peace and stability in Asia and the world as a whole. This awareness is a guarantee for the continuous development of the friendly co-operation between the two countries.

The Japanese government supports China in its reform and opening to the outside world. It has provided China with three economic loans in Japanese yen and two loans for energy development. It tentatively agreed to provide China with a third loan for energy exploration.

Bilateral trade has rapidly increased in the

past 20 years. The trade volume between the two countries was US\$1 billion in 1971 and increased to US\$10 billion in 1981. Despite last year's world trade slump, Sino-Japanese trade reached US\$20.2 billion, hitting an all time high. According to preliminary statistics, Sino-Japanese joint and co-operative undertakings and enterprises are about 1,900. The total sum of Japanese investment in China is about US\$4 billion and the actual input is about US\$3 billion.

The number of mutual visitors between the two countries has increased 54 times more than that of 20 years ago. A total of 126 pairs of provinces, municipalities, counties and districts of the two countries have established sister-relationships. Exchanges through the various channels have enhanced mutual understanding and friendly sentiments between the people of the two countries. Sino-Japanese friendship has taken root in the mind of the people.

There were also difficult periods and setbacks in Sino-Japanese relations in the past 20 years. History has proven that harmony is of benefit to both sides and that hostility is harmful to all. It is normal for the two sides to have different opinions. However, if both sides respect history and facts and observe the principles laid down in the Sino-Japanese Joint Statement and the Treaty of Peace and Friendship, they will remove all the obstacles, resolve contradictions and push forward their cause of friendship and co-operation.

The 20-year history proves another point—a Chinese proverb says, "A thousand-*li* journey is started by taking the first step." The many Sino-Japanese joint undertakings and enterprises today are fruits of the persistent efforts by the people of the two countries, achievements accumulated little by little in a down-to-earth manner. With the magnificent goal of maintaining friendship for generations and establishing friendly and co-operative relations facing the 21st century in a spirit of "promises must be kept and action must be resolute," China and Japan will see the big tree of their friendly co-operation continue to grow.

The future of Sino-Japanese co-operation looks very promising. The key is continued effort by both sides. The Chinese government has recently decided to further the reforms, open wider to the outside world, and speed up the development of the export-oriented economy. This has created a favourable opportunity and condition for Sino-Japanese friendly co-operation to grow. There are a lot of things to be done by the two countries.

At present the proportion of Japan's investment in China is small compared to its total direct investment abroad. According to statistics in 1989, it was less than 1 percent. By 1989 China accumulatively absorbed about 21,800

items of foreign investment and the net amount of agreed investments was US\$33.6 billion, of which Japan's investments in China were respectively 4.8 percent and 8.4 percent. This is out of proportion with the 20 percent of China's foreign trade with Japan. In addition, Japan imports more raw materials than industrial manufactured goods from China. If Japan upholds the principles of equality and mutual benefit and active balance, it should lower tariffs on China's goods, enlarge the quota, cancel the limitations and change the trade structure, and then Sino-Japanese trade will surely make a new

If Japan upholds the principles of equality and mutual benefit and active balance, it should lower tariffs on China's goods, enlarge the quota, cancel the limitations and change the trade structure, and then Sino-Japanese trade will surely make a new breakthrough.

breakthrough. Furthermore, Japan's technological transfer to and technological co-operation with China are still constrained by some factors. For instance, Japan overstates the limitation set by the Paris-based Co-ordinating Committee for Export Control and fears that China will outstrip it technologically. Such fears are unnecessary. Strengthening technological co-operation between the two sides is conducive to expanding China's foreign trade and decreasing Japan's production cost and raising the competitiveness of its products. In a word, Japan should take a big step forward and speed up economic co-operation with China.

With Jiang's visit to Japan, the Chinese people look forward to opening up broad prospects for Sino-Japanese friendly co-operation in the near future and the 21st century through joint efforts. ■



Jiang meets Japanese correspondents; Jiang interviewed by *Beijing Review* reporter.

XUE CHAO

Jiang on Domestic and Global Issues

The Communist Party of China (CPC) is united and supports Deng Xiaoping's policies of reform and opening to the outside world and his theory of building socialism with Chinese characteristics, said CPC General Secretary Jiang Zemin on April 1.

"Some foreigners like to divide our Party into factions, and this shows, at least I think, their lack of understanding of China," the Party leader said when meeting with some 40 Chinese and Japanese reporters in Beijing's Diaoyutai State Guesthouse.

Jiang will visit Japan April 6-10, which coincides with the 20th anniversary of the establishment of the Sino-Japanese diplomatic relations.

He said the whole Party and the Chinese people are studying Deng's recent important speeches, made during his January-

February trip to south China. The nation's mass media have been extensively reporting Deng's speeches. "The publication (of Deng's remarks) is to help the people all over the country grasp the essence of the speeches, so as to carry it out," said Jiang.

Deng's theory of building socialism with Chinese characteristics and his many foresighted views and decisions have profound practical and historic significance.

On the question of Zhao Ziyang, who lost his posts almost three years ago, Jiang said Zhao's status is one "within the Party" and "he is being investigated by the Party itself, after which, a conclusion will be reached."

In response to a question about anti-"left" deviation, Jiang said, the so-called "left" deviation referred to the phenomenon in which some try to adopt part of

Marx's thinking to interpret today's complicated world, which is quite different from that of Marx.

Jiang reiterated that there is no change in the Chinese government's stand on the war reparations claim, stated in the Sino-Japanese Joint Statement 20 years ago.

He also stated that "the Diaoyu Islands have been Chinese territory since ancient times, and this is a historical fact. China's recent law on its territorial waters and contiguous areas just repeats its long-term stand." However, he said, this does not mean that his country will change its stand of leaving aside the territorial dispute and solving it through peaceful negotiations.

Jiang confirmed that China had invited Japan's emperor to visit Beijing, but no exact date has been set. And whether the emperor will make an apology to the Chinese people for Japanese aggression is "a Japanese matter."

by Staff Reporter Li Haibo.

No Change in Satellite Deal

China's "Long March 2E" rocket is still the only choice to deliver an Australian communications satellite into orbit after an aborted launch attempt on March 22, said an official from the Aerospace Ministry who asked not to be identified.

In an interview with *Beijing Review*, the official said that the interests of the satellite's customers will not be affected "because such a failure was taken into consideration in the original contract," which allows for nine months of postponement should the first launch fail. She declined to give a specific date for a second launch, but implied that it would come within nine months. "There is no change in the contract," she said. "And we will strictly abide by it."

She said the failure was caused by the malfunction of the ignition control circuit, not the engine itself. The satellite is in good condition. And a second launch will be rescheduled as soon as possible.

When the launch attempt was made at the Xichang launch centre in Sichuan Province at 6:40 pm, the rocket failed to lift off after the engines were ignited. Millions of Chinese viewers watching the live telecast on the China Central Television heard the ground control people shouting "Shut off the engines, shut off the engines." Within two minutes the fires that started after the ignition were extinguished. Tang Jinan, president of the Great Wall Industrial Corporation, a company under the aerospace ministry that oversees China's market-

ing of satellite services to foreign customers, declared on television that the launch had been unsuccessful. "In scientific pursuit, failure is unavoidable and frequent," he said. "We deeply regret it."

This is China's second attempt to launch a commercial satellite for a foreign customer. In April 1990, a Long March-3 carrier rocket successfully launched "Asiasat," a 24-transponder communications satellite manufactured by the US Hughes Space and Communications Group and owned by the Hong Kong-based Asia Satellite Telecommunications Company Ltd. Last January, Australia's Optus Communications Pty Ltd. and China's Wanyuan Industrial Corporation reached an agreement to launch two communications satellites, the AUSSAT B1 and AUSSAT B2, with the Long March 2E rocket. Both satellites were manufactured by Hughes.

After the launch failure, both the owner and manufacturer of the satellite reiterated their commitment to the Long March 2E rocket. In a joint statement, Chief Executive Officer of Optus, Bob Mansfield, and the president of Hughes, Steve Dorfman, said they had no intention of switching to another launch vehicle. "We have every expectation and confidence that the problem will be solved and that a launch will be rescheduled as quickly as possible," Dorfman said in the statement.

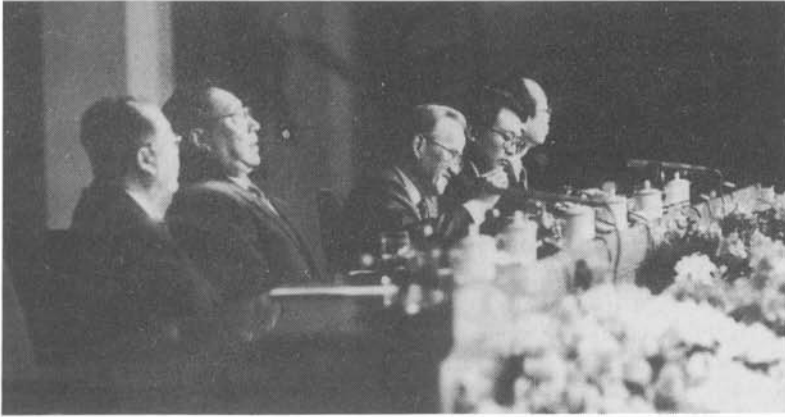
The official from the Aerospace Ministry said that she sees no reason why Optus should change to another launch vehicle. She pointed out that the contract had allowed for nine months to reschedule a second launch. "We have enough time to do it,"

she said. The Xichang launch centre will schedule three launches for foreign customers for the rest of the year, two for Optus and a scientific satellite for Sweden.

The official dismissed the idea that the failure will thwart China's plan to attract potential foreign customers. "In the high-tech area, no one can guarantee 100 percent success," she said. "This can be understood by our colleagues in the world." She noted that many foreign satellite experts who watched the launch at Xichang actually expressed admiration more than regret at the attempt. The ground control staff quickly detected the problem and carried out an emergency shut down of the engines, thus avoiding a disaster. As a result, both the satellite and the launch vehicle remained intact. "This is unprecedented in the world," said the official. "It proved that our rocket has the most advanced safety control system." She pointed out that the successful shut down of the engines demonstrated the soberness, decisiveness and technical consummation of Chinese rocket experts. "In this respect," she added, "the attempt could be viewed as a success."

China is recognized to have one of the best satellite launch records in the world. But the televised failure left a negative impression on the general public, if not the experts. The official estimated that about 600 million Chinese viewers watched the telecast. "Some disappointed viewers have written to us, accusing us of losing face for China," said the official, adding that the public sentiment is also understandable.

by Staff Reporter Ma Baolin



Chen Jinhua (third from left) and Li Lanqing (second from left) at the press conference.

XUE CHAO

Thinner Workforce To Raise Efficiency

Bolder reform measures emphasizing market regulation of enterprises will be advanced by the central government in the near future, according to Chen Jinhua, minister of the State Commission for Restructuring the Economy.

Chen told a press conference on March 26 that the measures will include a 2-percent layoff of the workforce, boosting prices of major industrial products, establishing a social security system to cushion the possible unemployment shock, and giving state enterprises a free hand in management.

"Our forthcoming reforms will focus on giving enterprises full autonomy in management and facilitate their entry into the market," the minister said.

He admitted that many enterprises are plagued by poor economic performance and some are suffering losses. He attributed the problems to low economic efficiency, overstaffing and undue social responsibilities imposed on them.

Chen promised that during the reforming process, the government will make proper arrange-

ments, taking into full consideration the abilities of the people to endure the impact of the changes.

The state will develop service industry to absorb surplus labour and raise the pay of workers and government employees. Meanwhile it will set up unemployment insurance, the minister said.

In addition to reform on enterprises' "operational mechanisms," Chen said, "we will undertake reforms in various fields, such as housing and medical care."

Further housing reform measures will be announced in 1992 and 93 in a bid to relieve the housing shortage in both urban and rural areas.

The minister said the state is also considering to raise the prices of basic industries' products, such as oil and coal, as well as transportation rates, which have long remained quite low.

Foreign Trade Minister Li Lanqing said at the press conference that China will spend US\$300 billion on imports in the current Five-Year Plan period (1991-95).

"Our target is to keep the import and export volume roughly in balance, upon condition of a certain amount of foreign ex-

change reserves," Li said.

He told reporters that some obstacles still stand in the way of China's resuming membership in the General Agreement on Tariffs and Trade (GATT).

"We will hold consultations with other parties to the GATT in search for an understanding with them and finding solutions to those problems," the minister said. ■

US Works Protected in China

China's National Copyright Administration announced in Beijing that starting from March 17, 1992 US works enjoy protection in China.

According to the Memorandum of Understanding on Protection of Intellectual Property Rights between the Governments of the People's Republic of China and the United States of America, signed January 17 this year, the mutual copyright protection relations between the two countries would be established as of the 60th day after the signing of the memorandum.

