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CHINA GREETST THE YEAR OF THE SNAKE

Gains and Pains
Of 1988



Global Grain
Drops
Threaten Food
Supplies





Crowds celebrate at a rural temple fair.

by Chen Zonglie

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COVER: A papercut for the Year of the Snake shows a snake entwining a rabbit, an omen of happiness (According to Chinese folk legends, if a man born in the Year of the Snake marries a girl born in the Year of the Rabbit, they will make a fortune).

Dragon Gives Way to Snake

□ The Chinese people just bid good-bye to the Year of Dragon, which left contrasting impressions on them. While celebrating the Lunar New Year, marking the beginning of the Year of Snake, people realize that they have to cover a snake-like zigzag road before reaching their modernization goal (p. 4).

The Gains and Pains of 1988

□ 1988 was a year of scientific breakthroughs, expanding foreign trade and sustained growth for the Chinese economy. But, as this report by the State Statistics Bureau points out, it was also a year in which demand outstripped supply, fuelling inflation and causing a drop in real income for many urban residents (p. 17).

Food Shortage Alerts the World

□ Many third world countries were beset by a serious food shortage last year because of a drought in North America and poor harvests elsewhere. The situation this year will still be grave if a series of problems are not addressed properly (p. 14).

Tea Trade Thrives on World Markets

□ Tea exports rose 20,000 tons to 197,000 tons in 1988, the largest increase in recent years, and making China the world's third largest tea exporter after India and Sri Lanka. China's green tea now dominates world markets, accounting for 85 percent of global exports (p. 30).

Academic Boredom Hits Students

□ Knowledge is no longer as glamorous as before. Academic boredom is becoming a common mindset among college and postgraduate students. Diversified reasons for the academic apathy (p. 11).

Unless written by Beijing Review staff, the opinions expressed in signed articles do not necessarily reflect the view of the Beijing Review editorial board.

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From Dragon Year to Snake Year

by Li Haibo

What is it that every Chinese has one of and whose total is only 12?" a foreign diplomat challenged his Chinese host some years ago, to flaunt his abundant knowledge of Chinese culture.

It was the 12 animals, answered the host. The animals are mouse, ox, tiger, rabbit, dragon, snake, horse, goat, monkey, chicken, dog and pig, that represent, in turn, the lunar years. And every Chinese is symbolized by each of them according to the year when he or she was born.

According to the Chinese lunar calendar, the previous year was that of the dragon. Since the mythical beast is believed to be able to bring good fortune, prosperity and happiness, many people were pinning too much hope on the year of the dragon when it was ushered in on February 17, 1988. They wanted a better natural and social environment, a prosperous market with sufficient goods and a reasonable price, and some other good things.

However, things did not turn out the way people wanted them to. In the past year, some serious problems cropped up, with the record-breaking inflation and the disclosure of many corruption cases being the most disturbing.

People were grumbling over many things, from price, population and traffic to Party conduct and social order, and to education's cold-bench-sitting. Some even questioned the reform itself: Are we on a right road? Who can guarantee that the reform won't miscarry? Where are we going in the following years—continue our current policy or go back onto the old track?

As a matter of fact, the past year was not as blue as some have coloured it. China's GNP in 1988 was 1,369.4 billion yuan, twice that of 1980, two years ahead of the decade's deadline set by the government. In the year, China's foreign trade reached US\$102.9 billion, topping US\$100 billion for the first time, and 24.4 percent above the previous year. On the international stage, China took one big stride toward the improvement of Sino-Indian relations and now is approaching the threshold of the normalization of Sino-Soviet ties.

Although last year saw serious natural di-

sasters nationwide, which shrank grain production, it was blessed with a fairly heavy and timely snowfall when coming to its close. A timely snow promises a good harvest. All the Chinese farmers know that, and many of them have been working very hard throughout the winter at water conservancy and other projects to ensure success.

Moreover, serious efforts are being made to overcome inflation and corruption. These have brought about a better economic order and hence more confidence in the government's ability to solve existing problems.

Now people are celebrating the Lunar New Year (February 6), the first and grandest day in the Year of the Snake. Chinese tradition says that a snake, especially one coiling around a rabbit (as shown on the cover of the current issue of *Beijing Review*), is a symbol of wealth. But I prefer to interpret the symbol in a different way: The goals of reform and of modernization will eventually be reached, but the way to them will be a long and zigzag one, just like the shape of a snake when it moves forward.

I know I am repeating something that has been said many times before. The point is that acknowledging the zigzag development is one thing and accepting it is another. It seems to me that some of us have underestimated the complexity and tortuosity of the reforms. They are apt to accept success in the countryside's reform while finding themselves at a loss when pushing the reform in the urban areas, where more problems were found.

When the reform started, we knew that a comprehensive reformation like China's would bring with it growing pains. But when twinges such as price fluctuations appear, many simply can't understand, let alone bear them. When they observe the situation, they just look at the "hole," without seeing the "doughnut." They have been dreaming of an abundant life, but they don't really understand that a better life is the fruits of hard work and an enduring spirit.

Let's think about the long, zigzag road ahead; think about the new Long March, once again. Then we may have a clearer idea about what to do next. □

Bainqen Dies of Heart Attack

Bainqen Erdini Qoigyi Gyaincain (the Panchen Lama), Vice-Chairman of the Standing Committee of the National People's Congress and a top Tibetan religious leader, died of sudden heart attack in Xigaze, Tibet on the evening of January 28 at the age of 51.

Bainqen had been in Tibet to attend the opening ceremony of the Great Stupa. He left Beijing on January 9.

His death came at 8:16 pm at his new residence. It was attributed to fatigue resulting from recent activities, according to an obituary issued by the Standing Committee of the National People's Congress (NPC). The Bainqen presided over the opening of the newly rebuilt Great Stupa, which houses the remains of five previous Bainqen Lamas.

The obituary praised Bainqen as a great patriot, noted statesman, devoted friend of the Communist Party of China (CPC) and outstanding leader of Tibetan Buddhism. It also called upon the Tibetan people as well as people of all nationalities to carry forward the Bainqen's spirit of loving the CPC and the socialist motherland.

Many people paid their respects to the remains of Bainqen. Senior Party and government leaders of Tibet region did so on January 29. Monks in the Zhaixi Lhunbo Lamasery chanted scriptures, mourning their beloved leader. Meanwhile, the lamasery issued prayers praising the Panchen Lama for his outstanding achievements and

wishing him an early incarnation.

After Bainqen was struck by the heart attack, Zhao Ziyang, General Secretary of the CPC Central Committee, and other Party leaders immediately decided to send a team of cardiologists to Xigaze by a special plane. But all the rescue



measures proved ineffectual.

Bainqen's personal doctor said that Bainqen had complained about a pain in the back and that the pain had spread to his two arms at 4:30 am. Medical experts from Xigaze and Lhasa were summoned to hold group consultations and organize rescue work.

At 6:30 pm, a group of medical experts from Beijing headed by the central health bureau director Wang Mingqing arrived. Further rescue efforts by the group were ineffectual. The Panchen Lama's heart stopped beating at 16 minutes past 8 pm.

The final diagnosis was that the acute inferior myocardial

infarction and the extensive anterior myocardial infarction had led to sudden cardiac arrest.

Bainqen was born in Xunhua County, Qinghai Province, in February 1938. One of the two most influential leaders of the Yellow Sect of Tibetan Lamaism, he was chosen in 1941 as the reincarnation of the ninth Panchen Lama who died in 1937, and became the 10th Panchen Lama in 1949.

On October 1, 1949, Bainqen cabled Chairman Mao Zedong and Commander-in-Chief Zhu De his congratulations on the founding of the People's Republic of China, pledging his support to the Central People's Government and expressing his wish for the early liberation of Tibet.

He served as a member of the first NPC Standing Committee, vice-chairman of the second, fifth and sixth NPC Standing Committees, and standing member of the third and fourth National Committees of the Chinese People's Political Consultative Conference.

He was honorary chairman of the Chinese Buddhists Association.

The funeral arrangements and other issues concerned will be handled according to Buddhist traditions in Tibet.

The unexpected death of the 10th Panchen Lama has brought deep grief to people in Lhasa, capital of the Tibet Autonomous Region.

"Now it is the most heart-breaking moment for me," said Lhamin Soinam Lhunzhub, vice-chairman of the Ti-

bet Regional Committee of the Chinese People's Political Consultative Conference.

Lhamin Soinam Lhunzhub, who was just back from Xigaze after attending the burial ceremony of the remains of the fifth through ninth Panchen lamas, said, "Panchen Lama's death is a loss for the country as well as an irretrievable loss for all Tibetan people and Buddhism." □

China, Africa Affirm Bonds

Sino-African friendship has stood the test of time and no force can damage it, Chinese President Yang Shangkun said on January 25 when meeting Malian President Moussa Traore.

"Sino-African co-operation is sure to be strengthened and developed," said Yang at a state banquet in honour of the Malian President, who arrived in Beijing on the same day for a 4-day official visit.

Traore, in turn, said relations between China and Mali were "very good" and that Africa and China had always maintained a relationship of mutual trust.

These sentiments were echoed by Yang, who said, "the Chinese and African peoples have supported, understood and sympathized with each other, despite changes in the international situation."

As chairman of the Organization of African Unity (OAU), Traore noted that Africa is closely following the transformation China is achieving in its modernization efforts. In this regard, the Chinese people have won the admiration and respect of the African people, he said.

Traore's China visit has

drawn much attention, especially because of a campus clash between some Chinese campus staff members and African students at Hehai University in Nanjing last December, which caused injuries on both sides. The incident has been much played up by the international press.

At his meeting with Chinese Communist Party leader Zhao Ziyang and Premier Li Peng on January 26, both sides expressed their determination to strengthen the friendship between China and Mali, as well as between China and the African countries in general.

Li and Traore, however, focused their discussion on the debt problems the African countries are now facing. Li pointed out that the international debt question is no longer a simple one of relations between the debtor and creditor nations. It is a problem affecting the world economic order.

He describes the present international economic order as "unreasonable," saying that the economic relations between the developing and developed countries are based on the exchange of unequal values, and such an exchange has made the rich become richer and the poor become poorer.

This becoming a factor for instability, he said, the debt problem is also a serious political question.

Li said China maintains that the problems should be solved through consultations between the debtor and creditor nations, and the creditors should "shoulder more responsibility and take more flexible measures" to solve the problems.

Such steps, Li continued, will be beneficial to both debtor and creditor nations. Some creditor nations interfere in debtor nations' internal affairs

by taking advantage of the debt issues, he said, adding that this should not be allowed.

Traore said the African countries had proposed the convening of an international meeting on African debt and integrating the debt question with African development.

The premier said he was glad to see some hot spots in Africa are being eliminated. He attributed the settlement of the southern African and western Sahara issues, now under way, to the long-term efforts made by African governments and people, especially those frontline countries, and to long-term mediation by the OAU and the Secretary-General of the United Nations. □

Interest Rates To Be Raised

Interest rates on both savings deposits and loans will be raised from February 1, the People's Bank of China announced on January 21 in Beijing.

According to a spokesman for the central bank, this is the second time in five months that such rates have been increased, and the move is part of the national effort to curb inflation and brake economic growth.

The spokesman said the annual interest rates on personal fixed deposits will go up as follows:

For half-year deposits, from the current 6.48 percent to 9 percent;

for one-year deposits, from 8.64 percent to 11.34 percent;

for two-year deposits, from 9.18 percent to 12.24 percent;

for three-year deposits, from 9.72 percent to 13.14 percent;

for five-year deposits, from

10.8 percent to 14.94 percent; and for eight-year deposits, from 12.42 percent to 17.64 percent.

The policy of linking interest on deposits of three years or more to rises in the retail price index will remain in force, he said.

Interest rates on deposits by enterprises and other institutions will also rise parallel to those on personal accounts, the spokesman said. The bank will keep a firm grip on credits in the next two years to limit growth in the money supply, he said.

Interest rates on savings deposits and loans were increased once on September 1, last year by the People's Bank of China. Then starting from September 10, the bank decided to introduce value guarantee service for fixed savings deposits of three years and more.

All these measures had played a positive role in stabilizing the country's economy and finance, and increasing bank deposits. According to statistics of the bank, the average increase of bank deposits in the country's urban and rural areas was 6.65 billion yuan per month for the last four months last year.

However, the spokesman noted, despite the increase in interest on deposits last September, returns from bank savings still fall short of the inflation rate.

The retail price index rose a record 18.5 percent last year. The run-away inflation has triggered heavy consumer spending and slowed the growth of personal deposits, which rose by 72.5 billion yuan last year, lower than the 83.83 billion yuan increase in 1987, he said.

It is estimated that about 180 billion yuan is currently

held by consumers as cash-in-hand. Many experts have warned that this ready spending money could put the screws to the country's already strained economy.

The spokesman said the higher interest rates should attract more deposits and reduce the threat of a spending spree.

Liu Hongru, deputy bank governor, once said, "The long-term plan of the central bank is to narrow the gap between the growth of the retail price index and that of interest rates." But, he added, "We will act step by step in the future."

The central bank is also increasing the cost of loans, said the spokesman. The annual interest rate for floating capital loans will be raised from the current 9 percent to 11.34 percent. But the interest rates on loans for purchasing grain, cotton, edible oil and export products and on special loans for helping poor areas remain unchanged.

The bank will adopt differential interest rates for key state projects. He said that 13 industrial sectors, including energy, transport, telecommunications and some raw materials, will get preferential rates. "The salt industry and agricultural infrastructure construction will also enjoy such treatment," he said.

The spokesman said the bank will determine which trades and sectors are to be given preferential treatment each year. For these sectors, the interest rates will be between 10 to 20 percent, sometimes 30 percent lower, he said.

These varying credit charges are designed not only to manipulate the cost of money and curb excessive spending, but to support the state's efforts in ensuring a balanced economic development, he said.

At the same time, he said, the bank is to adopt a stricter policy of charging penalty rates for overdue loans. The interest rates for borrowers who are late in repaying will be 30 to 50 percent, up from the current 20 to 30 percent. The penalty interest may be doubled in cases where loans are diverted for purposes other than those for which they were lent, the spokesman said. □

Study Blahs Hit Students

Books and courses are no longer attractive. Academic boredom is becoming a common mindset among college and postgraduate students.

Last year, a university in Jiangsu Province planned to enroll 80 students for doctorate degrees, but the final tally was somewhat short of the mark. Though coaxed by the tutors, most of the postgraduates shook their heads. Those whom tutors had taken a fancy to insisted on leaving.

A survey conducted at Fudan University in Shanghai showed that between 8 and 10 am only 40 percent of the students were cracking the books. Of other students, 10 percent were chatting and 10 percent were watching movies or television. Seven percent were with their sweethearts, and the remaining 33 percent were otherwise occupied.

Since 1987, more than 700 postgraduate students have quit school. Many top students willingly gave up the recommendation for postgraduate studies. Last year in Beijing, 1,000 less students took the postgraduate exam than the year before.

Besides, there have been

changes among those who want to be postgraduates. Information from a university in Shandong Province shows that the source of students has changed: those from remote areas outnumber those who graduated from famous colleges; those from the northeast and the northwest now surpass those from the south; and middle-school teachers and personnel of factories or other units are more represented than undergraduates and research personnel.

All this points to the fact that knowledge is losing its glamour. Actually, this book-weariness started a few years ago when many students took a shine to the slogan: "Long Live Mark 60." (Sixty marks is the minimum passing grade on an examination.) Synthesizing opinions from different quarters, educators found the following reasons for such academic apathy:

—Intellectuals are generally not paid good salaries for their jobs. Many students say: "A master's degree will bring in 82 yuan a month, and a doctorate, 89. With skyrocketing prices, how can that pittance support us?"

Yet, of those who didn't pursue a higher education, some have secured good jobs and some, self-employed, have made a bundle of money. No wonder students sigh and say, "Except a diploma, what of ours is worth being envied?" A student who previously studied for a doctorate degree in the chemistry department at Nanjing University dropped school and became a self-employed worker. He now has a tidy savings of 300,000 yuan.

—Educational malpractices leave the students yawning. Students are fed up with the traditional way of teaching. In addition, there are not many

new courses to service social needs and the students' interests.

Chu Mingfeng, who is a classmate of Ji and is now selling cameras, said, "I am not convinced that some of our credit courses will be a boon to our future."

Compared with the lure of a colourful social life, school days are dull and stuffy. The bored students work hard to bag any type of amusement. Some students in Beijing Medical University got their hands on a fortune-telling book. Soon, almost every one of their classmates had a copy, and the group got tagged as the "fortune-teller class."

On the door of a dormitory in Beijing University, there is a motto. It says: "The sea of knowledge is infinite. Only by turning back can you come to the shore of paradise." These sentiments are appropriately echoed by the dorm's nickname: "Temple of the Sleeping Buddha."

—Social modes have had a great effect on the students. Money-making is the current social fever. Some students think that good marks prove nothing because almost all students cheat during exams, but making money is a true sign of success.

Some of the more ambitious hustle on their own because they have no access to regular part-time jobs. A bulletin board at Beijing University is plastered with various advertisements made by students selling items or offering services.

The quest for money can even become addictive. "They are like gamblers. Though a gambler knows he is losing, he doesn't stop," Ji said.

Of course, not all students suffering from the study blahs have stopped learning. There

are people who choose their own educational diet and become self-taught. Nevertheless, the current trend is an omen to society, especially educational circles, that something is seriously amiss.

by Li Bin

Airline Record Despite Crashes

Chinese airlines carried 14.3 million passengers last year, more than ever before, and suffered five accidents which claimed 172 lives.

Announcing these figures, Hu Yizhou, director-general of the Civil Aviation Administration of China (CAAC), also said that 1.15 million international passengers were carried. This was a 21.6 percent increase over the previous year. Some 1.48 million people were carried to Hong Kong, which represented a 46 percent jump from the year before.

The most serious of the five accidents, the worst in CAAC's history, happened last January in Chongqing, Sichuan Province, when a Southwest China Airline Ilyushin-18 exploded on landing at the southwestern city of Chongqing. All 108 people were killed. The other major disaster happened last October when a sightseeing plane of a local company crashed into a hotel in Shanxi Province, killing 46.

The other three accidents involved a domestically made Yun-5 plane in Changsha, Hunan Province, which killed nine people during an agricultural mission; a Trident that skidded into Hong Kong's har-



Remains of Ilyushin-18 liner crashed near Chongqing.

by LIU SHILIN

bour killing six crew members and a passenger; and a helicopter accident during a training flight that killed two in Sichuan Province.

One other misfortune occurred last May when a CAAC airliner on a flight from Xiamen to Guangzhou was hijacked to Taiwan.

Hu said there are now 37 international air routes covered by Chinese airlines. Last August a new route was opened between Beijing and Stockholm via Moscow.

On the domestic front, ten new routes were added last year, bringing the total to 288.

Plane purchases were up as well. Thirteen airliners, including the MD-7, joined the international fleet last year alone. This year, negotiations are underway to buy 29 more aircraft, Hu said.

The Shanghai Eastern Airlines, also in the buying mood, will obtain two aircraft this year and another next year. And China United Aviation Company has one Soviet Tu-154 aircraft on its shop-

ping list.

These two regional aviation companies, in addition, will be using investments from overseas to build two aircraft maintenance centres, one in Beijing and the other in Guangzhou.

Meanwhile, the director-general urged all staff members to improve their service, ensure safety and raise work efficiency this year. □

Scientists Urge Global Study

In China, a strategic study on the worldwide environmental changes has been strongly urged by scientists in recent years. The rapid changes of climate on a global scale in the past decade could eventually pose a serious threat to the survival of human beings.