In a circular issued earlier for the implementation of the memorandum, the national copyright administration said that after the establishment of mutual copyright protection ties, China's copyright law and relevant rules and regulations would be applicable to US works.

Meanwhile, it stated that US works enjoying copyright protection include computer software and audio recordings, but those already circulating or in use prior to the establishment of mutual copyright protection relations are excluded.

US President George Bush issued a statement March 17, declaring that from that day works of China were protected in America. ■

Qian Qichen on China's Foreign Policy

On March 23, Chinese Foreign Minister Qian Qichen was invited to attend a press conference held by the on-going session of the 7th National People's Congress and answered questions concerning the present international situation and China's foreign policy.

South China Morning Post: When Mr. James Baker of the United States was here in November, China promised that all Chinese people who had no outstanding criminal allegations against them would be allowed to leave China. A number of people including Han Dongfang and Hou Xiaotian have applied to leave, and without reason they have been told that they cannot. What is China's policy towards these people? Will they be allowed to leave China?

Qian: What I said to Secretary of State James Baker is still in effect. I said that all people who had not been charged with criminal activities might apply to go abroad. Applicants must follow certain procedure to file an application and must obtain a grant. Without going through the procedure one cannot go abroad. What you said cannot change my words with Mr. Baker.

Radio Television Hong Kong: When you recently visited Britain, a major topic of your talks with your counterpart was on the issue of Hong Kong. What aspects did you discuss? What's going on with the work of the Sino-British Joint Liaison Group?

Qian: When visiting Britain, half of our talks was focused on Hong Kong-related questions. We reviewed and discussed all aspects of the Hong Kong question. We share the common goal and aspiration of maintaining prosperity and stability in Hong Kong

and ensuring a stable transition. Both sides pointed out with satisfaction that after the signing of the memorandum of understanding on Hong Kong's new airport, the work of the joint liaison group is effective. We hope to speed up the work. Tomorrow the group will hold its 22nd meeting and we hope that it will make further progress.

China Daily: The Japanese militarist invasion of China made the Chinese people suffer a lot. It is reported that some deputies to the current session of the 7th National People's Congress and members of National Committee of the Chinese People's Political Consultation Conference have raised motions to demand Japan to make non-government reparations to the Chinese people. What's your comment on this?

Qian: For nearly half a century from the Chinese-Japanese war in 1894 to China's victory in its struggle against Japanese aggression in World War II, the Chinese people suffered tremendously from atrocities committed by Japanese militarists. The Japanese side should properly handle some complicated problems resulting from Japan's aggression against China. The Chinese government gave a clear-cut expression to its position on the question of war reparations in the Sino-Japanese Joint Statement of 1972 and China's position remains unchanged. People's deputies have the right

to propose motions, which will be handled by an organ of the NPC Secretariat according to rules and regulations.

The European Times: In France, many people who came from Indochina, especially from Cambodia are concerned about the situation in Cambodia. How would you assess the prospects for Cambodian peace?

Qian: Recently I held talks with Prince Norodom Sihanouk and leaders of each faction in the Supreme National Council of Cambodia when visiting that country. In the talks with them I got the impression that, despite their differences, all factions are willing to seriously implement the Paris agreement on the peaceful settlement of the Cambodia conflict. They all demanded the earliest presence of the UN Transitional Authority in Cambodia so as to guarantee a stable transition and the holding of general elections. I believe that the general trend of the situation in Cambodia is towards peace that cannot be held back.

Swiss Reporter: Just one year ago on this occasion, you were emphasizing that China supported a growing role of the United Nations in settling conflicts in international politics. In the meantime the United Nations Security Council is considering to apply sanctions against Libya and launch a new military strike at Iraq. Will China support a UN role as the "world police?"



Foreign Minister Qian Qichen at the press conference.

XUE CHAO

Qian: China supports the positive role of the United Nations in maintaining world peace and settling regional disputes. Regarding Libya, China consistently opposes and condemns terrorism in any form, and is in favour of making thorough, fair and objective investigation into the aircraft explosion incident in accordance with the UN Charter and international law, and duly punishing the convicted criminals. That's why China was in favour of the UN Resolution 731. Now the parties concerned are making efforts to seek a just and reasonable solution to this issue through consultations. Under such circumstances, China is against the UN Security Council applying sanctions against Libya, because it will not contribute to the settlement of the problem, but will only intensify the situation in this region and entail serious consequences. With respect to Iraq, we believe that the Iraqi people are innocent. It is necessary to lift restrictions on Iraq's import of food and daily necessities out of humanitarian considerations. China wants to see continued Iraqi co-operation

with the UN Security Council in implementing its resolutions. But we are opposed to using force or threatening to use force to settle international disputes.

Le Monde: China said in 1989 that it would retaliate if France sells battleships to Taiwan. Now France is considering selling fighter-bombers to Taiwan. What will be China's reaction to the sales?

Qian: With regard to what you have just mentioned, China is making representations to the French side and I will not reveal the details here. But I can say that there will certainly be strong reaction from the Chinese side if France sells Mirage-2000 to Taiwan.

Taiwan Television Enterprise Ltd.: Premier Li Peng mentioned in the government work report to the current NPC session that China's mainland will not oppose Taiwan to join the General Agreement on Tariffs and Trade (GATT) after China has resumed its membership, and that it is not against Taiwan's economic and trade relations with other countries and regions. So, is it possible for Taiwan to join GATT concur-

rently with the mainland? Or will Taiwan be allowed to join GATT before the mainland?

Qian: I can make it clear that only after China's membership as a signatory state to the GATT is resumed, could Taiwan join it as a separate customs territory of China.

Les Dernieres Nouvelles d'Alsace: Can you specify what measures China will take to force France to cancel its arms deal with Taiwan?

Qian: We will not be pleased to see any serious setbacks or damage in Sino-French relations. If France ignores China's representations and sells weapons to Taiwan, China's reaction will be strong. As you know, the Netherlands and Germany have cancelled their arms sales to Taiwan. **Economic Daily of Korea:** Premier Li Peng observed in his government work report that China is pleased to see the relaxation of the situation on the Korean Peninsula. Do you think the establishment of diplomatic relations between China and South Korea will benefit the easing of tensions on the peninsula? Does China have some preconditions or timetable for establishing diplom-

atic relations with South Korea?

Qian: We do hope to see the situation on the Korean Peninsula trend towards relaxation and stability. China espouses and appreciates the agreements and documents signed by prime ministers of the north and south of Korea and hope these agreements and documents will be implemented. China and South Korea have exchanged non-governmental trade offices and opened direct trade. We hope the relations will continue to develop. South Korean Foreign Minister Lee Sang-ook is to come to Beijing in the capacity of ex-president of the Economic and Social Council for Asia and the Pacific (ESCAP). I will meet Lee, and focus our talks on issues related to ESCAP. Of course, I cannot rule out the possibility of discussing other topics. However, I have no timetable or other things to tell you.

Finish reporter: What's China's position on the establishment of an East Asian, Northeast Asian and Southeast Asian common market? Does China hope to be a member of it?

Qian: China's position is clear that it will actively participate in various regional economic co-operation groups. But we are opposed to any form of closed trade bloc.

People's Daily: Premier Li Peng pointed out in his government work report that the old world pattern has collapsed and a new one has yet to take shape. What's your idea about the new world pattern?

Qian: The breakup of the old world pattern means the end of the post-war bipolar system characterized by the hostility between the two superpowers. A new world pattern will depend on the development of the situation. It is likely to be a multi-polar pattern. That is to say, the world is diversified with many different forces. Economically,

for example, North America, Asia and Europe represent different forces. Thus, the world is unlikely to be a uni-polar pattern, or, in other words, one superpower cannot monopolize international affairs and dominate the world. It most likely will be a multi-polar world.

US News and World Report: Now that the superpowers are reducing their military presence in Asia, will China fill the vacuum?

Qian: China opposes hegemonism and it will never seek to be a superpower, so there is no such thing as "filling up the vacuum." Our position is that all nations, big or small, rich or poor, strong or weak, are equal members of the international community and they should participate in discussing international affairs on an equal footing.

United Press International: Premier Li Peng mentioned bourgeois liberalization and peaceful evolution in his government work report. Do you really think that some foreign forces are actively working to overthrow or subvert the Chinese government? Can you give a concrete example or some evidences?

Qian: I don't think it is necessary to give specific examples as some foreign politicians have made their intentions very clear.

Lian He Zhao Bao of Singapore: China has repeatedly stressed strengthening its good-neighbourly relations with its surrounding countries. I want to know what progress has been made in the relations between China and the Association of the Southeast Asian Nations (ASEAN) since last year? What kind of exchanges and co-operation will China have with the ASEAN, especially with Singapore, in the coming years? Does China find a new solution to the disputes over the sovereignty of Nansha Islands?

Qian: It should be said that the relations between China and the ASEAN countries have made

great progress. Previously, China had no diplomatic relations with three of the six ASEAN nations but now these have been established. Since last year, China has received an invitation from ASEAN to attend the opening ceremony of its foreign ministers' meetings and to hold talks with foreign ministers of the six countries. This kind of contact and dialogue will continue in the Philippines this July. The settlement of the Cambodian question has created better conditions for further development of relations between China and ASEAN. Our co-operation with ASEAN in economic and other fields will be further strengthened. The Chinese government's stand on the Nansha Islands is clear to all and it remains unchanged.

China News Service: China believes that it should grasp and make use of the current favourable international environment to accelerate its economic construction. Would you like to elaborate on it?

Qian: With end of the bi-polar world pattern, a new world war cannot happen. The Asia-Pacific region is comparatively stable and East Asia is the most dynamic region in the world economy. The good-neighbourly relations between China and the surrounding countries continue to develop. We have strengthened our solidarity with other third world countries. More and more countries in the world have come to realize that a stable China is conducive to world peace and development. The developed countries which have been perplexed by economic recession and sluggish recovery cannot afford to ignore the huge market of China. All this indicates that the present time is a favourable period for China to accelerate its reform and open its door wider. ■

Sino-Japanese Co-operation In a Changed Situation

by Liu Jianguo

Sino-Japanese relations, since their normalization in 1972, have developed rapidly, thanks to joint efforts by the two governments and non-governmental organizations. This year marks the 20th anniversary of the normalization, an event that both the Chinese and Japanese governments and people hope to take advantage of to open broader vistas for their friendly relations.

New Start

Last August, former Japanese Prime Minister Toshiki Kaifu paid a three-day official visit to China, marking the full normalization of the once strained relations between the two nations. The tour also created a new starting point for the bilateral relationship.

The Chinese government has always regarded the cementing of a long-term, stable, friendly and co-operative relationship with Japan as a major integral component of its foreign policy. Soon after taking office, Japanese Prime Minister Kiichi Miyazawa assured that Japanese-Chinese friendship is a cornerstone of Tokyo's diplomacy and expressed Japan's readiness to support China's political and economic reforms and open policy.

The visit to Japan by Jiang Zemin, general secretary of the Central Committee of the Chinese Communist Party, is the first by a top Chinese leader in the 1990s. It opens the prelude to high-level contacts between the two countries to mark the 20th

anniversary of normalization of bilateral ties. China has officially invited Emperor Akihito of Japan to visit China in the autumn. The visit, if made, will mark the first of its kind in the history of Sino-Japanese relations and will be especially meaningful because it will coincide with the 20th anniversary of Sino-Japanese normalization. Predictably, the bilateral relations will be ushered into a new high.

In trade and economic co-operation, the Japanese government has been providing yen loans to China since the late Prime Minister Masayoshi Ohira. After Japan lifted sanctions against China, bilateral trade rebounded markedly. It is expected that bilateral trade will continue to grow at a high rate this year and the trade volume might reach US\$28 billion.

There has also been an increase in Japanese direct investment in China. With the improvement of China's investment environment, Japan is expected to further increase its investments.

Five Principles

The world has undergone drastic changes in recent years. In the new international context, what principles should guide the development of Sino-Japanese relations?

It is noteworthy that the Five Principles of Peaceful Coexistence (mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual

benefit and peaceful coexistence), which were recognized by both China and Japan in their treaty of peace and friendship, not only serve as a cornerstone of Sino-Japanese relations but can also become a basis for a new world order. As Chinese Premier Li Peng told Kaifu last August, "China maintains that the international political and economic order should not be dominated by a few powers but rather should be based on the Five Principles of Peaceful Coexistence, which were written into the Sino-Japanese Treaty of Peace and Friendship."

When meeting with Kaifu last year, Jiang Zemin said, "We believe that it is up to the people of a country to decide which social system to follow in accordance with their specific national conditions and historical background." Kaifu responded that countries should settle their own problems by proceeding from their own conditions. Miyazawa pointed out in a meeting with former US Secretary of State Henry Kissinger, "We need not be anxious as to the way China rules its people...we should have a better understanding of China's stand and help China in its construction."

As long as the principles enshrined in the Sino-Japanese Joint Statement and Treaty of Peace and Friendship are strictly observed, Sino-Japanese relations are blessed with a bright future.