At a recent symposium on strategic scientific develop-

ment held in Beijing, professor Ye Duzheng, a leading meteorologist, said the current problems mankind is facing, such as desertification, pollution, water and energy shortages and agricultural losses, are all caused by the global environmental changes.

"Global changes as a result of the expansion of human activities could have a direct impact upon China's grain production, and water and energy resources. A scientific forecast of changes in China's living environment against a

background of global changes is of strategic importance to figuring out how many people China can feed and house," Ye explained.

The world today is also threatened by other problems, such as damages to the forests, the potential hazard of poisonous chemical products, the acid rains, the rising temperature on the earth and the dramatic growth of population worldwide. These problems are being found to a varied extent in China, where environmental pollution and the ecological damage caused by the growth of population might be the most serious. Some experts recently estimated that the country's total population may have reached 1.1 billion.

Professor Wu Guoxiong, director of the Institute of Atmospheric Physics under the Chinese Academy of Sciences, said: "Geographically located in a 'vulnerable region,' China is susceptible to damage brought on by unusual climatic changes. Every year about 20 hectares of farmland are af-

fectured by floods and drought. In a year of devastating natural disasters, the affected land could reach 47 hectares, accounting for one-third of China's total farmland."

Wu said, to discover the cause of abnormal changes of climate and to forecast their long- and medium-term climatic changes have been the common concerns of the policy-making institutions and the general public, and are one of the most urgent problems in scientific research.

Scientists said that the research into global changes in China should include the following:

—Setting up an observation, monitoring, and data and information system.

—Studying the natural evolution of the human environment in the last 150,000 years, especially the natural history of recent centuries.

—Investigating the movements of the main chemical elements in biological circulation, geochemical circulation, water circulation, and energy circulation.

—Establishing a geosphere and biosphere model to make long-range forecasts of the trend of change in regard to China's living environment.

Professor Ye suggested that priority be given in the next few years to the study of the arid and semi-arid areas in western China and the coastal areas in the east.

"In western China, increased human activities are damaging the vegetation and soil fertility, while in the east the major threat is from chemical emissions. Both of these factors will be major causes of China's environmental changes in the next 10 to 100 years," Ye said. □

Weekly Chronicle (January 22—28)

POLITICAL

January 27

□ The Political Bureau of the Central Committee of the Communist Party of China holds its 15th meeting.

Chaired by General Secretary Zhao Ziyang, members conclude that law enforcement should be strengthened and public security improved to meet the new conditions of reform and opening to the outside world.

□ China will increase its political openness this year, a government spokesman says in Beijing. He says press conference and briefings will be held regularly to promote cooperation between departmental spokesmen and correspondents.

ECONOMIC

January 23

□ China will launch a US-made telecommunications satellite in April next year to provide services to Asian countries. The launch service contract is signed in Beijing by the China Great Wall Industry Corporation and the Asia Satellite Telecommunications Company Ltd.

The satellite, named Asia-Sat-I, will be put into a geostationary orbit about 35,000 km from earth and eventually stationed over Southeast Asia.

□ China's foreign trade increased by 16.6 percent last year, bringing a surplus of \$US785 million from a total trade value of \$US79.419 billion.

Liu Xiangdong, spokesman for the Ministry of Foreign

Economic Relations and Trade says that these figures differ substantially from those given by the State Statistics Bureau and the Customs Authorities because his ministry calculated only the value-added figure for processed exports.

Liu says that the average annual growth rate for exports in the period 1986-1988 doubled the 7.2 percent growth rate in the Sixth Five-Year Plan (1981-1985), climbing to 15.7 percent.

January 25

□ China's central bank imposes direct control on the loan size of the Bank of Communications (BOC), the country's first shareholding commercial bank, as a result of the credit-squeeze policy.

This brings a pause to the bank's self-balance system of loans and deposits, a model only currently adopted by BOC. Under the new system, BOC must make loans in line with the central bank's loan ceiling, regardless of the amount of its own deposits.

CULTURE

January 24

□ A high-level Soviet scientific delegation headed by professor G.I. Martchuk, president of the Soviet Academy of Sciences, is expected to visit China next month. The visit's aim is to discuss the possibility of setting up a Sino-Soviet bilateral committee to coordinate important scientific items, according to an official from the Chinese Academy of Sciences.

The 21-member Soviet delegation will be the largest of its kind sent by the USSR to China in 30 years. □

External Factors Push Privatization In Africa

In the 1980s, a privatization tide swept across the African continent and brought a major turn to Africa's strategy of economic development. The African privatization has become a notable issue in economic development of the third world.

by Ni Feng*

The most important impulses that led to African countries' structural adjustments on the basis of privatization are internal factors, but external factors also play a vital role. Such a role was shown in the following two aspects:

Influence of Liberalist Economic Thought

Africa is a continent easily influenced by various waves of political and economic ideological trends. The two nationalization movements in the 1960s and 1970s, for example, were not only the product of internal factors but also were influenced by Western Keynesianism and an array of socialist trends in Western Europe and third world areas. In many countries, such as Guinea, Benin, Ethiopia and Burkina Faso, obvious vestiges of the Soviet model and China's socialist economic development experiences can be seen.

At the end of the 1970s, Western economies met serious crises. Keynesian econo-

mic policies, such as stimulating economies with consumption, advocating growth at the price of financial deficits and tinkering with the economies by means of various state measures, could neither relax nor eliminate the problems. On the contrary, they created a long economic stagnation in the West, and economists there began to sound the death knell for Keynesianism.

At the beginning of the 1980s, some liberalist economic schools rose and dominated fields of policy. They are monetarism, represented by Milton Friedman; new liberalism, the thoughts of Friedrich August Von Hayek; and supply-side economics, the brainchild of A. Laffer. Although all three schools have their own theoretical emphasis, they have some basic thoughts in common: an esteem for the role of market economy and a desire to give a free rein to private economic activities, opposing state interference in such matters.

It was during such a time that a number of strong leaders, headed by US President Ronald Reagan, British Prime Minister Margaret Thatcher and former French Prime

Minister Jacques Chirac, entered the political arenas in major Western countries. All of them held views of liberalist economics.

Reagan adopted the supply-side theory as a basic guide for his economic policies. Since 1982, the US economy has broken away from its long stagnation and gained a strong growth that has lasted for more than 60 months, the most enduring record of growth since World War II. In Britain, Mrs. Thatcher pursued monetarist economic policies and energetically carried out the privatization of state-run enterprises, casting off that country's long span of post-World War II low-speed economic growth. Its growth rate in the past few years has occupied first place among the West European countries. At the same time, many other countries practised in thoughts and deeds liberalist economics and made major achievements.

At the end of the 1970s, China began its national economy's adjustments and economic structural reform. In the Soviet Union, after Yuri Andropov took office, new signs of reform appeared, and since 1985, Mikhail Gorbachev has

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been carrying out reforms boldly and resolutely. Various socialist countries began to re-examine their economic structures, which emphasize central planning, and reforms appeared in East European countries. Despite the differences in internal structures and their forms and measures of reforms, various countries have basic objectives: to reform an irrationally planned economic structure, reduce administrative interference and transfer power to a lower level, vigorously develop a commodity economy, activate the market mechanism, strengthen the vigour of enterprises, raise economic benefits, give private economies a proper position, bring the initiative of labourers into play and increase the degree of democracy in politics. China's rural reform, especially, has achieved great successes.

Meanwhile, a great number of new-type practical leaders appeared in Africa. During the independence period, striving to stand on their own feet and maintaining such a stance was the main political goal of the African countries. The older generation of leaders themselves had a great hatred of colonialism. It was easy for them to equate colonialism with the economic and political systems of colonialist powers. Because of their countries' actual conditions and the influence of socialist trends of thought, they showed an obvious bent towards socialism when they established their political and economic systems. According to general concepts at that time, socialism brings with it a state-owned economy.

Conditions that the new-generation African leaders face have brought great changes. At present, economic

issues have become the main course on political menus. Measures counter to economic laws and problems exposed in state-run enterprises have brought great losses to African countries. At the same time, they must wrestle with the grimmest economic difficulties in history. All these factors have forced them to reconsider their choice of economic development models. With such a background, the current of liberalist economic thought in the world and the tide of reform in the socialist countries undoubtedly allure the new leaders in Africa, who seek a way out of economic difficulties. Therefore, the privatization has become an important step in African countries' economic adjustments.

In fact, liberalist economic thoughts are being accepted by more and more African countries. In the past, many countries regarded privatization as a matter that should be banned. Even in countries where the market-economy was practised it was an issue to be evaded. But now, most countries have embraced it as a policy important for economic development. There are 32 countries in Africa, according to reports of the US Department of State, that have taken major measures of economic reform and adjustments. The move to privatize state-run enterprises has been commonly accepted by most African countries.

Ghanaian Chairman of the Committee of Secretaries P. V. Obeng pointed out in an exclusive interview with *Africa Economic Digest* in March 1988 that Ghana is fully carrying out a structural adjustment plan, which is the only way to realize economic revitalization and growth. He also said

that the government's share will be withdrawn from semi-state-run sectors. When asked whether the privatization policy will progress in 1988, he said: "There is no reluctance about the divestiture programme on our part. We are committed.... We have overshoot the target and have 11 companies ready."

Morocco's Minister of Planning pointed out that his country's economic liberalism will not be reversed. In Tanzania, since Ali Hassan Mwinyi became president, the government has closed some state-run corporations with low efficiency and high expenses, transformed some factories into private operations and dismissed collective farms in the rural areas.

The Africa Development Bank, which represents the general views of African countries, pointed out in a recent research report that privatization is very important for the restoration of the area's crippled industries. Africa's Priority Programme for Economic Recovery (1986-1990), birthed by the Organization of African Unity, and the Programme of Action for African Economic Recovery and Development (1986-1990), parented by the United Nations in cooperation with African countries and passed by a special UN session, both target reform and adjustments.