Asian-Pacific Context

In contrast to turbulent Eu-

rope and Central Asia, the Asian-Pacific region enjoys peace, stability and sustained economic growth. This is attributable to China's stability, Japan's adherence to peaceful development and the healthy expansion of Sino-Japanese relations.

In the 1990s, this relationship is to develop in the specific Asian-Pacific context. China and Japan can co-operate in the region's political and economic affairs.

In the emerging world order, the United States and Russia will reduce their military presence in this region, while the political and economic clout of China and Japan on this region will increase. This prospect calls for closer China-Japan coordination of effort in developing their relations.

When co-operating on regional issues, both China and Japan should abide by their mutually agreed principles — neither side seeks hegemony in the Asian-Pacific region and each is opposed to other countries doing so; while solidifying bilateral friendship and co-operation, both countries pay attention to developing multi-lateral friendly ties with other countries in the region.

On the question of the Korean Peninsula, both China and Japan should fully respect the independent choices made by the north and south sides of Korea and strive to create a sound external climate for inter-Korean dialogue; on Indochina, they should respect the common understanding reached among the parties concerned and relevant United Nations arrangements and make contributions to the region's peace and reconstruction in non-military fields; on relations with the Association of Southeast Asian Nations (ASEAN), they should work to bring to a new high their co-operation with the

association.

In response to the worldwide trend towards forming regional economic and trade blocs, such as the European single market and the North American Free Trade Zone, China and Japan, in addition to maintaining economic and trade relations with Europe and North America, can co-operate on the following three levels:

First, on the Asian-Pacific regional level. The Asian-Pacific Economic Co-operation (APEC) ministerial council is a major mechanism for regional co-operation. Both China and Japan are members to it and can co-operate in energy, communications, trade, investment, personnel training and environmental protection. It is believed that a key to regional prosperity is the successful economic co-operation between China and Japan that transcends social system and ideology. Furthermore, if China resumes its membership to the General Agreement on Tariffs and Trade, it can play an even bigger role in promoting regional co-operation.

Second, on a sub-regional level. This includes a "Northeast Asian economic zone," composed of China (its three northeast provinces, Inner Mongolia, Hebei and Shandong provinces), Russia (Far Eastern part), the Korean Peninsula and Japan; a "South China economic zone," involving China's southern provinces, Hong Kong, Macao and Taiwan, an area with which Japan can co-operate in investment, trade and technology transfer; and a "Southeast Asian economic zone," comprising ASEAN and Indochina, with co-operation from China and Japan. In the future, closer links may be established between the South China economic zone and the Southeast Asian zone. All this will provide greater potential for both China and Japan to promote multi-lateral regional

co-operation.

Third, on a bilateral level. If China and Japan can seize the opportunity provided by the current situations in both countries, they will certainly attain an unprecedented expansion in their bilateral co-operation.

In Japan, the trade-oriented state policy that has been in force since World War II has come under grave challenge from mounting trade frictions with Europe and America. Last year, 65 percent of the total trade deficit of the United States came from trade with Japan. National antagonistic sentiments have also developed in the two countries against each other. This forces Tokyo to adjust its mode of economic development. In the end Japan might become a market for manufactured goods from the Asian-Pacific region and a supplier of capital and technology to other nations in the region. This provides China an opportunity.

At the same time, China has reaped results from its three-year-long effort to rectify its economic order and improve the economic environment. Recently, the State Council has decided to open the nation wider: four northernmost cities, including Heihe, will be built into a border economic co-operation zone; Pudong in Shanghai is now opened to foreign investors in the hope of making Shanghai one of the economic, financial and trade centres in West Pacific; and the southernmost province of Hainan is offering preferential terms for foreign investors to develop its Yangpu economic zone. All these programmes are golden opportunities for Japan to open export-oriented businesses and conduct technological co-operation in China. Once China increases its exports, it can expand imports from Japan. This will open new channels for Japan to expand its foreign trade at a time when its trade with the United States is in trouble. ■

NPC DEPUTIES ON REFORM AND OPENING

New Situation And New Plans

by Our Staff Reporter Yang Xiaobing

This spring, the programme for reform and opening has developed with increasing momentum on the expanse of China. The reform and opening was one of the main themes of discussion among deputies to the Fifth Session of the Seventh National People's Congress held from March 20 to April 3.

Pudong

In his Government Work Report, Premier Li Peng called for building Shanghai into one of the country's largest economic, financial and trade centres. The development of Pudong is a decisive step towards achieving this goal. The state has decided to designate the development of Pudong as the focus of China's economic development during the 1990s and promised to grant Shanghai major support in the scale of credit, collection of funds, use of foreign exchange, tax policy and examination and approval of projects.

Wu Bangguo, secretary of the Shanghai municipal Party committee, said, "The opening of Pudong requires not only speed, but a high level of resource commitment. We should give full play to Shanghai's overall advantages of its science, technology and economy and energetically develop a

new generation of high-tech industries and pillar industries in order to promote the development of Shanghai's overall economic construction. Pudong's standard should be of the 1990s and of the 21st century. Shanghai should put up its 'international card' and adopt a series of preferential policies to further attract both domestic and foreign talents and funds." Currently, construction of Pudong's infrastructure facilities is being stepped up and capital construction projects are being completed one after another. Last year, for example, the Nanpu Bridge that connects both banks of the Huangpu River was opened to traffic. It is estimated that construction of infrastructure facilities involving an investment of 14 billion yuan will all be completed by 1995. At present, there are over 180 projects using direct foreign investment in Pudong. Furthermore, because foreign investors are allowed to run commerce in Pudong under Chinese policies, an agreement has been reached between Shanghai and a Japanese department store for opening a large Sino-Japanese general merchandise centre in Pudong. The C. Itoh & Co., Ltd. of Japan has won the Chinese government approval for the establishment of an ex-

clusively owned import and export trade company in Pudong, which is the first of its kind in China.

Chen Deming, vice-president of the Shanghai Municipal Federation of Overseas Chinese, said, "Pudong should draw on the experience of the special economic zones in south China and properly and fully use the policies granted by the central government to Shanghai. In the introduction of foreign investment, we think 'the earlier one comes, the earlier one is benefited.'"

The opening of Pudong had received the attention of not only local people. Chen Huanfa, governor of Jiangsu, said, "Jiangsu should take an active part in the development of Pudong. Jiangsu has currently bought land in Pudong for the construction of an economic and trade mansion. Now a number of enterprises have entered Pudong, we should make use of Pudong's preferential policies to promote the development of an export-oriented economy in Jiangsu."

Hainan

Deputies from Hainan Province, China's largest special economic zone, believe that Hainan should be bolder in pushing reform and opening.

Deng Hongxun, secretary of the Hainan provincial Party committee, said, "Hainan Province's 1991 GNP increased by 15.5 percent over the previous year and various economic tasks were overfulfilled. The situation looks promising this year. For example, some infrastructure facilities have begun to take shape and conditions for large-scale development and construction are now in place; construction of a batch of large and medium-sized projects making full use of local resources will begin one after another; and the State Council's approval for the development of



Zhu Rongji (right) and Wu Bangguo, deputies from Shanghai, have a chat.

large tracts of land in Yangpu will give a great boost to Hainan's development and construction. All of these steps indicate that an upsurge in reform and opening will soon take place in Hainan."

Governor Liu Jianfeng said, "Hainan made further progress last year in reform and, in implementing a number of major reform measures, achieved remarkable results. Moreover, it conducted a reform of the purchasing and marketing prices of foodgrains, leading the country in the use of the same price for purchase and sale, thus eliminating the state practice of purchasing at high price and selling at low price; it has improved the system of 'small government, but large society,' eliminating unwieldy organization and the practice of the government to handle everything itself; and it has smoothly pressed ahead with reform of the social security system and chosen some enterprises to experiment with the standar-

dized stock system. This year, in price reform, Hainan's main task is to further reform the purchase and marketing systems of grain, decontrol prices by introducing purchase and sale at negotiated prices, introduce a single-track instead of a double-track pricing system for 16 out of 19 major means of production and cultivate the market system, establish financial, science and technology, labour service and real estate markets. Hainan's economic system should be based mainly on market regulation. It should do a good job of changing the enterprise management system and trial experimentation of the stock system in selected state-owned enterprises. In addition, it should successfully carry out supplementary reforms of the social security, wage and housing systems."

Minority Nationality Areas

Deputies from minority nationality areas made clear the ur-

gency of expanding the reform and opening up.

In his talks, Batubagen, chairman of the standing committee of the Inner Mongolian Autonomous Region's people's congress, dwelled on the achievements and gaps of his region. Between 1980 and 1990, the region's GNP increased by 143 percent, total social output value by 146 percent, national income by 142 percent, total output value of industry and agriculture by 156 percent, and per-capita income of farmers and herdsmen by 237 percent. As a result of historical, natural and geographical reasons, compared with other regions of the interior and, in particular with the economically developed coastal areas, the minority nationality areas still have a long way to go. Moreover, the gap is expanding. Between 1985 and 1990 the gap in per-capita GNP between Inner Mongolia and the nation from 73 yuan to 219 yuan and the gap in per-capita financial income widened



Deputies from Zhejiang Province talk about how to quicken economic reform and opening up in their province; Deputies from Guangdong Province at a panel meeting.

from 121 yuan to 143 yuan. Its place in urban resident per-capita consumer income dropped from fourth place in 1987 to last place in 1991. This reflects the urgent need for minority nationality areas to accelerate the pace and intensify support for reform and opening up."

Jie Fuping, the municipal Party committee secretary of Urumqi, Xinjiang Uygur Autonomous Region, said, "Progress was slow in Xinjiang in the past and now we should make some big moves. The Urumqi Economic and Technological Development Zone will implement more preferential policies than those accomplished in the coastal areas and absorb funds, technology and qualified personnel from various sectors. A good job will be done to construct infrastructure facilities. The central cities with their strong technical forces and technology-intensive advantages will promote the growth of various industries. Xinjiang will also strengthen its economic and trade ties with the Central Asian region."

Border Areas

Many deputies believe that as the state accelerates the opening up of the border regions, the economy in the regions will de-

velop even further. The economic takeoff in these regions will promote further development of China's national economy.

Huang Xianyao, chairman of the standing committee of Mudanjiang municipal people's congress, and He Yonglin, deputy secretary-general of the Heilongjiang provincial government, both noted that Heihe and Suifenhe, two border open cities approved by the State Council, will not only promote development and construction but also are of significance for the province and the country's participation in economic co-operation with Northeast Asia. They said that efforts should be made to make a good use of the policies granted by the State Council, study and learn the experience of the special economic zones in south China, lose no time to formulate plans, train personnel, create a favourable investment environment and increase our trade and co-operative partners.

Shao Qihui, governor of Heilongjiang Province, said, "We shall do a good job in border trade and implement the policy of complementary economy. We shall not confine our effort to the border trade but open our province to the outside world in an all-round way. We shall not only

open to the Commonwealth of the Independent States but also to the entire Northeast Asian economic zone. Therefore, Heihe and Suifenhe need to open wider to the outside world. The two cities should promote the opening up of the entire province."

The Dehong Dai and Jingpu Nationality Autonomous Prefecture in Yunnan Province borders on the nation of Myanmar. Dao Anju, the head of the Dehong Prefecture, said, "The border trade situation in Dehong Prefecture is excellent. In order to step up economic development, we intend to transform the unitary trade system into multilateral trade, from purely commercial trade to an integration of trade and industry, trade and technology and the development of resources, and from the local trade to entrepot and transit trade. Dehong will make preparations in the following two fields: First, it will strengthen its ties with more trade counterparts in Myanmar, including those in the nation's interior. Second, it will cooperate with Myanmar on the use of Chinese technology, labour service and funds, try to establish trade-industrial and trade-technological combinations and set up joint trading bases."

Finance

Recently, the Interim Provisions Concerning the Shenzhen Stock Co. Ltd., the first of its kind in China, was promulgated and put into effect by the Shenzhen Stock Co. Ltd. This signified a major step by China to standardize and legalize the stock market. There are now 119 stock companies in Shenzhen, 11 of which have listed shares worth 2.1 billion yuan on the market.

Shanghai has developed a stock market too. According to Zhang Zhongli, director of the Shanghai Academy of Social Sciences, "The shareholding system has great potential because society needs a lot of money for developing social production. The issue of stocks is a good way to raise funds. Also, the shareholding system can help improve management of enterprises. Enterprises have to publish regularly information regarding their fixed capital and debts and are banned from listing their stocks on the market if they are heavily in debt." Zhang said he published abroad a paper entitled *On Stock Market*

in 1947 but it received no support from the Kuomintang government. "There's a good opportunity today to bring into play the role of the stock market." Since the first batch of stocks was issued in 1984 by two enterprises, a stock exchange centre has been established in Shanghai for issuing stocks, Renminbi treasury bonds and type-B treasury bonds abroad. The stock exchange is being standardized. At present, the city has listed 15 kinds of treasury bonds with a total value of 900 million yuan.

The deputies from areas without stock markets have appealed

for permission to establish local stock markets and experiment with the share-holding system. Han Enjia, advisor to the Tianjin municipal government, said, "The establishment of a stock exchange in Tianjin should be set up in order to push forward economic reform and open wider to the outside world. Stocks should be issued publicly and the purchase and sale of stocks should be tried out in the city, one of China's major economic centres located in the Bohai Sea Economic Circle. The establishment of a Tianjin stock exchange will



Photos by XUL CHAO
Seypidin, a deputy from Xinjiang, offers an opinion on accelerating the reform and opening up.

bear greatly on the development of a money market and on economic construction in north China. The Tianjin Stock Exchange in the north, Shenzhen Stock Exchange in the south and Shanghai Stock Exchange in the east will be co-ordinated with one another. Today there are more than 1,000 contracted foreign-funded enterprises, some of which have applied for approval to issue of stocks. City residents are greatly interested in a stock market."

Land

Wu Wenqian, director of Zhejiang Provincial Land Adminis-

tration Bureau, believes that the conditions are now ripe for China to reform its land use system.

Wu noted, "Premier Li Peng pointed out in his Government Work Report that development of the real estate market is one of the main aspects of reform of the circulation system. This means the right to use land can be bought or sold on the market but it is no substitute for reform of the land use system. The focus of reform of the land use system is to replace the old system in which the land can be used free of charge and without time limits and under which it cannot be bought and sold on the market with a new system in which the land is used for a fee and for a set time and can be resold. To eliminate the old system, various localities have since 1987 undertaken such steps as leasing out the state-owned land for compensation, charging farmers and rural enterprises for the use of land to build houses and collecting taxes on urban land. These reforms have been introduced in order to maintain public ownership of the land, make the most

of land usage, increase state and collective income and guarantee a good use of the limited land resources. The Constitution lists the main points of reform of land use system while related laws and regulations make clear the contents and requirements of the reform. All of these provide a basis for continued reform in this field."

As China opens its door wider to the outside world, increasing numbers of foreign businessmen will invest in Chinese enterprises. This requires reform of the land use system in order to facilitate the absorption of foreign funds. ■

China's Debt Repayment Capacity Strengthened

by Our Staff Reporter Li Ming

Although 1992 is the peak foreign debt repayment year for China, the nation has encountered no difficulty in fulfilling its obligations. With its economy developing rapidly, China's international debt repayment capacity will also increase.

Last February, a senior official from the World Bank stationed in the Asia-Pacific area noted that, considering China's policy to open wider to the outside world, its strong debt repayment capacity and high international reputation, the World Bank had decided to grant new loans to China in addition to the previous US\$10 billion in loans.

Since the end of last year, the governments and monetary institutions of some developed countries, including Japan, Britain, France and Denmark, have expressed a willingness to provide China with more loans. Some related contracts have been concluded. All this shows evidences of their confidence in China's capacity to repay foreign debt.

External Loan

To strengthen management of foreign loans, the State Administration of Foreign Exchange Control announced to the public the amount of foreign loans for each year from 1985 to 1990—US\$15.8 billion in 1985, US\$21.5 billion in 1986, US\$30.2 billion in 1987, US\$40 billion in 1988, US\$41.3 billion in 1989 and US\$52.55 billion in 1990. The figures show a rapid increase in China's foreign loan

volume, which has helped eliminate the shortage of domestic funds. With the money, China has built a group of large and medium-sized infrastructure facilities and expanded and reconstructed a number of small and medium-sized projects. These projects have promoted national economic development.

Ling Zeti, deputy director of the State Administration of Foreign Exchange Control, said that the situation for borrowing, use and repayment of foreign loans was good. China's external debts are within its repayment capacity. Statistics show that the 1990 repayment rate of external debt (the proportion of the repayment of principal and interest on loans to China's total foreign exchange income during the year) reached 8.5 percent and the debt rate (the amount of loans at year's end proportionate to China's total foreign exchange income) was 89.3 percent. The figures are lower than the international limits of 20 percent and 100 percent. Of the US\$52.55 billion in external loans at the end of 1990, US\$45.88 billion was long- or medium-term loans and US\$6.67 billion was short-term, representing 87.1 percent and 12.9 percent respectively of the total. The proportion of short-term loans was less than 25 percent, the limit set

by the international financial community.

Of the total external loan, 75 percent is in US dollars and Japanese yen. China's banks now handle 20 foreign currencies, including Special Drawing Rights, the French franc, German mark, Hong Kong dollar, British pound sterling, Swiss franc and Canadian dollar, and this has helped the country reduce risk brought about by fluctuating exchange rates.

The external loans have been mainly used for infrastructure facilities such as communication and transport projects and energy and heavy chemical industrial projects. A portion of the funds was used to develop agriculture and light and electronics industries. Some preferential loans provided by foreign governments and international monetary institutions were used for the technical upgrading of capital construction projects while flexible commercial loans were used to develop and renovate export-oriented enterprise projects.

China has always attached great importance to repayment of external debts. In the last few years although the principal and interest to be paid have increased annually, repayment has proceeded quite well. If certain borrowers encounter trouble, the

responsible departments and local governments help them locate additional resources. The premise is that the borrowers are ultimately responsible for repayment of debts. Most mature debts have been handled through agreements with the creditors. In the eyes of most creditors, China is one of the most reputable countries regarding debt servicing capacity.

Debt Servicing

Deputy director Ling said that China needs more funds over the next ten years. In addition to domestic financial resources, China will attract foreign investment in order to increase its gross national product by 6 percent annually. Based on its long- and medium-term external loan volume of the Seventh Five-Year Plan period (1986-90), China is expected to increase its loan volume over the coming decade.

The external debt servicing capacity has an important bearing on expansion of loan scale. It also reflects the nation's capacity to use and to absorb foreign investment and the promotional role of investment in national economic construction. The soundness of China's debt servicing capacity is shown by the following:

—China has registered a stable increase in its gross national product and national income in the last few years. Its national economic strength has been further increased. The gross national product reached 1,958 billion yuan (about US\$362 billion) last year. The proportion of the balance of external loans to gross national product is lower than the average international standard of 35-40 percent. In the years leading up to the end of this century, China's gross national product will increase by 6

percent annually (based on the 1990 prices). The figure is expected to reach 2,325 billion yuan in 1995 and 3,100 billion yuan in 2000. If this target is realized, China's capacity to repay its external debt will be further improved.

—The last few years saw a rapid growth in China's foreign exchange income. This has greatly increased China's external debt servicing capacity. China's total foreign trade volume reached US\$135.7 billion last year and its balance of payments position has continued to improve. By the end of last September, China's foreign exchange reserves had amounted to US\$39.96 billion, more than the international level required of debtor nations.

—Both the debt rate and the debt servicing rate are kept on a rational scale. Both reflect the nation's debt servicing capacity. The average international debt rate should be under 100 percent while the servicing rate should be less than 25 percent. Based on international calculation methods, China's annual debt rate is lower than 90 percent and its debt servicing rate under 15 percent. The servicing rate will not exceed 20 percent even in the peak repayment year. This demonstrates that China's external debt scale is rational and that China has a sound debt servicing capacity.

—The rational structure of external debt facilitates readjustment of future debt and avoids debt risk. China has a rational structure of external debt repayment. Based on the servicing structure of existing loans (not considering servicing for future loans), the repayment volume is decreasing year by year and the annual volume is below its servicing capacity. In fact, there is no absolute peak repayment

year. In the last few years, the central government has strengthened management of short-term loans and demanded that short-term loans remain under state limits. These short-term loans should only be used as short-term circulation funds for trade projects, not as investment for the medium-term and long-term projects, in order to keep its proportion to total debts under 10 percent. This will avoid debt risk caused by too large a proportion of short-term loans.

To raise the state's debt servicing capacity, maintain China's good international reputation, improve the efficient use of external loans and avoid debt crises, the Chinese government has tried to strengthen management of external debt and improve legislative work relating to external debt. It has formulated the "Interim Provisions on the Management of External Debt" and is stipulating other rules and regulations related to international financial leasing, repayment of external debt in spot exchange and contracting foreign loans by foreign-funded enterprises. At the same time, the central government has gradually improved external debt control systems and established debt repayment funds in more than ten provinces and cities. It has also made clear the responsibility of debtors to repay loans and helped them find the resources to repay debt in order to maintain the reputation of both the state and the locality involved. In addition, some provinces and cities including Shanghai city and Henan Province have established their own foreign exchange markets to improve foreign exchange circulation. These markets have helped debtors find additional financial resources. ■

Shenyang: Polishing Old Enterprise Brass

by Our Staff Reporter Han Baocheng

The renovation of old enterprises in Shenyang will continue through the Eighth Five-Year Plan period (1991-95). At the same time, the new enterprises in the city's economic and technological development zones are expected to blossom.

A well-known industrial city in Liaoning Province, northeast China, Shenyang has more than 5,100 industrial enterprises, some 291 of them large or medium-sized. Its industrial output value reached 20.5 billion yuan in 1990, or 12.3 percent of the province's total. Shenyang, a heavy industrial base, has produced several billion yuan worth of machine tools and complete units of equipment in the last 40 years. At the same time, it has trained many managerial personnel, engineers and technicians for other parts of the country.

Since the beginning of the 1960s, the city has been confronted with long-standing problems of fund shortages and outdated equipment. The speedy renovation of old enterprises and improvement in performance of this industrial base was thus the key to the city's economic restructuring and opening in the 1980s.

Located in an open coastal area, Shenyang introduced more flexible policies in 1988. During the Seventh Five-Year Plan period (1986-90), the city put aside several billion yuan for building its infrastructure, including such facilities as an international airport, an expressway, programme-controlled telephone exchange systems with 300,000 channels, a power plant, a water works and a railway station.

According to Wu Disheng, the city's mayor, Shenyang's economy is ready to take off. Great efforts in the last few years have resulted in a remarkable improvement in the investment environment and the general standard of living of local residents as well as a plentiful supply of market goods. These conditions favour a successful management of large and medium-sized state enterprises. The plan drawn up during the Seventh Five-Year Plan period to upgrade old enterprises will be implemented as quickly as possible during the Eighth Five-Year Plan period.

Tiexi Industrial District

Tiexi District in the northwest of the downtown area is the site of most of the city's industrial enterprises. With government funding, it was developed into a nationally known industrial base in the early 1950s. The 13-square-km industrial district boasts about 1,000 industrial enterprises, including 110 large and medium-sized ones, with 400,000 employees. Most are machinery enterprises involved in more than 140 industries such as metallurgy, building materials, chemicals, medicines, light and textile industries. The district produced China's first six-axle automatic lathe, 12,500-ton horizontal extrusion press and 500,000-voltage transformer.

In 1985 the Shenyang govern-

ment drew up an overall plan to modernize the district. The programme began in the first year of the Seventh Five-Year Plan period. By the end of 1990, when the first phase of renovation was completed, some 3.86 billion yuan, or 69.2 percent of the total investment, was put aside to renovate 722 industrial projects. Some 250 enterprises were upgraded either fully or partly and, as a result, their technical level and productivity increased greatly. During the Seventh Five-Year Plan period, the district developed 34 types (30,000 pieces in all) of large equipment units, three times the number produced during the previous five-year plan period. Of these, the large open-air continuous mining equipment, the 300,000-ton ethylene equipment, the 500,000-ton urea production equipment and 5 million-ton oil refining equipment are of international level of the late 1970s and early 1980s.

As the modernization programme began to be put into practice, the local government stressed the importance of using advanced foreign technology and funds. During the 1986-90 period, the city introduced 21 production lines, of which 80 percent were up to the international level of the 1980s. At the same time, the city attracted US\$70 million in foreign investment. A total of 44 Sino-foreign joint ventures, Sino-foreign co-operative and

solely foreign-owned enterprises were established during the period. One key renovation method is to undertake joint ventures with foreign businessmen. Under this scheme, the Chinese side provides all or part of the workshops, equipment and labour force required while foreign businessmen offer funds and advanced technology and equipment. The two parties thus con-



LI YONGHONG

Shenyang Water Heating Device General Factory has become a scientific and research centre after the introduction of advanced foreign technology.

tribute their respective resources. Both well-managed and inefficient enterprises have been able to attract foreign investment.

The Shenyang Chemical Plant is a major producer of chloric soda, lubricant, chlorinated paraffin and pesticides, its profit reaching about 30 million yuan a year. The company's products are not only well received in the domestic market but are also exported to more than 20 countries and regions including Hong Kong, Southeast Asia, Europe and North America. Its equipment and production processes, however, were outdated and needed to be renovated. On January 1, 1989, the factory used all its fixed assets to establish the Novel-Shenyang Chemical Co. Ltd. together with the Novel Technology Development Co. Ltd. of Hong Kong and the Shenyang Tiexi Reform and Economic and Technological Development Corp. The Chinese side owns 70 percent of company stock and the Hong Kong side

the remaining 30 percent. The term of co-operation is 30 years.