In 1987, in its annual report, the Africa Development Bank gave a positive evaluation of Cote d'Ivoire's plans to pour more private capital into water-supply and traffic sectors, Nigeria's privatization of its state-run national bank, Senegal's release of the Senegal Sea-Transportation Company, in which state capital accounts for 72 percent, and Mali's dismissal of four other

state-run companies. In general, the tide of privatization is giving Africa a good dousing.

Western Funds

The influence of economic liberalization has been only one of the external factors in the process of African privatization. International monetary organizations and Western countries have played a key role in this respect.

The most influential among the Western monetary organizations are the World Bank and International Monetary Fund (IMF), which aim to provide loans to the developing countries for their growth. Their economic views represent the ones common in Western countries, so while providing such aid, they have pressed the beneficiaries to pattern their own economies in accordance with the model projected by the West. This has been conspicuously evident in the 1980s.

In 1981 the World Bank published the famous "Berg Report," pointing out that the African countries should conduct a series of policy adjustments: 1. to alter the price policy and raise the role of price incentives; 2. to reform the economic structure and improve market and transport systems; and 3. to raise state enterprises' efficiency in utilizing resources. The report has also pointed out that the strategy to win aid should be of paramount concern, laying stress on the better use of internal and external investments and setting the table with the initiatives of non-governmental organizations and private enterprises. This bank has also set up a special fund to help African countries south of Sahara attain a free market reform.

The IMF is famous for its persistence in economic freedom. Since the 1970s it has required the recipient countries to pursue an austerity policy and expand the degree of liberalization. It faults the governments of such countries for the policies that have led to the overheated economies, inflation and price zigzags. According to the IMF, too much government interference has clogged the regulating role of the market mechanism and thus led to low economic benefits.

At present the IMF's reading on economic difficulties in the African countries states that policy errors have caused demand to exceed supply. The "prescription" is to devalue money of these countries, shrink the deficit and cancel subsidies. Such a bitter pill requires a reduction in the money supplies, a cutback in credit, a boost in interest rates, a cancellation of price controls, and a release of the import and export trade monopolies. It also calls upon the governments to recover enterprises related to the national economy and the people's livelihood, delay new building projects and push for a shouldering by state enterprises of their own profits and losses. Many of these measures are designed to create conditions conducive to private enterprises.

These two international financial organizations mixed the conditions of their monetary feed with the "Berg Report" and "prescription" as they dished out loans to most African countries in the 1980s. For example, when they provided economic aid to Mali, their terms were to limit the number of state enterprises and develop joint and private enterprises. When Mali President

Moussa Traore had to suspend the privatization of some enterprises and corporations due to the domestic pressure, these two organizations froze loans on several projects.

In 1986 the Benin government was force-fed the World Bank's plan to thoroughly overhaul the state enterprises which incurred losses and limit employment. In the same year the Benin government, for aid, agreed with the IMF terms to revamp the budget, reduce the deficit, stop hiring workers, trim overstaffing, freeze wages, reform state enterprises and encourage private investment to all the non-strategic departments in order to implement the readjustment. With the supervision and guidance of the IMF, the Benin government implemented a plan in 1987 targeting economic liberalization.

When the World Bank provided developmental assistance to Cameroon in 1986, it proposed that all the state enterprises gradually turn into joint or private businesses and that those with heavy losses close down or become private. When the IMF distributed about US\$520 million in financial loans to Zaire in December 1983 and in May 1985, the country had to swallow its terms including economic liberalization. In 1985 the World Bank flashed US\$4.3 billion in support of Nigeria, contingent upon the country's acceptance of its readjustment terms. Reforms slanted towards economic liberalization in Nigeria and Tanzania have been a knuckling under to pressure by the IMF. From the 1980s to the present the IMF has served loans to 26 African countries under the terms of economic liberalization. All these have played an important role in the privatization process in

Food Situation Stirs Worldwide Concern

by Dong Qingsong and Li Zhengdong

The long-standing world food shortage has intensified because of 1988's poor harvest caused by the exceptionally serious drought in North America and severe natural disasters elsewhere. Poor harvests for two years in succession complicated the world food situation and urged people to search for ways to ease the problem.

Poor Harvests

In 1987, the total output of world grain production

dropped 4 percent from that of the previous year. According to figures from the Food and Agriculture Organization of the United Nations, the total output of world grain production was 1.73 billion tons in 1988. This was 3.8 percent under the preceding year's gains and the lowest output since 1983.

Last year, American grain output was less than 200 million tons, down by one-third. It was the first time that American food production had not exceeded domestic demand

for food consumption. The total volume of Canadian wheat production fell from 25.5 million tons in 1987 to 15.4 million tons last year. For the first time since 1980, Canadian wheat output was below 20 million tons.

Following the drought of 1987, African agriculture was damaged by a plague of locusts last year. It cost the sub-Saharan African region 1 million tons in food losses. A sharp decline of grain production also occurred in some regions of Asia due to drought

African countries.

Meanwhile the United States and other Western countries have been hurriedly involving themselves in the privatization process in Africa as well. In 1985 America's Agency for International Development allocated funds to set up a centre of privatization in Washington, recruiting experts from all circles to feed information to developing countries and help them implement the plans for the privatization of state enterprises. In February 1984, US Secretary of State George Shultz in a foreign policy speech in Boston pointed out that the United States would continue to aid Africa, but that aid could not solve all the problems. Africa should open market prices to the farmers, constrict the government

budget and allow private sectors to play a bigger part, he said. Mentioning the main aims of US aid, he pointed out that the first goal was to bring the private sectors into full play.

The US administration has also set up a special fund sweetened by US\$500 million aid for those African countries south of Sahara who wanted to re-address their original economic plans and pursue the policies of a free market economy. This fund started in 1985 and will run for five years. In 1984 Cameroon achieved better results in practising a "planned free market economy." This was highly commented by the US government and press media, and the US government and private monetary organizations funneled funds to it as a gesture of en-

couragement. In recent years, the United States' loans and aid to Mozambique have also been provided with strings attached, a demand for the liberalization of its controlled economy.

In March 1986, US President Reagan in his message on foreign policy definitely pointed out that the US aid to third world countries has both short-term and long-term targets. The short one is to realize regional stability, and the long one is to encourage developing countries to follow through with a market economy reform. France, Federal Germany, Belgium and some other Western countries have adopted similar measures. With their strong economic strength and traditional influence in Africa, they have been major bulldozers in the push for the economic privatization in African countries. □

and flood. Influenced by bad weather, grain output of the Soviet Union and East European countries decreased to about 800 million tons, a 5 percent slip from the year before. Brazil and Mexico in Latin America also had a small stumble in food production.

Apart from natural disasters, poor world harvest has been the product of programmes of major food production and export countries that leave some land fallow. For example, in the United States in 1986, the acreage under major crops was 108 million hectares, but it was reduced to 98 million hectares in 1988. In Canada, during the same time, the acreage under major cereal crops was trimmed from 22 million hec-

tares to 20 million.

Price Hikes

Due to the drop of global grain production in 1987, food prices in the world market jumped 40 to 100 percent. At the end of last year, American grain prices were up from 1986 as follows: wheat rose from US\$110 per ton to US\$160 per ton; maize, from US\$73 per ton to US\$140 per ton, a 92 percent bounce; and rice, from US\$186 per ton to US\$300, a 61 percent hike. Recently, the upward trek of food prices has eased, but they still fluctuate at a high level.

Under such circumstances, the pattern of food trade clearly changed. First, some new food-buyers replaced or partly

replaced the old ones. The traditional wheat-exporting countries, such as the United States and Canada, exported only half of their previous year's wheat volume. On the other hand, the European Community for the first time sidled up to the United States to become a major wheat-exporting region. Argentina as well as some comparatively small countries, such as Hungary and Turkey, also enlarged their wheat exports. Stimulated by fatter prices on the international food market, the latter vigorously increased their exports.

Second, many developing countries' importing capacity was greatly checked, especially in regions of southern Africa. Their regular food-importing

A dry reservoir in Minnesota, USA: Will nature be more benign this year?



volume each year was 75 percent of Africa's total. Due to price hikes, their food intake from abroad decreased for two years in succession.

Last year, grain exports by the United States and Canada were greatly reduced, but three traditional suppliers—Argentina, Australia and the European Community—and some other countries lifted their export capacities. Thus, food stocking on the international market this year will roughly meet the food import demand.

Third World Bind

In 1988, although there was a general increase of food production in developing countries, average food output per person tumbled by varying degrees in 58 developing countries. Among them were 17 countries in which the rates fell by 3 to 10 percent. Currently, these 17 countries are feeling the pangs of an outstanding food shortage.

There seems to be no balm in sight because the international conditions for exchanging farm products is unfavourable to developing countries. Just as food grain prices in general rose sharply, the price of economic crops, such as cocoa, plummeted. These crops, which bring in foreign exchange, are the lifeblood of developing countries. Therefore, the total value of farm products for export in developing countries has been at a standstill and even regressed. Among the developing countries, there were 75 (mainly in Africa) that experienced such a decline.

And there are other difficulties that exist in developing countries. Funds for agricultural aid to these countries have been shrinking. In 1987,

the promised volume of multilateral aid was US\$7.8 billion, decreasing 11 percent from 1986. The volume of aid grain in 1988 was even lower. The total volume of aid was 9.4 million tons, which was under the quota of 10 million tons set by the World Food Conference in 1974. Annually dwindling aid has been a particular hardship for those low income countries that lack adequate food supplies and foreign exchange.

A Better Future

Some American agricultural experts point out that although the current cut in food reserves has not led to a worldwide food crisis, some potential threat in food production must be noted and addressed.