The joint venture was based on the old enterprises and both parties received dividends in the first month of operation. In 1989, the Hong Kong company received an interest rate of 19.36 percent, a figure which averaged 21 percent in 1990 and 1991. This form of co-operation is attractive to foreign investors. At the same time, the Chinese enterprises have more funds to technically upgrade and develop new products.

According to Hong Jiansheng, deputy director of the city planning commission in charge of the renovation of the Tiexi Industrial District, the second phase of renovation of the district for the 1991-2000 period has begun. During the Eighth Five-Year Plan period, the district will build up its superiority in producing eight series of products.

—**Machinery.** Emphasis will be on the renovation of the No. 1 and No. 3 machine-tools plants. A total of 13 main products will be developed and put into production, including fully functional numerical-controlled machine tools and processing centres. By

Huge case manufacturing equipment designed by the Shenyang Sino-Czech Friendship Factory has passed state evaluation.

ZHENG YONGJI



1995, the production capacity of numerical-controlled machine tools will be 2,000 pieces. Technical norms will be of the international level of the 1980s.

—**Power transmission and transformer equipment.** Effort will be devoted to developing 500,000-volt transmission and transformer equipment, 500,000-volt fully closed combined generating units, 1 million-volt lead-coated oil-filled cables and automated transformer equipment, transmission and transformer equipment for 300,000-600,000-kw thermal power units and nuclear power stations of advanced international level and equipment with a designed capacity of 5 million kw.

—**General machinery.** Great efforts will be made to develop complete equipment units for large chemical fertilizer factories, 300,000-ton ethylene projects and 300,000-600,000-kw thermal power generating units.

—**Light-duty automobiles.** In 1992, the SY-1041 tourist buses, ninth quality of the Japanese level of the 1990s, will be produced. The production capacity of the S-10 trucks will be increased to 50,000 in 1995 through a cooperative agreement with the General Motor Co. of the United States.

—**Micro-electronics.** The major effort will be on development of computers for industry and other exterior auxiliary devices, mobile telecommunication facilities, electronic components and computer software. At the same time, computer technology of the fourth generation will be imported.

—**Medicines.** Emphasis will be placed on developing high technology for producing chemical medicines. The Northeast Pharmaceutical General Factory, the No. 1 Pharmaceutical Factory and the Medical Flask Factory will be renovated. At the same

time, the Northeast Pharmaceutical Group will be developed into a large integrated enterprise.

—**Petrochemicals.** The wax chemical industry will be given a boost using oil resources with a high wax content. Also, efforts will be made to develop finely processed chemical and rubber products.

—**Light electrical sources.** Main efforts will be placed on development of energy-saving, highly efficient light electrical products.

The readjustment of the industrial structure and product mix will be undertaken together with continued imports of advanced technology and foreign funds. In the next ten years, enterprises will be transformed from simply importers of single equipment pieces to importers of funds, technology, talent and management. This will facilitate co-operation between groups of large and medium-sized enterprises with trans-national companies, help to attract advanced foreign technology and managerial methods and to readjust product mix, thus improving economic returns.

Development Zone

The Shenyang Development Zone, founded in June 1988, is adjacent to the Tiexi Industrial District in the east and covers an area of 30 square km. The first phase of development covers 4.8 square km.

Wen Guichun, secretary-general of the development zone, said that over the past three years, more than 100 million yuan has been invested in such projects as water, heating and power supplies, sewage lines, telecommunications, gas, main highway lines and special rail lines within a 4.8-square-km area. So far, 65 enterprises have received approval to enter the development zone, 50 of which

are joint ventures, with a total investment of 1.2 billion yuan, including US\$80 million in direct foreign investment. By the end of 1991, 25 enterprises had begun operation and it is estimated that, by the end of this year, the first phase of projects will be ready to begin operation.

Wen said that Shenyang has a complete array of industrial sectors with 1.3 million industrial workers and 400,000 professionals. Thus, specialized personnel and highly skilled workers in the city can be recruited by any enterprises. A service system has been established within the development zone and a small three-star hotel and 20 apartment buildings will be open at the end of this year.

Li Shilu, first deputy head of the development zone, said that the preliminary aim of establishing the development zone is to provide new space for old enterprises limited by the amount of land available and to allow them the opportunity to run their enterprises on the special economic zone model. In the light of the special characteristics of Shenyang's industries, the development zone focuses on development of machinery, electronics, chemical, medical and newly emerging building material industries.

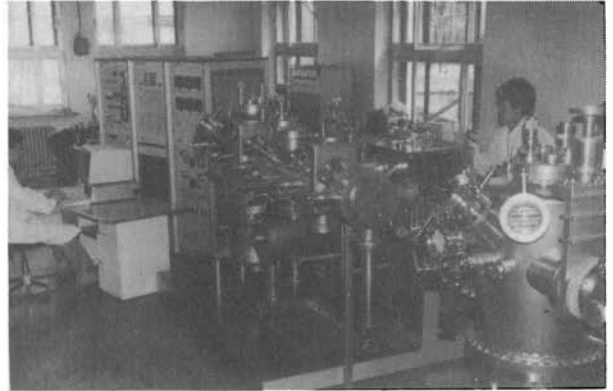
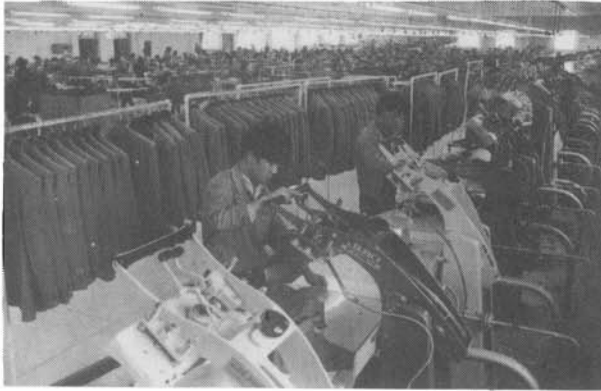
Apart from co-operating in specific projects, Li said, foreign businessmen can lease and contract to develop tracts of land or buy development shares. Recently, he added, an increasing number of foreign businesspeople have begun to negotiate land development projects.

According to Shenyang's plan, the years preceding 2000 will be the initial and development stages of the development zone, and, from 2001 to 2010, construction of the zone will be completed. Li Shilu said that in the beginning the development zone will simultaneously develop

export-oriented industries and its international trade. In the second stage, the zone will mainly develop free international trade practices.

The Nanhu Scientific and Technological Development Zone at the southern end of Shenyang City covers 22.2 square km. An area which has always been a scientific and cultural area in Shenyang, the development zone encompasses 12 institutions of higher learning, 27 scientific research institutes, three state-level scientific experimental bases and 40 large laboratories. There are some 12,000 scientists and technicians in the zone. The goal of the scientific and technological development zone is to activate scientific research units through the market economy and convert research results to commodities as quickly as possible. The development zone, while establishing technology-intensive enterprises, will provide technical support for renovating old enterprises.

Zhang Guolin, deputy head of the development zone office, said that even though construction of the development zone began late, in May 1988, significant progress had been made. Presently, it ranks among the nation's best 30-odd development zones of the same type in terms of construction scale and economic benefits. Currently, he added, there are 275 enterprises in the development zone, most of which are offshoots from institutions of higher learning and research institutes. Over the past three years, these enterprises have developed 756 new technology items and products, many of which have reached advanced international level of the 1980s. They include, for example, a high-grade numerical-controlled system, the third-generation full-body CT detector, molecular beam epitaxial equipment, ribonucleic acid, long-fibre non-



ZHANG XIAOLONG

A suit production line imported by a Sino-Japanese joint venture in Shenyang; Products of the Shenyang Scientific Instruments Factory are up to international levels of the mid-1980s.

JU PENG

fabrics and the industrial robot control system with both movement and language capacity. He said that the enterprises, whatever their size, have derived substantial economic benefit from the research and production of high-tech products.

There is a 2.3 km-long scientific and technological avenue in the Nanhu Development Zone, flanked by more than 120 enterprise business departments, which is fast becoming the development zone's new technological sales exhibition market. The Shenyang Union Biological Preparation Technology Co. Ltd. is a joint venture between Shenyang and the Seattle Living Medicine Co. of the United States. The MB 828 anti-carcinogen, a bone resetting treatment and one effective remedy for treating malignant skin disease developed by Chinese scientists and technicians of the company have received the attention of the state medical department. The MB 828 anti-carcinogen won a gold prize at China's 1991 first exhibition of brilliant scientific and technological achievements; the bone resetting principle won silver prize. Chen Juyu, chairman of the company's board of directors, said that seven export contracts were signed recently in

Southeast Asia, valued at US\$200 million. Many foreign businessmen have asked to act as sales agents. The Feilong Health Food Co. Ltd. is a Sino-Hong Kong joint venture. The health drink for prolonging life, manufactured by the company using traditional Chinese medicine as the raw material, has a marked effect in treating prostatitis presbyopia, common diseases of the elderly. This drug also won gold prizes last year.

The Shenyang Scientific Instrument Development Centre at the southern end of the Scientific and Technological Avenue is a large enterprise. The centre has more than 500 scientists and technicians, 43 of whom are senior engineers. The centre enjoys a leading position in China in the research and manufacture of super-high vacuum, membrane and surface scientific instruments and equipment and the research results of many products have won state awards. The centre's manufacturing level for many of its technologies and equipment is internationally advanced. Ma Jiwen, director of the development centre, said that the centre engages mainly in the research and production of six series of high-tech products including molecular beam epitax-

ial equipment and multi-functional electro-spectrometers, non-crystalline silicon solar energy battery equipment, auxiliary equipment for high-energy accelerators, ionic membrane machine and programme-controlled telephone exchange backup power supply equipment. These products are not only urgently needed in domestic scientific research and production, but are highly competitive on the international market. He said the establishment of the development zone has provided more opportunities for the centre to contact foreign clients.

Zhang Guolin said that the development zone is only in the initial stage and they plan to create an environment suitable for the development of highly scientific and technological products and for scientific and technical research. He noted that technical achievements should be quickly used to help renovate old enterprises and, at the same time, marketed internationally. He said that the scientific and technological development zone also requires overseas cooperation in funds, technology and trade and that his office will provide high-quality service and every convenience possible for investors. ■

Trial Resettlement of Residents

by Our Staff Reporter Li Ping

It will be an extremely difficult task to resettle 1 million people from inundated areas when the proposed Three Gorges Project is carried out. Since 1985, however, many inhabitants in the Three Gorges area have been resettled. This effort has won the support of local people.

According to the Three Gorges Project feasibility study group, the water in the proposed Three Gorges Reservoir will reach a level of 175 metres. This means that 1.13 million inhabitants will be evacuated from areas at a lower level. Moreover, nearly 30,000 hectares of farmland and orange groves will be inundated and a total of 13 cities, 140 towns, 657

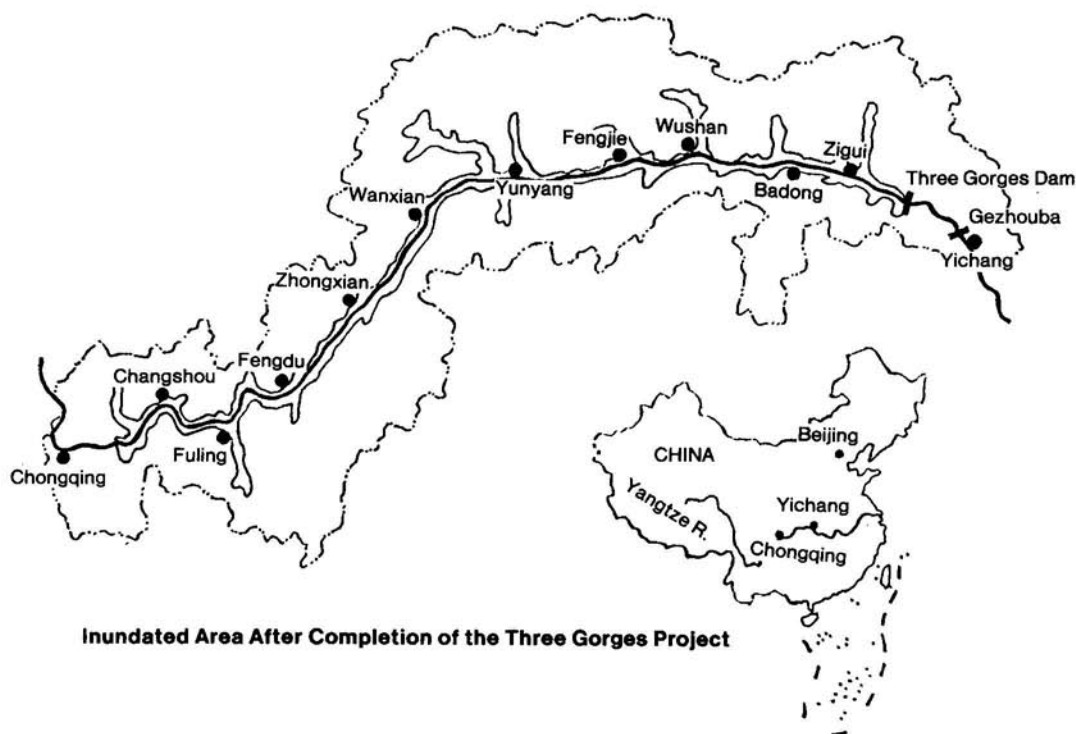
factories and other facilities as well as many historical relics will be submerged to varying degrees.