Those potential "rats in the world food bin" are mainly as follows: a consistently expanding population; a declining availability of farm land; a negligent reduction in agricultural investment by some countries; a tardiness in regard to the use of high-yielding crops products and the development of agricultural techniques; an insensitive raping of the environment by pollution that damages water and soil quality and by excessive lumbering that upsets the ecological balance; and the increasing possibility of drought, flood and other natural disasters in large areas.

Experts warn that if this year meets with a severe drought similar to that in North America last year, a food supply crisis will occur. To guarantee the security of a global food supply, the international community and each country must concentrate on agricultural production and tackle our environment. Some experts believe that the only

way to guarantee an adequate stock for the world's food pantry is to limit population growth and boost the food production rate. In the 1970s, the average annual world population growth was 70 million, but by the 1990s it is estimated to reach up to 91 million. The growth of food production lags behind that of population growth.

Currently, the world food reserves have sagged to 277 million tons, only 62 percent of the record-breaking high in 1986. The food reserves account for a mere 16 percent of this year's consumption volume, and this figure is less than the bottom line determined by the Food and Agriculture Organization of the United Nations to guarantee world food security. In order to meet this year's world food consumption and lift the world food reserves over the security standard, it is estimated that global food production must increase by 220 million tons (13 percent) this year. Clearly, it is difficult to reach that goal this year. But it is hoped that steps can be taken in the right direction.

The acute hike in food prices, a result of two years' poor harvests, spurs developing countries to increase their food production and realize a sense of self-reliance. It also provokes food-exporting countries to stabilize and enlarge their supply of food. Thus, the outcome of this year's food production will be of great importance to both developing and developed countries. Barring severe worldwide natural disasters, there will be no widespread food shortage. Although the world food situation will not be a horn of plenty, it is possible to see some improvement. □

The Chinese Economy in 1988

Below we publish a slightly abridged translation of a State Statistics Bureau report analysing China's economic performance in 1988.

Throughout 1988, China's national economy maintained sustained growth on both domestic and international fronts. At the same time, various breakthroughs were realized in science and technology. Structural contradictions, however, caused the gap between demand and supply to widen, fuelling inflation and lowering real income for some urban residents.

Achievements

Sustained growth. China is one of the few countries in the world with a high economic growth rate. Initial estimates put China's GNP for 1988 at 1,369.4 billion yuan, 11.2 percent⁽¹⁾ higher than in 1987, and its national income at 1,133.8 billion yuan, up 11.4 percent.

The rural economy also remained brisk with initial estimates putting total rural output value at 1,100 billion yuan, up 10 percent on 1987. Apart from grain, cotton and oil-bearing crops, production of most agricultural products increased.

(1) GNP, national income and figures for output value are calculated at present prices; their growth rates are calculated in prices adjusted for inflation.

The industrial output value of enterprises above township level rose 17.7 percent on 1987 to top 1,500 billion yuan.

The communications and transport industries also progressed steadily. Rail freight volume registered an increase of 4.7 percent, and passenger turnover rose 11.4 percent. Cargo volume handled in China's ports rose 10 percent.

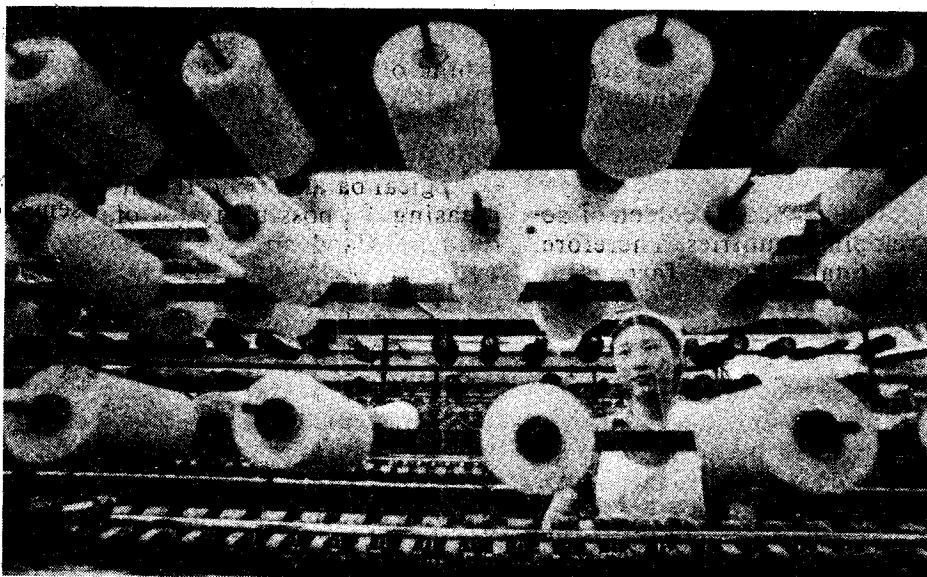
The national infrastructure was considerably strengthened by the completion of various projects which added 9.44 million kw of generating capacity, 15.76 million tons of crude oil, 30.9 million tons of raw coal, 7.44 million tons of port handling capacity, 830 km of new

railways, 1,470 km of electrified railways, 120,000 tons of nonferrous metals and 600,000 tons of ethylene.

Foreign trade and investment. Foreign trade volume reached US\$102.9 billion in 1988, 24.4 percent up on 1987. Of this total, exports made up US\$47.6 billion (up 20.8 percent) and imports US\$55.3 billion (up 28 percent). New progress was made in increasing and rationalizing the use of foreign capital, with US\$8.8 billion concretely invested, 16.2 percent more than in 1987. Direct foreign investment was principally characterized by rises in the number of wholly foreign-owned enter-

The Yinchuan No. 2 Woollen Mill in Ningxia Hui Autonomous Region.

CHEN SIYU



prises, the involvement of Taiwanese compatriots, the greater number of industrial projects, and export-oriented and foreign exchange earning projects.

Breakthroughs in science and technology. State prizes were awarded to 217 inventions and 515 technical advances in 1988. Among China's scientific achievements of the year were the accurate positioning of communications satellite above the equator, the launching of a guided missile from a submarine, and the completion of the Beijing electron collider and the Lanzhou heavy ion accelerator.

Problems

But despite the many successes of 1988, it was also a year when many problems surfaced.

1. Demand far outstripped supply as the gap between purchasing power and the supply of goods widened, raising the pressure on China's markets. For example, consumption rose from 14.7 percent of total demand in 1987 to 26.5 percent, commercial purchasing power stood 27 percent higher than in 1987, and there was an 80 billion yuan gap between purchasing power and goods available.

This imbalance was further exacerbated by an increase in the money supply far above the economic growth rate, the overrapid extension of bank credit, and the 430 billion yuan investment in capital construction—130 billion



Beijing's freshwater aquatic farming centre.

• ZHENG SHUFU

yuan above the target outlined in the state plan. Consequently the gap between bank reserves and loans continued to expand.

2. Last year, structural contradictions in China's economy became all the more conspicuous. For example, personal income expressed as a share of China's wealth continued to expand: from 59.9 percent of the GNP in 1984, to 62.6 percent last year. At the same time, people still spent most of their money on food, clothing and other daily necessities rather than on housing, travel, etc.

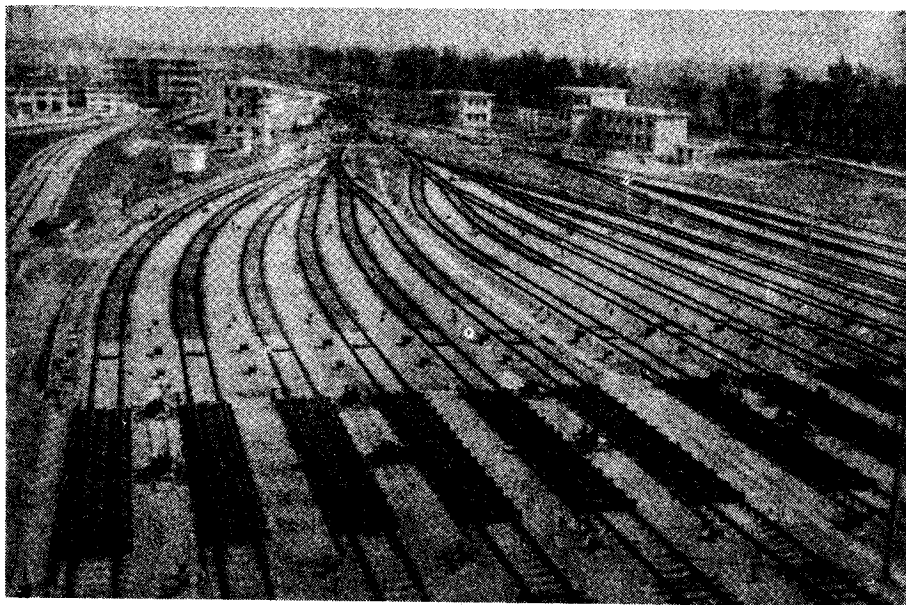
Along with the growth in institutional purchasing power, this meant consumption moved far beyond what the country could truly afford, further unbalancing the relation between supply and demand.

Industry's extra-high growth rate and the sluggishness of agriculture have widened the gap between the two. Whereas the industrial growth rate was

three times bigger than agriculture's in 1987, last year it was seven times. Overall, agriculture's share of total national output value dropped from 29.7 percent in 1984 to 25 percent—back to the level of 1978.

Within industry, both rural industry and the processing industry developed disproportionately fast. Last year, township-run industry grew by 35 percent, and village-run enterprises expanded even faster. In consequence, the irrational distribution of resources became all the more striking as energy output, mining, and the production of raw and semi-finished materials stagnated. Processing industry's share of total industrial output value rose by 23 percent, while mining, and the production of raw and semi-finished materials grew by only 10.8 percent.

In agriculture, output of such staple products as grain, cotton and oil-bearing crops all fell, despite the fact that the population has been grow-



3,700 trains can be handled each day at the Jiangcun Marshalling Yard, Guangzhou.

HUANG JIANQIU

ing fast, making the contradiction between supply and demand all the more conspicuous. Last year, China produced 394 million tons of grain, down 2.3 percent from 1987; 4.06 million tons of cotton, down 4.3 percent; and 12.85 million tons of oil-bearing crops, down 15.9 percent.

The output of grain, cotton and oil-bearing crops has now hovered around the same level for several years, while the population has been growing fast. Last year, the population's natural growth rate stood at 15.73 per thousand, the highest figure recorded since 1975. China's population is expected to top 1.1 billion in March or April this year, bringing an increasing pressure to bear on the supply of farm and sideline products.

Whereas China was a grain exporter in 1985, it is now an importer: from 1987 to 1988, it bought more than 16 million tons of grain from abroad.

Transportation is another area that has failed to expand

at rate adequate to meet the country's economic growth.

3. Last year, retail prices rose by 18.5 percent and the consumer price index by 20.7 percent, figures never witnessed since the founding of New China in 1949. Industrial prices also rose fast: in the first nine months of 1988, the price index of 15 capital goods under the management of goods and materials departments rose by 18.5 percent (in the same period of 1987 it was just 6.1 percent).

These price rises were exacerbated by the buying spree which hit the country last year, causing sharp fluctuations in the retail market and reducing the availability of commodities already in short supply.

The continued existence of the dual track pricing system (where the same commodity can have both a state-set price and a free market one) caused severe disruption to the circulation of commodities. With continued shortages of many

goods, some people found the profits from speculation all too tempting. In consequence, a "trading craze" hit the country, which, combined with the lack of explicitly defined policies concerning the circulation of commodities, gave rise to profiteering and racketeering, severely confusing the economic order.

The main reasons for inflation and the overheated industrial growth were:

- An over-anxiety to realize quick results in production, construction and reform;
- With China's economic system in transition from the old, centralized system to a new, market-oriented one, many readily exploitable loopholes have emerged. In particular, a large number of localities, departments and enterprises have lacked the self-restraint necessary to forgo local interests in favour of national ones;
- Tools of macro-economic control remain weak, and therefore the government could not make timely and effective responses to contradictions and problems arising in the economy.

In addition, a series of natural disasters played a major role in reducing agricultural output.

Looking Ahead

China's economic policy for 1989 centres on retrenchment and readjustment.

Agriculture. In 1989, both central and local governments have to strengthen their lead-

Curbing Capital Construction

by Our Staff Reporter Li Ning

One of the major reasons for the severe overheating of the Chinese economy has been the enormous surge in capital construction—the building and equipping of large-scale projects such as factories, mines, railways, bridges, irrigation, housing, hospitals, schools, roads, and pipelines.

At an ever increasing speed over the last few years, govern-

ment departments, companies, and other organizations have apparently competed with each other to see how rapidly they could erect new buildings across the face of China.

Many foreign visitors have remarked on the country's resemblance to one vast construction site. In many ways, this is an apt description. At the end of September 1988, some 51,486 construction pro-

jects with a projected total investment of 700 billion yuan were under way nationwide. On average, 60 new projects were starting every day, and investment for the year is estimated at 420 billion yuan, exceeding the state plan by 120 billion yuan. Like a train out of control, China's construction looked to be gathering an unstoppable momentum.

ership over agricultural production and construction and improve agriculture-related services. Vigorous demand for farm produce and continued price rises may stimulate farmers to increase production. Provided there are no serious natural disasters, agricultural production is expected to pick up in 1989.

Cotton is one area demanding particular attention. Low priced at present has chilled farmers' enthusiasm for production. Unless effective measures are taken to promote cotton, production may well decline. For similar reasons, farmers' enthusiasm for raising pigs is unstable.

Industry. As China pursues a policy of consolidation, the industrial growth rate, especially in heavy industry which is particularly restricted by limited funds, energy, raw materials and transport, should fall through 1989. But still the

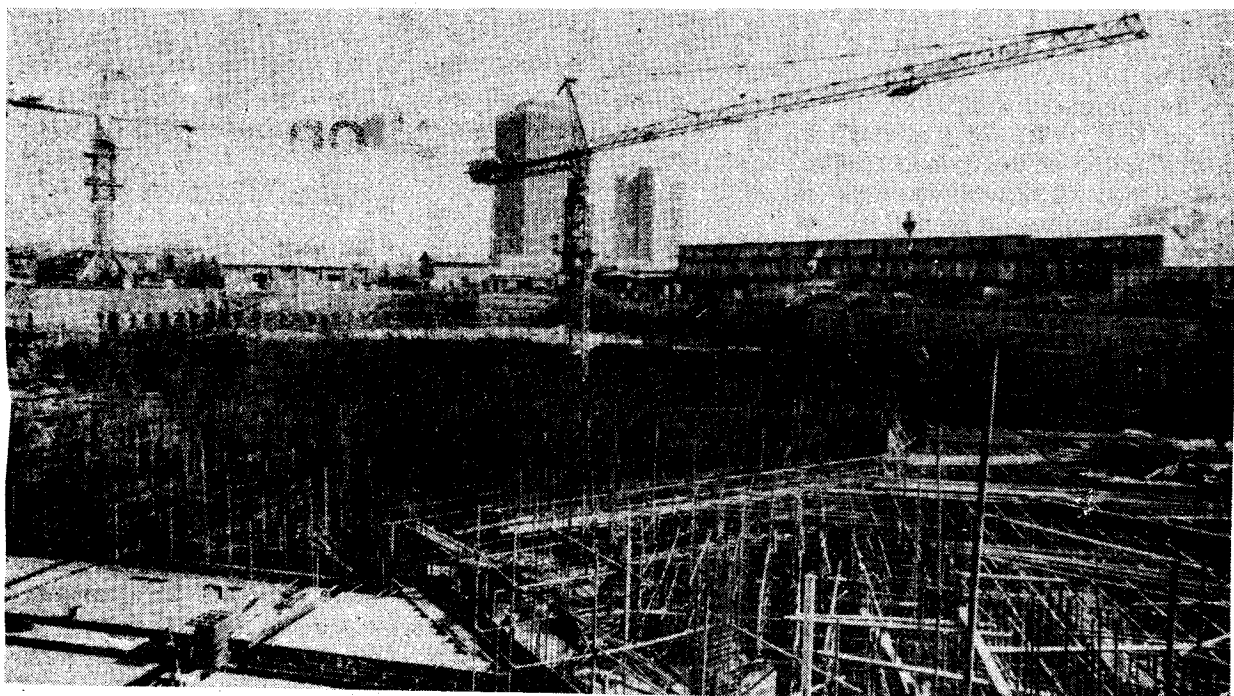
growth rate is estimated at no less than 10 percent.

Investment. In 1989, budgeted investment is expected to be reduced. However, it will be difficult to cut un-budgeted investment because of the lack of effective means of control. Key projects will continue to be faced with a severe shortage of funds, making it essential to introduce measures such as a tax on un-budgeted investment to strictly control its numbers.

Markets. China faces a tough job in 1989 stabilizing its markets and prices. Many problems left unresolved in 1988 will continue to exert inflationary pressure, such as the steep increase in the money supply, the unbridged gap between supply and demand, and the large amounts of savings held in cash ready to be converted into commodities at the threat of inflation. There is also the possibility that price readjustments al-

ready scheduled for 1989 will further fuel the arbitrary marking-up of prices, as witnessed in 1988.

Because of this, it is necessary to reinforce price control, especially for such daily necessities as grain, edible oil, meat, sugar, vegetables, salt and cloth, as well as the means of agricultural production. No unauthorized price mark-ups should be permitted, and all official price adjustments measures should be delayed as long as possible. In general, these adjustments should be minor so as to foster and encourage stability on China's markets. In particular, various measures should be taken to encourage residents to increase their bank savings and to improve the banks' ability to recall money and restrict credit. □



Beijing's Sichuan Edifice: halted in the drive to cut capital construction investment.

QIN XUZH

Imbalanced Investment

According to figures recently released by the State Statistical Bureau, China has invested 1,644.1 billion yuan over the last nine years in building, renewing and equipping some 600,000 projects, adding 829.5 billion yuan to the value of the country's fixed assets. Looked at another way, every day an average of 500 million yuan has been invested and 183 projects completed—far more than China could truly afford.

But it is not simply the amount that has cost China dear: less than 20 percent of this investment has gone on developing energy, transport, communications and important raw material resources. The rest has been spent on processing industry and other construction projects. And with increased production of industrial and consumer goods, social consumption has been fuelled, adversely effect-

By the end of last November 10,220 construction projects had been suspended or postponed across China. Around half of these were guesthouses, hotels and other buildings. Stopping them has saved 33.4 billion yuan in future investment

ing the steady long-term development of the national economy.

From 1979-87, China's gross national product grew at an average annual rate of 9.3 percent and state revenue at 8.6 percent. Investment in fixed assets, however, topped 20 percent, far outstripping the country's financial and material capacity. Recent figures

put investment in construction at three times as much as 1987's state revenue.

Problems have emerged in various areas because of this overrapid expansion. In 1987, when total investment in capital construction was around 210 billion yuan, 50 percent of national steel output, 29 percent of timber and 47 percent of cement went into construction. With the increase of investment, these resources have come under enormous strain. Faced with domestic shortages, China has had to turn abroad. Over the past nine years, for example, 93.53 million tons of rolled steel have been imported.

Construction Savings

Since last September, the Chinese government has made cutting investment in non-productive projects the centre point of scaling down capital construction as a whole. Over-

all, the declared aim for 1989 is to cut total investment in 1989 by 20 percent—50 billion yuan—compared with 1988.

The first batch of projects either halted or postponed included many auditoriums, hotels and guesthouses in tourist centres. For example, in the coastal cities of Beidaihe and Xingcheng, local government departments have declared their intention of stopping 60 percent of all construction projects.