To evacuate and resettle 1 million people from a construction site will be an unprecedented attempt, not only for China but also internationally, and naturally the world watches with concern. Whether or not the resettlement problem can be satisfactorily resolved is one of the

key questions of the project.

A New Approach

According to Yao Binghua, chief engineer and deputy leader of the resettlement planning group of the Three Gorges Project under the State Council, "Resettlement is a hard nut to crack all over the world. We have, however, both successful



Inundated Area After Completion of the Three Gorges Project

experiences and many lessons to learn from."

Since 1949, a total of more than 80,000 reservoirs of all kinds have been constructed and some 10 million people resettled. "All kinds of problems may arise in the resettlement of local residents from a reservoir construction site," said an official of the Ministry of Water Conservancy who has made a study of this problem over the past few years. "Only one-third of the resettlement effort in the past seems satisfactory."

Before the 1980s, little attention was paid to the resettlement problem in water conservancy projects. When short of construction funds, reducing resettlement funds was usually the means adopted to make up for any shortage. Worse still, even reduced resettlement funds were arbitrarily appropriated for other purposes. Only a subsistence allowance was provided, just enough to support living standards and build a new house. Providing residents with a means of production was usually neglected and construction of supporting infrastructure facilities out of the question. As a result, there was a lack of cultivated land and people found it difficult to find jobs, a source of power, transportation and merchandise. The living conditions of the resettled people were dramatically lower and, in some places, they lacked sufficient food and clothing. Many local governments are still dealing with the problems.

Having drawn such lessons from the past, the department of water conservancy proposed a new approach to solve the resettlement problem. In a bid to reform the past practice of providing allowances for resettled people, a proposal was made to use investment funds to help resettled people develop the local rich natural resources and create stable conditions for their liveli-



A water level mark of "175 M" on a street in Wanxian.

LI KE

hood. In following such a policy, the department successfully resolved some of the problems left behind from earlier years.

The new approach offers a hopeful prospect for resettlement of residents during construction of the Three Gorges Project as well. According to the programme, there is 18.5 billion yuan in resettlement funds available, accounting for about one-third of the total project investment of 57 billion yuan, (a fixed budget based on 1990 constant prices.) "Compared with other water conservancy projects under way, the average budgeted cost per capita for resettlement in this project is more than enough to carry out the work," said one specialist on the Yangtze River Basin Planning Commission responsible for the survey and design of the Three Gorges Project. The Ministry of Water Conservancy has designated two primary requirements for resettlement work in the Three Gorges area: The standard of living and production conditions should not be lower than what resident had before resettlement and the development level of their means of livelihood and production would

not be lower than the average development level of those not required to move. The requirements demonstrate a responsible attitude by the department.

The specialists on the feasibility study panel reviewing the resettlement problems made some policy suggestions, including:

—That the resettlement investment approved by the state must be allocated yearly and reasonably in line with planning. Investment for infrastructure construction in cities and towns, construction of the resettlement bases in rural areas and in educational facilities should be made beforehand.

—That a portion of the return on investment in the project after it is completed will be reserved as a fund for construction of the reservoir area.

—That a policy of guaranteed food grain supply for every household will be pursued; allowances should be offered to those households whose amount of food grain is less than the local average as a result of the readjustment in crop production.

Their proposals also include a preferential tax policy for the reservoir area, preferential policy

of foreign exchange, reform of personnel system, investment management system and more construction in the reservoir area. All the proposals generally coincide with what the local government requires of the central government. "If all the policies are followed, we are sure to accomplish our resettlement task," said many county magistrates.

Feasibility

"The possibility of any resettlement of inhabitants depends on the accommodation capacity of the area to which they will move and the feasibility of resettlement is based on the size of the area," said specialist Yao Binghua. "People at home and abroad take quite a different view on resettlement from the reservoir area. Some believe that land in the new area is not fertile and that the already overpopulated area cannot afford to receive so many newcomers. But the panel of specialists believes the area is capable of accommodating all the people if a policy of production is conscientiously carried out at the same time and is supported by adequate investment."

When interviewed by Jim Jyson, a reporter for the *Christian Science Monitor*, in 1991, Fu Xiutang, a senior engineer of the Yangtze River Basin Planning Commission in charge of planning for the reservoir area, also confirmed this view, saying "it is not necessary to resettle people in remote areas."

Such a conclusion is based on the following facts:

—Of the 1.13 million residents to be resettled in the reservoir area, 520,000 come from the rural area, some 46 percent of the total and less than the number coming from the urban area. This is an advantage which other water conservancy projects lacked. The reason is that, gener-



Resettled people reclaim the wild mountain.

LI KE

ally speaking, the urban people being resettled who already have a job need not find a new job to support themselves. So what we mean by the 'accommodation capacity' in the resettlement area is whether there is enough land and work to be provided for farmers who have lost their means of production and livelihood because the farmland on which they lived has been inundated.

—Running about 600 km long, the Three Gorges reservoir will be built with mountains on both sides. Those resettled will be distributed on a narrow strip of land along the reservoir extending about 2,000 km long and involving 331 townships in 19 counties or cities. Not one township will be totally submerged by the water and only a few villages will be completely inundated. The number of farmers to be evacuated accounts for only 2.92 percent of the total rural population in these counties and cities while the area of submerged farmland makes up only 2.56 percent of the total area. These advantages will facilitate resettlement in the local areas.

—The Three Gorges Project will take a long time to complete. From the initial stage of con-

struction to completion, construction will last almost 20 years. There will be plenty of time to arrange all for the livelihood of those resettled and for new production. This is in contrast to the situation of the past years in which resettled people were forced to move out of a construction site because they would be inundated within one or two years.

—According to a survey and analysis of photos taken with aerial colour infrared telemetering technology, in the planned 361 townships for resettlement there are 210,000 hectares of wild mountains and grass grounds available for development, of which about one third is suitable for planting new orange groves. Moreover, about 40 percent of the existing 280,000 hectares of cultivated farmland in these townships are low-yield hillside farmland which can be improved. A preliminary plan has been worked out to develop 20,000 hectares of suitable wild mountain area and grass grounds, build up cash-crop orchards, mostly orange orchards, and further improve another 10,000 hectares of low-yield hillside farmland as the chief supply

of food grain for the people who are resettled. Given one hectare of cash crop orchards and a half hectare of grain farmland for every 15 resettled people coming from the rural area, some 275,000 farmers can be settled. In addition, aquatic farming and animal husbandry can be developed with the use of available water areas and grass grounds. The secondary and tertiary industries can be developed with the abundant natural mineral ores and fruit trees, animal by-products and native produce. Through a series of protective measures taken alongside the reservoir, the total amount of submerged farmland can be reduced. In this way, more opportunities for employment will be provided for farmers.

Based on the above analysis, a proper resettlement of inhabitants in the Three Gorges reservoir area is guaranteed. Zhang Yue, the leader of the resettlement feasibility study group, further pointed out that in certain places and within a certain period of time, natural resources will be limited. People can promote their utilization and expand the scope of their application. The development of many coun-

tries and regions such as Japan, Singapore and Hong Kong serves as good examples of this truth. People should take a dynamic and developmental view about the region's accommodation capacity. "There are good prospects for tapping the potential of the natural resources in the reservoir area," Zhang added.

Trial on the Way

The Chinese government has always taken a prudent and responsible attitude towards the resettlement problem. Since the establishment of the preparatory group for Sichuan Province in 1985, (later renamed Office of Economic Development in the Three Gorges Area under the State Council in 1986, or OEDTG), it experimented with resettlement in the area by setting up a few trial locations and thus acquired experience for future work and provide material for the feasibility studies. For this purpose, since 1985, the state has allocated about 20 million yuan annually, a step never taken before for construction of any reservoir.

In the pilot resettlement of residents, hill-sides were exploited

to set up cash crop orchards, mainly of oranges, and roads and irrigation systems constructed. Over the past few years, the office has invested 46.045 million yuan in this endeavour, and orchards covering 5,000 hectares have been built. Half of the orchards have been planted with saplings (oranges, tea and mulberry) and some have already produced results. Usually an orange tree begins to bear fruit ten years after first planting. During this long period of time, grains and other cash crops can be interplanted and intercropped in the fields. Moreover, land reclamation that precedes orchard planting may produce a stable income for the farmers as soon as they move in. Some trial residential communities have leased newly developed farmland to resettled people in the form of a contract responsibility system. The people being resettled, before they move to the communities, can work at the same time on their original farmland and in the newly opened orchard, earning income from two sources for a certain period of time.

Li Siguo, a farmer of Leijiaping Village, Dongrangkou Township, Badong County in the reservoir area, a man with four dependants, originally worked on a half hectare of contract farmland. After he moved to the trial community, he worked on 0.4 hectare of farmland planted with oranges, together with an interplanting of corn, wheat, peas and water melons. In 1989, his family harvested close to 3,000 kg of grain and made an income of 12,450 yuan, an increase of 239 percent over 1986 when he had not yet moved. This new approach to the resettlement problem has proved profitable and won the sincere support of those being resettled. Many people, enthusiastic about joining the trial communities, have sent in applications.

The New Badong under construction.

LI KE



Wanxian County is one of the trial locations for the people moving from other cities. In 1987, a total investment of 2.1 million yuan was injected into the city and a highway constructed in the new Longbao urban district where, to date, ten factories have been built and a total of 220 million yuan invested in capital construction. Meanwhile, preparations are under way for construction of a caustic soda plant with an annual capacity of 60,000 tons in the new district and at a cost of 1.08 billion yuan. This plant, together with supports facilities, can provide jobs for 39,000 people. Presently, experiments in the resettlement of cities within the Three Gorges reservoir area are focused on planning, layout of new living area and infrastructure construction. In the past few years, an investment of 9.155 million yuan was made in 13 road, bridge and tunnel and water supply installation projects in nine counties and one town. Most of the construction projects have been put into operation and had very positive results. All have paved the way for operations of the new district in the future and avoiding unforeseen losses in the submerged area.

Experiments on the removal and reconstruction of many factories are being conducted along with technical transformation and expansion of the factories. The OCDTG has chosen a group of profitable factories for renovation and expansion, supporting their development in the new urban district.

It goes without saying that great achievements have been made in all of these experiments and that they have instilled people with the confidence to solve the knotty problem of resettlement. "However, experimentation is not the final word after all," said Chen Guangguo, an official of Wanxian Prefecture.



DU HUAJU

NPC Standing Committee members and a delegation of provincial governors inspect an orange grove planted by resettled people.

"Resettlement is by no means an easy job. Otherwise, it would be readily solved by all countries. Big gaps remain between the theoretical accommodation capacity of resettlement communities and the practical and actual conditions."

During his coverage of the Three Gorges reservoir area, this reporter also found some problems worth noting.

"What we worry about most is whether the funds for resettlement will be allocated as scheduled," said one director of the bureau for resettlement affairs of a county government. "The funds were not allocated to the county on schedule several times during the past few years. For instance, the funds appropriated for the year of 1990 did not arrive until the last month of the year." In a concerned tone he continued, "If there are any official delays in providing resettlement funds, this will certainly have a negative effect on the project."

The second major problem is the rapid growth of the population in the reservoir area. According to statistics, the annual

growth rate of population in the area, including the proposed submerged 19 counties and cities, was 21.93 per thousand from 1985 to 1990. Some counties even hit 32 per thousand according to the feasibility study group. Moreover, investment in fixed assets in enterprises in the proposed submerged area still seems to be on the rise. If these trends cannot be brought under control, they will surely make resettlement work more difficult.

Additionally, some enterprises being constructed in the trial communities are not in line with the state industrial policy. They include tobacco factories, wineries and breweries. The products of some others lack a competitive edge on the market because they are poorly run and have a very low level of management and technology.

In short, "whether the resettlement problem can be satisfactorily resolved hinges upon the effective combination of investment, policy and application of sciences and technologies," said Zhang Yue, a specialist for resettlement affairs. ■



Kunming Builds Ethnic Culture Tourist Zone

The White Pagoda, a well-known sight in Xishuanbanna of Yunnan Province has been moved into the Dai Nationality village by Lake Dianchi in the city of Kunming.

Covering an area of 2.7 hectares, the village has, in addition to the White Pagoda, five residential houses, two Dai-style buildings and other constructions including a Burmese style temple and a so-called Wind and Rain Bridge. The first residents were 50 Dai people. Next to the Dai village, a 6.7 hectare Bai village has begun to take shape.

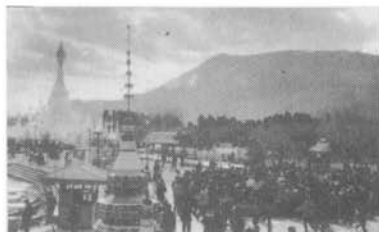
As well as enjoying the natural scenery of the Lake Dianchi, visitors can also glimpse ethnic customs and walk through the Dai-style bamboo buildings and the three-room dwellings with their distinct Dai screen walls.

They form only part of the Haigeng Culture Scenery Tourism Zone now under construction. Local officials say that Yunnan Province has 26 ethnic groups and each has its own colourful customs and practices. Thus 26 different ethnic villages will be built beside Lake Dianchi to form a unique cultural scenic group.

Under the blueprint for the

The Dai nationality village of Haigeng Wa community in Kunming, Yunnan Province.

YANG XIAOBING



Haigeng Tourist Zone, it will cover a total area of 580 hectares consisting of ethnic villages, tourist vacation resorts, an aquatic world and a botanic garden. The ethnic villages will be the main attraction of the zone. They will have an ethnic museum, ethnic village groups, and a song and dance hall. The customs, practices and history of the 26 ethnic groups in Yunnan will be vividly presented through cultural relics, photographs, local architecture and folklore activities.

The zone is expected to be finished and open to tourists by the year 1995. Tourists then will be able to glimpse all the ethnic customs of the province, participate in various folklore activities and savour the delicious food of Yunnan's peoples, all without leaving the city of Kunming.

by Kou Zhengling

CAAC: Serving 'Visit China '92'

All departments of General Administration of Civil Aviation of China, CAAC, have finished ample preparations and adopted special measures to ensure the success of "Visit China '92."

During "Visit China '92," any overseas tour party with over ten members will enjoy a reduction of 5 to 10 percent for domestic flights in both the busy and slack seasons. Furthermore, 500 tickets at half the regular price are being held for overseas tour officials, celebrities and journalists who come to China on the international flights of Air China.

A readjustment of schedules for this summer and autumn has ensured availability of 4,132 flights per week and a total of 394,500 seats, representing increases of 21 and 27 percent respectively over the same period last year. All these newly added flights will mainly serve key cities and those popular with tourists. CAAC has additionally put 20

more passenger planes into operation this year, making a total of 244 planes with 30,000 passenger seats in service. Furthermore, an extra 20 percent transport capacity has been developed to meet the pressing needs of peak touring periods and major cities.

All airports and airways have taken specific measures to raise the rate of flights running to schedule and to improve air services. Statistically, the rate of flights taking off to advertised timetables reached 78.5 percent last November and December, and service has been improved a great deal since then. The marked effects of the measures have been well received by passengers both at home and abroad. ■

New Tour Activities At Huangshan

Mt. Huangshan, a historical and cultural centre in the world, will arrange a series of tour and festival activities this year which highlight the region's local flavour.

The activities will include a festival of Huangshan's famous tea, a gourmet festival of Taoyuan, a national flavour festival of Guyi, the loquat festival of Shexian County and the 2nd Huangshan International Tourist Festival of China.

Special tour itineraries include a photo and painting tour of Huangshan, a trip to the hometown of the four "treasures of calligraphy," a new scenic spot tour of western Huangshan, a winter tour of Huangshan and sightseeing at the famous Daoist mountain in Qiyun.

Last year Huangshan hosted 170,000 overseas visitors, a 41.9 percent increase over 1990. In 1992, Huangshan city plans to boost its transport and telecommunication construction while further improving tour infrastructure facilities. ■

Yangpu Area to Be Built Up With Foreign Funds

In mid-March, the State Council approved the construction of the Yangpu Economic Development Area which will absorb foreign investment in order to accelerate the construction of the Hainan Special Economic Zone.

The development of the 30-square-km Yangpu area is the largest project to attract overseas funds since the establishment of the Hainan. Before deciding on it, the provincial government had solicited opinions and suggestions on the project from experts in various fields. Following the State Council approval, the local government will speed up negotiations with foreign businessmen for investments and the implementation of contracts signed under Chinese laws.

According to the State Council plan, the Yangpu area will be built into an export-oriented industrial district based on advanced technology and appropriate development of the tertiary industry. It will introduce a tight management system and implement appropriate bonded zone policies in order to provide a good environment for foreign investment and facilitate exports and imports. The General Administration of Customs, the provincial government and other administrative organs will establish offices in the area and exercise unified and effective administrative management and supervision.

The Yangpu area is at the southern end of the Yangpu Peninsula, northwest of Danxian County. At present the first phase of the harbour construction project has been completed and two 10,000-ton-class berths and one 3,000-ton-class berth have gone into operation. The second phase of the harbour pro-

ject will be started soon. The newly built 60-km-long highway has linked the area with the ring road in the peninsula. Preparation for the construction of three railway lines from the Yangpu area to Haikou, capital city of the province, has been finished. The digital microwave communication network has been put into operation. Through it the area has been connected with large and medium-sized cities nationwide as well as Hong Kong, Macao and countries in Southeast Asia. ■

Shanghai Customs Offers Better Service

Shanghai Customs has always attached great importance to intercepting smuggling activities while offering active service for the development of the country's opening to the outside world. In 1991 alone, the city's Customs discovered 924 smuggling cases, and the income from fines and confiscated goods was around 12.23 million yuan (some US\$2.4 million), 190,000 yuan more than that recorded in 1990.

According to Cao Hengli, deputy chief Customs official, illegal trafficking in foreign cigarettes, usually concentrated along the south China coast, is now moving northwards due to the reinforced anti-ocean smuggling operations waged by the southern coastal provinces. Moreover, international drug-traffickers have stepped up their penetration into China. As a result, transit drug smuggling via Shanghai Port has become increasingly serious. Cases that involve smuggling of national cultural relics have also been on the rise. Meanwhile more and more higher grade foreign consumer goods (particularly home video cameras) have been detected in the lug-

gage of home-bound passengers.

In view of the above facts, the Shanghai Customs has laid a special emphasis on discovering cases that violate import/export license-control rules, attempts to evade paying duties or taxes by declaring false values and smuggling of drugs and cultural relics, as well as pornography and subversive material. According to Cao, his Customs branch last year discovered two major cases of drug smuggling by foreign nationals and seized ten kg of marijuana, breaking the Customs' zero record in the field over the years. The Customs also stopped the smuggling out of 328 cultural relics and confiscated 560 subversive and pornographic items.

Nineteen ninety-one was the first year of the Eighth Five-Year Plan period. The Shanghai Customs is doing what it can to support not only the reform of the foreign trade system and adjustment of the mixture of industries, but also the development of the Pudong New Area. It has helped guarantee the further opening of the city to the outside world. ■

Hangzhou '92 China Silk Fair

The 1992 China Silk Fair was held from February 25 to 29 in Hangzhou, the capital of Zhejiang Province. The five-day fair is an annual event. It has become an important channel for the export of the nation's silk products as well as a successful showcase that displays China's silk industry to the world.

China is one of the world's largest silk exporters. The silk trade holds a unique position in the nation's foreign trade since 80 percent of all silk products are for export. At present, China's total raw silk exports account for

90 percent of the world volume, while Chinese silk fabric has a 40 percent share of global sales volume. Chinese silk certainly has a firm grip on the international market.

When commenting on silk exports over recent years, Xia Yanlin, general manager of the China National Silk Import and Export Corp., indicated that the post-1987 rapid increase in silk exports has meant that the current export volume is triple the figure of a decade ago. In 1991, silk exports earned the nation a total of US\$2.105 billion, an increase of 7.92 percent over the preceding year.

According to Xia, back in the 1950s, China exported mainly raw silk, but now it exports not only raw silk but also silk brocade, other silk products and related commodities. Great achievements have been made in terms of quality, variety, design and processing workmanship. Currently, research and development of silk knitwear and silk weaving have grown quickly, and these two kinds of commodities have assumed major roles in China's silk exports. The production of silk garments has also evolved from classical embroidered dress to silk fashions and from underwear to outer garments. Techniques have undergone beneficial development, moving from plain finished textiles to the new water washable fabrics and pleated cloth. All these factors have greatly reinforced the power of China's silk products in the international market.

Moreover, the main market for China's silk exports in the 1950s was limited to the former Soviet Union and Eastern Europe, but now it has spread to 102 countries and regions including the United States, Western Europe, Japan, Hong Kong and Macao. ■

News in Brief

- The China National Chemicals Import and Export Corp. declared that China will decrease export of petroleum in the first half of this year. The decision has been made in order to tie in with measures taken by some OPEC member nations to restrict the production of petroleum and stabilize the price. China has stipulated a daily reduction of 20,000 barrels of petroleum for export. China hopes that other oil-producing countries will adopt similar measures.

- The World Development Fund, an offshoot of the World Bank, will provide loans to the tune of US\$110 million to China to help the nation develop and improve water supply projects and sanitary facilities in rural areas. The loans will upgrade conditions for about 9 million rural inhabitants in three provinces of Yunnan, Hunan and Gansu and three autonomous regions of Guangxi, Inner Mongolia and Xinjiang.

- On December 17, 1991, a two-day "Du Pont Electronics and Technology Symposium" was held by the US Du Pont Corp. and the China Electronic Industry Corp. in Beijing. More than 100 representatives of scientific and research institutes and production units in the field of electronics in China attended the symposium and product show. The symposium introduced the applied electronics technology of Du Pont and discussed the problems of enhancing administration of quality control and strengthening the international competitiveness of China's electronic products.

In 1985, Du Pont began interchange and co-operation with China in the areas of chemicals, chemical fibre, pharmaceuticals and electronics. At the beginning of 1991, the Du Pont Optoelectronics established its first plant

in the Shenzhen Special Economic Zone in China to manufacture Riston dry film for printed circuit boards.

- The Lianyungang Chia Tai Livestock Co. Ltd. was recently established by the Economic and Technological Development Zone of Lianyungang City in Jiangsu Province and the Chia Tai Group of Companies of Thailand. The company will invest US\$7 million in the first-phase project. The time limit of the joint venture is 40 years. The company will build up enterprises such as feed plants, hatcheries, chicken farms and slaughterhouses in Lianyungang area to top world levels. The cooperative production scale of the first phase will be 60,000 tons of feed, 60,000 chickens and the hatching of 6.67 million chickens each year. A slaughterhouse will be built that can handle 2,000 chickens per hour.

- The improved vision apparatus manufactured by the Huaya Electronic Instrument Plant in Xian City of Shaanxi Province is popular among patients overseas and sells particularly well in Europe due to its fine operation and unique curative effect.

Based on contemporary electron physiology theory, the instrument stimulates the vision system with multi-frequency channel red rays and regulates the functions of the eyes by making use of the reactions of pupils to the rays. It thus prevents and cures eye diseases such as poor sight, shortsightedness and strabismus, with a recovery rate of 92 percent.

A market survey has indicated that the rate of European children suffering from poor sight is far higher than in China. Therefore, the product has great potential in Europe. Recently the Huaya Electronic Instrument Plant signed an agent licensing agreement with an Italian company. ■

Best Swimmers and Divers Chosen

Twenty Chinese male and female swimmers and divers who excelled last year were recently chosen as the best swimmers and divers of 1991. Lin Li (female), the swimming star, and Gao Min (female), the diving star, ranked first in the list of best athletes. Each of them won two gold medals at the Sixth World Swimming Championships.

The other 18 selected athletes were: swimmers—Zhuang Yong, Qian Hong, Wang Xiaohong, Yang Wenyi, Shen Jianqiang, Cheng Jianhong, Lin Laijiu, Sun Chunbei and Yue Jingyi; divers—Sun Shuwei, Fu Mingxia, Wang Yijie, Yu Xiaoling, Tan Liangde, Xiong Ni, Lan Wei, Wu Feilong and Zhu Jinhong. Among them, Zhuang Yong and Qian Hong gained gold medals for the women's 50-metre freestyle and 100-metre butterfly stroke respectively at the Sixth World Swimming Championships; Sun Shuwei (male), 14, and Fu Mingxia (female), 12, representatives of the new generation of Chinese divers, became champions in the men's and women's platform diving.