Among them is the 14 million yuan "Beidaihe 853 Project" initiated by a State Council ministry. After holding a special fund-raising meeting in 1985, money for this 11-storey sanatorium was raised from numerous sources: 2 million yuan from the "minister's fund," 5 million yuan "arranged" by the planning department, and 7 million yuan "raised" by various units. Altogether, 43 units contributed to the project.

Projects Halted

Chen Guangjian, head of the State Council's office in charge of inspecting investment in capital construction, said that the current round of cutbacks differs from previous attempts to curb spending. Formerly, it was done by stipulating a percentage of investment to be axed. This time, entire projects are being suspended. He says that the money saved will be redirected into essential schemes.

The State Council's list of projects to be halted includes:

- Unauthorized departmental and local projects beyond the state plan for the production of video recorders, programme-controlled telephone exchanges, sedan cars, motorcycles, micro-computers, household refriger-

ators, cameras, beer and 12 other products.

- Factories aimed at manufacturing goods requiring materials in short supply or imported materials for the domestic market.

- Factories with an excessive capacity for manufacturing or processing consumer goods such as televisions, cigarettes, ring-pull cans and photographic film, and various industrial goods such as small rolling machines, permanent magnetic alloys, plastic and aluminium door and window frames, plastic wallpaper, etc.

- Projects with poor economic returns or which create serious pollution, such as diesel generators, small iron smelters, copper smelting and electrolysis and airports with an annual handling capacity of less than 20,000 people.

- Projects for manufacturing high energy consuming products restricted by the state, such as air conditioners, electric rice cookers, irons and water heaters, micro-wave ovens, etc.

- Non-productive projects and projects not deemed urgent for urban construction.

Chen said that apart from a number of medium- and low-grade tourist hotels, construction of all hotels and guesthouses began in 1988 will be suspended and no further ones permitted for the next three years.

To enforce these cutbacks, the State Council stipulated that from December 1 the bank would cease issuing loans and allocating funds for all banned projects, the government materials department would cease supplying them with materials, the power department would cease supplying electricity, the construction management department would annul their construc-

tion licenses, and the industrial and commercial management department would withdraw their passes permitting them to prepare these projects.

Capital Cutbacks

Beijing's deputy mayor, Zhang Baifa, is responsible for the city's capital construction programme. Looking back over the past few years, he said the protracted building cycle of a huge number of projects had led to poor economic returns and huge wastage. Investment in projects now under way was 2.5 times greater than in 1982.

Last October, for instance, 60 million square metres of land was requisitioned for construction, and applications for construction projects covering 40 million square metres were submitted to higher authorities for approval. At the present rate of construction, it would take about eight years to complete these projects. When completed, they would add further all-round strains to the city's supplies of water, electricity, heating, gas, transport and communications.

Scaling down capital construction was thus an immediate task. On November 7, the municipal government declared its first batch of 20 projects to be suspended or postponed. With a total planned area of 600,000 square metres, they would have required an investment of more than 700 million yuan. Fourteen of the projects were guesthouses or hotels, including the "Sichuan Edifice," known by the public as the "Deng Xiaoping Project" because of his involvement in its establishment. Beijing citizens consider the cancellation of this project an indication of Deng's support for cutting back construction.

On November 10, the Beijing authorities announced another 40 projects to be halted or postponed. Covering 500,000 square metres, these involved an investment of 600 million yuan. Some 21 of these were sponsored by government departments, including three apartment buildings for senior cadres to have been built by the State Council's Bureau of Government Offices Administration.

According to figures re-

leased by the State Statistical Bureau in January 1989, by the end of last November 10, 220 construction projects had been suspended or postponed across China. Around half of these were guesthouses, hotels and other buildings. Stopping them has saved 33.4 billion yuan in future investment.

Overseas Assurance

Despite these cutbacks, Li Lanqing, vice-minister of For-

eign Economic Relations and Trade in charge of overseeing overseas investment, said Sino-foreign co-operative projects were excluded from the list of banned projects, and foreign investors should have no fears that they might be adversely effected. As an example of China's commitment, he cited a recently signed agreement with Belgium for an interest-free loan to build a leprosy convalescence centre. □

THE STRUGGLE WITH INFLATION

Cutting Back Consumption

by Zhang Zhenbin

After a decade of rapid gains, China's economic development and reform now face a whole series of difficulties and problems. Inflation is the most outstanding. One of its major causes has been excessive demand created by the rise in individual and group purchasing powers.

Between 1983 and 1987, China's national income rose by an average of 14.5 percent a year, slightly above the average rise in state revenue of 13.4 percent, but a little behind the 15 percent rise in wages of workers and staff (excluding bonuses and income from other sources, which now account for 30 percent of total income). Group purchasing power increased an average of 19.7 percent annually. In 1987, expenditure on group consumption totalled 55.3 billion yuan—equal to 24 percent of state revenue.

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Overall, the growth in group and individual consumption has far outstripped the rise in national income and state revenue. How has this happened?

1. Investment in capital construction has grown overrapidly, with fixed asset investment in state-owned units expanding by an average of 26.8 percent a year between 1983 and 1986. Some 40 percent of the investment in capital construction has gone to wages, bonuses and supplying workers with everyday necessities, such as consumer goods.

2. The reform programme has resulted in enterprises having more money at their disposal. However, because of the lack of a perfect management mechanism, these funds have been directed towards consumption rather than accumulation. For example, companies have competed with each other to increase bonuses, subsidies, welfare funds and

everyday items for their work forces, while the sharp rise in household and private enterprises has led to more money being available for individual consumption.

3. With the state bearing most of the housing costs, transportation, medical care and school education, its financial burden has become increasingly hard to bear, while individuals, free of most of these responsibilities can direct a large share of their income into consumption.

4. Because of weaknesses in the taxation system, the state cannot control rises in personal income. In particular, because of a lack of awareness of rules and regulations, tax evasion is widespread. This not only deprives the state of income and causes people to concentrate on maximizing their income, but also serves to widen income gaps.

One additional factor, perhaps not of great importance



A shot of a market in the Yanbian Korean Autonomous Region in Jilin Province.

YUAN ZHAOYI

overall, but which because of its high visibility can only undermine attempts to restrain consumption, has been the large amounts of public funds certain officials of state organizations and enterprises, have spent hosting extravagant banquets or buying gifts.

Clearly the rapid expansion of consumption cannot be tied down to a single factor or cause. But it remains true that if one major reason must be picked out, it would be imperfections in the state's control of the macroeconomy. This is reflected lower down the scale by the lack of self-regulatory economic mechanisms within enterprises. This problem has arisen in the course of replacing the old, centralized economic system with the new, more market-oriented one.

The path to controlling consumption lies in strengthening control over the macroeconomy and deepening reforms across the board. In my opinion, the following measures should be adopted:

- Controlling and restructuring investment in capital construction by cutting ordinary

industrial processing and non-productive projects that fall outside the state plan. Priority should be given to strengthening agriculture, energy, transport, telecommunications, major raw materials and other basic industries.

- Taking effective measures to cut group purchasing powers. The State Council has already declared its intention of reducing such expenditure on everyday commodities by 20 percent for the next two years.

- Redirecting individual purchasing power through measures such as privatizing housing and establishing contributory welfare and health care systems.

- Introducing further financial reforms. Already interest rates on bank savings have been raised both to attract surplus cash in society and prevent their devaluation because of inflation, and sales of bonds, shares and other securities have been introduced to raise capital for investment. These reforms should be extended and deepened.

- The taxation system must be strengthened, particularly

in the area of inspection and enforcement for enterprises and those with high incomes. Thus it can fulfil its proper role as a redistributor of income and an economic lever redirecting funds from consumption to production.

- Finally, reforms need to be deepened in the enterprise employment and income systems to ensure the establishment of self-regulatory mechanisms which curb funds available for consumption and encourage enterprises to pursue long rather than short-term goals. Simultaneously, the state must tighten its control over the macroeconomy to ensure that consumption levels match economic growth. In particular, rises in personal income should fall below increases in productivity.

To sum up, production should be developed while consumption is restrained. Special efforts should be made to promote agricultural and sideline products and the range, quality and supply of goods in most demand in order that the needs of the people may be met. □

Cutting Growth Down to Size

by Zhang Lanhui and Luo Jiyun

In the first ten months of 1988, China's industrial output value rose 17.8 percent, far exceeding the 7 percent planned for the year. Light industry, with a 19.3 percent growth in output value expanded slightly faster than heavy industry at 16.3 percent.

The industrial output value for 1988 was a 17.7 percent more than that of 1987.

Why the Excessive Growth?

China's excessive industrial growth has highlighted problems in its energy, communications and raw material industries. The strain they are now being put under also threatens the country's long-term prospects for stable and coordinated economic development. But why has growth been so rapidly recently?

Analysts claim the major reason is the total imbalance between demand and supply. To some degree this has been caused by the greater hold gained on the economy by the contract responsibility system and the growing effects of enterprise reform. But of far greater significance is the massive rise in the scale of capital construction and non-budgeted investment. Not only has the demand for building and other raw materials spiralled, but funds available for individual consumption have risen rapidly as well.

The excessive construction scale further widened the gap between supply and demand, stimulating the continuous growth of production.

How to Curb It?

The Third Plenum of the 13th CPC Central Committee called for industrial growth rate to be cut to 10 percent or lower in 1989 to cool off China's overheated economy. To realize this, it proposed the following measures:

- Cutting investment;
- Controlling the over-rapid growth of consumption funds and purchasing powers of government institutions and public

China's excessive industrial growth has highlighted problems in its energy, communications and raw material industries.

ic organizations by ensuring wage increases are matched by a growth in productivity. Simultaneously, control will be strengthened over the total amount of wages and bonuses. The reckless issuing of bonuses, allowances and payments in kind will be prohibited;

- Checking demand by restricting bank loans and the issuing of money to slow down the growth of industrial production.