At the press conference held by the State Physical Culture and Sports Commission to announce the selection, Guo Qinglong, the secretary-general of the Chinese Swimming Association, listed the gratifying achievements attained by the Chinese team in the swimming and diving events in international competitions in 1991. These included eight gold medals (four for swimming and four

for diving) in the Sixth World Swimming Championships; 16 gold medals (nine for swimming and seven for diving) in the World University Student Games; and six gold medals in the World Diving Championships. This represented an aggregate of 30 gold, 11 silver and nine bronze medals.

At the preceding five World Swimming Championships, not one Chinese or even Asian name can be found on the list of gold medals. But at the Sixth Championships, Chinese athletes not only broke world records but obtained eight world titles. This amply demonstrates the ability of the present Chinese team and its rapid development. "To achieve this, athletes and coaches have striven to perform their best," said Guo.

Beside picking the best swimmers and divers, the State Physical Culture and Sports Commission also circulated a notice commending 61 coaches who have thrown all their energy into the cultivation of these 20 best

Wang Xiaohong (left) and Qian Hong, the champion and the runner-up of the 100-m butterfly event.

GUAN TIANYI



HUANG XINGGUAN

A twist dive demonstrated by Fu Mingxia in a competition.

swimmers and divers.

Fine performances by Chinese swimmers and divers in the past year have attracted the widespread attention of foreign observers. Some journalists have been surprised at the Chinese team's rapid progress and they speculated whether the Chinese athletes had taken stimulants, even though their drug tests had all proved normal. The media has also reported all kinds of difficulties behind the gold medals. *New Sport*, the authoritative magazine in Chinese sports circles, wrote that the latest records were the results of ten years of training. Since 1985 the Chinese team has been to Australia, Canada, the United States, Holland, Japan and other countries for training and exchange of

views with athletes there. Some foreign professionals have also been invited to train the nation's athletes in China. They included a coach from the former Democratic Germany who came to China to train Chinese athletes for eight months in 1986. All this work has laid a solid foundation for the Chinese team to rapidly absorb benefits from advanced international expertise.

Furthermore, after long-term scrutiny Chinese coaches and athletes have changed their training methods based on the theory that swimming is a physical strength event and brought the Asian specialities of lithe builds and nimble movements into full play. This is another reason why the Chinese swimming team has made such rapid progress.

The superiority of the Chinese diving team is due to the re-vamping of training techniques and facilities over the past ten years. These have been brought up to advanced class. For example, the diving coach Xu Yiming has chosen the difficult method of training on a half-metre-high platform. Now his idea has been

acclaimed by his overseas counterparts.

The media also believes that mass participation in sports in urban and rural areas has not only raised competitive standards but also fully cultivated optimum reserve talents. According to *China Sports Daily*, up to now 34 indoor swimming complexes have been built and over 316 natatoriums and 2,700 outdoor public swimming pools have sprung up all over the country. The number of permanent swimming students in leisure time sports schools at different levels has increased from 11,555 in 1981 to 24,756 in 1990 and the number of people persisting in swimming training has reached 50,000 in 1990 as against 25,000 in 1985. ■

New Finds in Tomb of Emperor Qin Shihuang

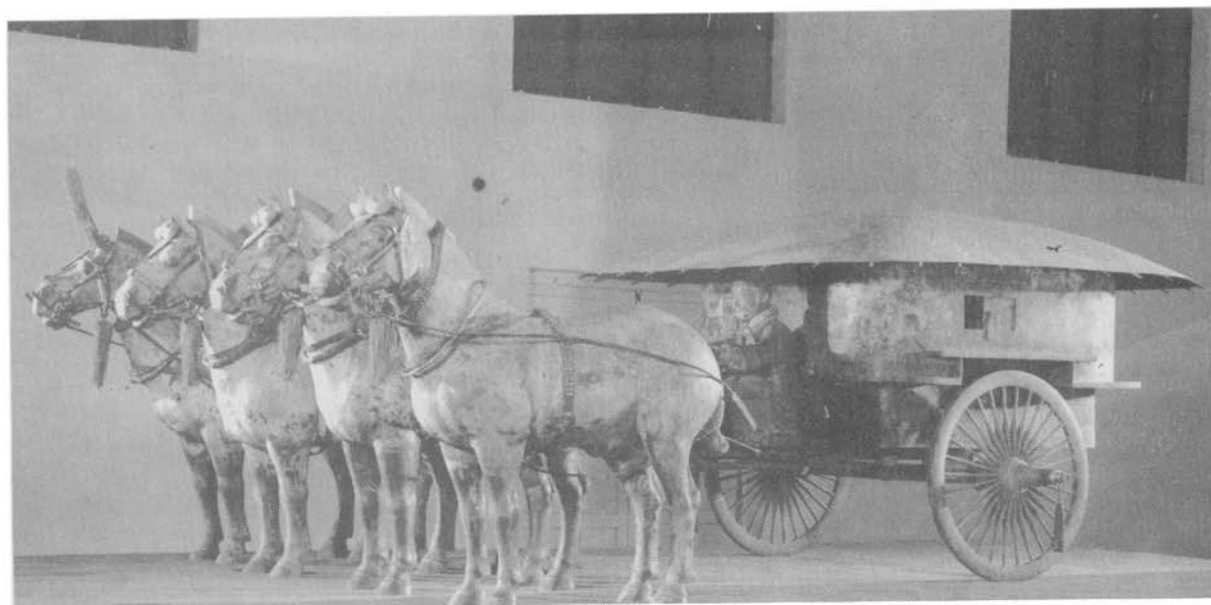
The Mausoleum of Qin Shihuang, China's first emperor, is well preserved, showing no signs of damage. This conclusion was reached by a group of local provincial geolo-

gists after a three-year investigation and study of the mausoleum. New discoveries were also made on its surroundings and subterranean structure.

Located 30 km east of Xian, the internationally famous ancient Chinese capital, the Mausoleum of Qin Shihuang is one of the largest and most complex imperial tombs in the world. The mausoleum itself so far remains untouched. However, in the vicinity of the tomb, large numbers of life-size terracotta warriors and horses, the underground garrison army of the emperor, were found in the 1970s. The discovery was a world-shaking event and the statues were acclaimed as the Eighth Wonder of the World. The total number in the buried terracotta army is estimated at over 6,000.

The above-ground part of the tomb, constructed more than 2,200 years ago, is in the shape of a square trapezoid. The base is 515 metres long from south to north and 485 metres from east to west. According to historical records, in 246 BC when Ying Zheng succeeded to the throne of the Qin State, he ordered the

A Qin Dynasty painted bronze chariot with four horses.



construction of his mausoleum on the side of Lishan Mountain. In 221 BC, Ying Zheng conquered the other six states in China and completed unification of the nation. He ordered 700,000 prisoners from all over the country to join in the construction of the mausoleum. The entire project took 36 years to complete.

The subterranean palace was constructed as an "underground paradise." It holds eternal flame lamps and a vast number of treasures. Moreover, a mechanically triggered bow is installed to shoot possible tomb diggers. In 209 BC, when Emperor Qin Shihuang was buried in the mausoleum, his son, Qin Ershi, ordered the burial alive of all his father's childless concubines. To prevent any secrets leaking out about its construction, all the builders of the mausoleum were also buried in the tomb.

With support from the Shaanxi Provincial Cultural Relics Bureau, a geological team headed by Sun Jiachun began a comprehensive study of the mausoleum in spring 1989. Chemical analysis of underground water showed that the subterranean palace contains an abundance of mercury and metal objects. This led the team to conclude that the place was well protected.

Records of the Historian, written sometime between 104-91BC says that the mercury was placed there to symbolize running rivers and lakes. According to the geologists, this is credible and the movement of the mercury is precipitated by underground water running down the slope.

The most difficult aspect to understand of the underground construction is how ancient builders dealt with three layers of underground water. Judging by the features of the drainage system and the remains, the geologists believe there is a 2.5-km-long underground water drain-

age channel.

Ancient and contemporary geologists formerly thought that the 43.1 metre high and 5-million-cubic-metre-square tomb mound consisted of earth dug from the Yuchi low-lying land on the northern side of the tomb. However, after the team studied the earth quality, colour and size of the mound, they concluded that the mound soil was obtained from open land on the southern side of the mausoleum.

Scientists used to think that the tomb faced north. However, this belief was shattered when the terracotta warriors and horses discovered in 1974 were all found to be facing east. However, this time, the team confirmed the original belief that the tomb faces north because they came across a 2,200-metre aisle leading to the coffin chamber in the northern part of the tomb. This discovery is of great importance to the study of the size and the inner structure of the tomb and ceremonial customs prevailing at that time.

The team also uncovered the ruins of a 400-metre-long and 80-metre-wide man-made reservoir to the north of the tomb. This dam was considered part of the tomb passage. Geologists say that it is one of the earliest artificial dams in China and it provides important materials for the study of Chinese water conservancy, gardening and constructive engineering.

Historians, archaeologists and geologists agreed that the discoveries made by the geological team have provided a basis for solving the mystery of the Qin Shihuang mausoleum and opened up new research and application vistas for geology.

Some problems need to be further explored and final conclusions can be made only after the tomb is excavated. ■

Costume and Finery Encyclopedia

Editing work has begun on *The Encyclopedia of Chinese and Foreign Costume and Finery*, according to a recent announcement by the China Encyclopedia Publishing House which is working on a ten-year project covering a series of volumes. The organizing committee of the work said the aim of the project is to display traditional Chinese costumes to the world, to promote the modernization of the Chinese garment industry and aid communication between China and other countries in the field of fashion.

The two-volume *Encyclopedia of Chinese and Foreign Costume and Finery*, totalling 2.6 million Chinese characters, includes 800 colour and 400 black and white illustrations and an appended chronology of important events in the history of clothing. The work will be published in several different editions including a Chinese-English one. The contents will include 16 subjects such as studies of costumes; the history of Chinese and foreign fashion; garments, designs and sewing techniques; ethnic minority dress; and the Chinese and foreign fashion industries.

The organizing committee says that the book will emphasize national features. China has a civilization of over 5,000 years, and during this long period, a great number of schools and styles of fashion have appeared with the rise and fall of different dynasties. Today, there are 56 ethnic groups in China and each has its own unique dress. Since the country is vast, even people of the same ethnic group have different styles of clothing in different areas. The encyclopedia will not only offer great help to those in the fashion industry and artists but also provide information and amusement for ordinary readers.

by Yang Xiaobing

ART PAGE



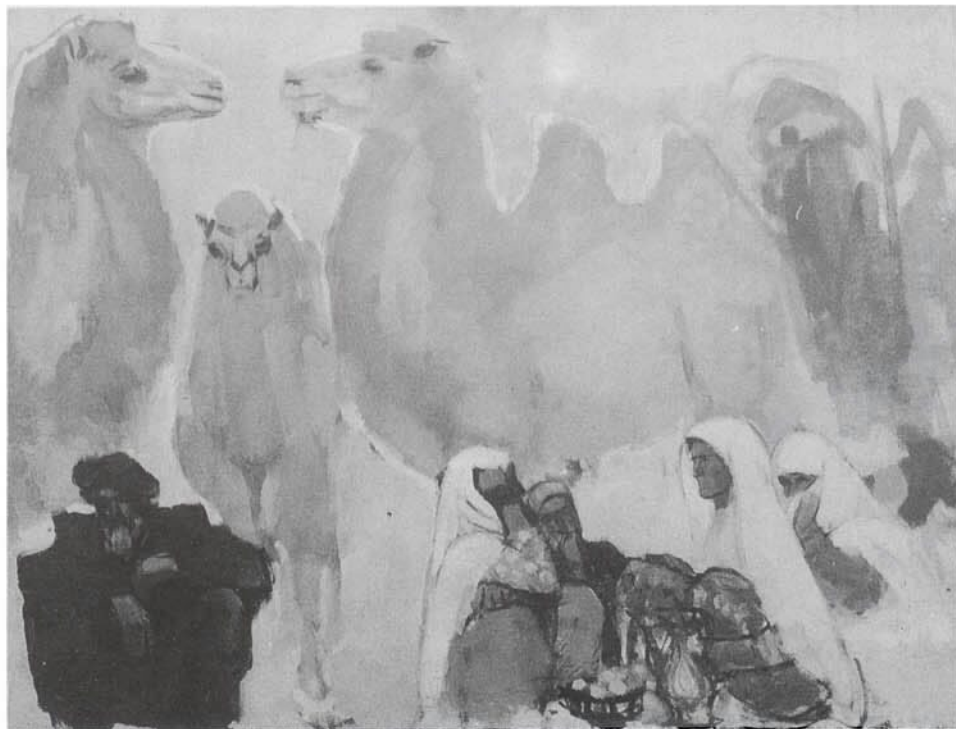
A Herdsman With Two Sheep.



A Poet.

Oil Paintings by Wu Xiaochang

Wu Xiaochang, born in Shouguang County, Shandong Province in 1940, is now an associate professor of the Central Academy of Fine Art. His oil paintings follow a simple and elegant style of art.



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