The State Planning Commission recently issued a notice aimed at controlling the over-rapid growth of industrial production. It demanded: (a) that the production of products which consume large amounts of power or raw materials in short supply other than daily necessities be resolutely

stopped; (b) that poorly-managed enterprises, ones with a long history of running at a loss, and ones producing low-quality or unmarketable products, should be closed down, forced to manufacture other products, or merged with other enterprises; (c) the output of industrial products should be adjusted in line with the reduced scale of construction and investment; (d) township enterprises which consumed large amounts of energy, produce low-quality products and which compete for raw materials with large factories should either be closed or switched to manufacturing other goods.

It was also demanded that coastal areas registering excessive industrial growth should organize production in accordance with the availability of energy and raw material supplies.

Overall, the aim is to restrain total demand while adjusting product mix particularly as regards collective and other enterprises that consume large amounts of energy, cause serious pollution, are inefficient and manufacture poor-quality products. Simultaneously production and management must be strengthened, material consumption reduced and quality raised so as to improve and increase supply.

The production of agricultural products, goods in short supply and daily necessities should be encouraged and supported, as should the communications, transport, energy and raw material industries in order that China's economy can develop in a sustained and balanced manner. □

A Look at the Next 4,000 Days

ZHONGGUO RIBAO
(China Daily)

It is less than 11 years to the start of the 21st century. But a futurist thinks of the time in terms of days rather than years.

"Exactly 4,002 days are left from now until the first day of the next century," Qin Linzheng, secretary general of the Chinese Society for Future Studies, said recently at a conference held in Beijing to mark the 10th anniversary of the organization.

He thinks in terms of days because he says, "The world is changing at much too great a speed for China to be as relaxed as it is.

"Future studies is about the present," he told *China Daily*. "What we do now, or what we don't do, is going to affect our lives in future. And future studies aim to analyze the trends of possible social changes so that we can make better decisions to cope with the future more effectively."

Despite the last decade of reform, which has brought the People's Republic more changes than ever before in its history, China is still relatively backward compared with developed countries.

Therefore, he pointed out, at the present rate of growth the gap between China and the developed countries will "inevitably" widen between now and the year 2000.

"We have around 4,000 days to adjust ourselves to the pace of global change and prepare ourselves for 21st-century developments in keeping with the rest of the world," Qin observed. "If we have not caught

up by then, we will be left behind for ever."

The futurist believes the country should adopt future-oriented and across-the-board strategies aimed at the next century, which many experts refer to as the Pacific century.

Politically, he said, China needs to quicken the pace of democratization to conform with the ever louder voices of democracy throughout the world.

"Strengthening democracy means allowing more and more people to join in and do their bit for our modernization drive," he said. "There will be no modernization without democracy."

Economically, the country should pay closer attention to the global trend toward greater international competition and conglomeration.

He said China's economic strategies should also concentrate on improving the competitiveness of local industries, such as township and village enterprises, to back up a well-co-ordinated national economy aimed at the international market.

Culturally, the country has to work hard on developing its human resources. "This is where we need most improvement," he said.

"Knowledge is important, but after all it has to be mastered by men," Qin explained. "Science and technology have developed to such an extent that information can be obtained ever so easily nowadays. And naturally, those who are more intelligent, who make the best out of ready-made information most effi-

ciently, will be the most competitive.

"All in all, international competition will be a competition between cultures," he continued.

"The country which finds the best ways of fully tapping its human resources will take the lead in the future."

China has the largest population in the world and the Chinese are clever, Qin said, a reputation earned by their ancestors and now being proved by overseas Chinese.

"We tend to think we're the poorest country but, in fact, foreign futurists think of China as the wealthiest," he said. "They say we have 1 billion computers."

Qin said Deng Xiaoping was a visionary thinker for stating that education should cater to the needs of the future. Improvements in education are essential if the intelligence of the country's 1 billion-plus people is to be utilized.

Current education, he said, of forced-feeding teaching methods should be replaced by methods which cultivate the students' creativity rather than their ability to memorize mountains of facts.

"When you give someone a fish, he has a meal," Qin said, quoting an old proverb, "But if you teach him how to fish, he can make a living for himself."

The Chinese Society for Future Studies aims to help the government in long-term planning. Qin described the work of his 10-year-old organization as "fruitful but far from enough."

Since it was established on January 16, 1979, the society

has sponsored a variety of symposiums with subjects ranging from long-term planning for the economic development of the special economic zones and coastal areas and the science of decision making and to China's international role in the world in the next century.

Last September, it hosted the 10th World Conference of the World Futures Studies Federation. Chinese Premier Li Peng met delegates from over 50 countries, headed by the federation's president E. Masini.

A foundation for global entrepreneurs, proposed at the conference by Wu Chongyuan, Deputy Director of the Chinese Society for Future Studies in Enterprises, was approved by Masini as well as by renowned American futurist Alvin Toffler and others.

Wu said the foundation aims to promote international exchanges, especially between entrepreneurs from both developed and developing countries.

Yet, future studies are still unknown to most ordinary Chinese who think the current problems are already more than they can cope with and do not want to waste their energy bothering about the future.

"But the future is becoming the present every day," said Qin.

The last decade has left virtually nothing untouched. Many people are unaccustomed to the ever faster tempo of life.

Qin said his society will try to make people more aware of the need to think about the future so that they can efficiently adapt to the changes instead of being overwhelmed by them and left out of the mainstream.

Shortage of funds is a fact which troubles most cultural

institutions and Qin's is no exception.

But he said he has no time to complain. The society plans to focus on more practical, scientific, research programmes to attract more governmental attention and support, which in turn will speed up the work of the society.

"China has to grab its chance over the next 4,000 days, 4,000 changing days," he said.

(January 25, 1989)

Government's Workstyle

"LIAOWANG"
(Outlook Weekly)

Vice-Minister of Supervision Feng Tiyun has said, "People are now talking much about the government's workstyle. In my view, the governments at all levels are honest in performing their duties, but there are problems. The most severe are as follows:

Corruption and bribery. According to statistics, among those grafters who are blamed for crimes, nearly 53 percent are government functionaries. Of those who have been sentenced, about 74 percent are government employees.

Power abuse and dereliction of duties. In recent years, some persons working in law-enforcement departments, administrative departments and public undertakings have been found to abuse their power to pursue personal interests. Some even blackmail those who ask for their help. Others ally with law-breakers.

Extravagance, waste, and issuing bonuses and materials at the expense of the country's interests. With the opening to

the outside world and economic reform, China's economic construction has developed and the people's standard of living has improved. But compared with developed countries, our standard of living is rather low. We still lack funds for development. Because of this, we cannot abandon our tradition of plain living and hard struggle. However, some departments and organizations squander recklessly at the expense of the country's interests.

Bureaucratic profiteering.

The marriage of officials and traders will inevitably give birth to the combination of "power" and "money." The Party Central Committee has repeatedly declared that Party and government departments should neither open enterprises nor do businesses, but to little avail. Such a tendency is becoming evident. For example, a city government stipulates that all the city government departments other than educational and cultural departments should try everything possible to "make money." As a result, the city's 77 Party and government departments turn to run enterprises or do businesses, with the exceptions of the Municipal Commission for Discipline Inspection, the Supervision Bureau, the Finance Bureau, the Administration of Taxation, the Administration of Urban and Rural Construction and Environmental Protection and the Office of Overseas Chinese Affairs. Though it cannot be said that all Party- and government-run enterprises and businesses are bureaucratic profiteers, there are quite a few where officials abuse their power to line their pockets by selling consumer durables at high prices.

(Issue No. 47, 1988)

Farmers View Rural Reform

"ZHONGGUO FUNUBAO"
(China Women's Daily)

China's rural reform has been carried out over ten years. What are the opinions of the farmers who are closely connected with the reform? A reporter of this magazine recently surveyed 100 farmer families in four provinces and two cities.

Of the 100 households, 18 have an annual income of more than 10,000 yuan and 70 over 5,000 yuan.

The remaining three families said their days were hard, but admitted that it was caused by the lack of family workers. Even so, their lives have become better than before.

Most of the farmers surveyed showed their dissatisfaction with some phenomena in the rural areas. Some 94 percent of them complained about the shortage of goods, high prices and the turmoil caused by the irregular supply of agricultural production means. Liu Yuangui, a farmer in Changxian County, Hebei Province, said, "Now farming has become more and more difficult. The price for chemical fertilizers and farm insecticides changes everyday. Even so, they are not available when urgently needed."

Ninety-seven families showed their bitter hatred towards bureaucratic profiteering. They noted that people working hard couldn't make money, while those seeking loopholes reaped staggering amounts.

What the farmers are most worried about is whether the Party's policies, which have

helped farmers become prosperous, will change and whether the reform will stop halfway.

Wu Guigen, a 60-year-old farmer in Wuxian County, Jiangsu Province, has a five-member family with an annual income of over 10,000 yuan. They built a two-storey house with rooms furnished with ceiling lamps and electric ceiling fans. Their lives have become more and more prosperous. Wu said, "I am afraid of a policy change. We have just begun to live a happy life. Please don't change the policy that has been good for us."

What surprised the reporter was the farmers' strong sense of participation in state affairs. Zhang Zhaiqin, a woman in Yuhang County, Zhejiang Province, said, "China is an agricultural country. If the government consults with the peasants when making policies, and if the 800 million farmers feel satisfied with the government, and their enthusiasm for production gets fully mobilized, what things can't the government do well?"

(November 1988)

Changes in Dazhai Village

RENMIN RIBAO
(People's Daily, Overseas Edition)

Over the past ten years, tremendous changes have taken place in Dazhai Village in Xiyang County, Shanxi Province. In 1987, the total income of households exceeded 800,000 yuan, or 4.3 times as much as in 1978. The per-capita income was 653 yuan, a jump of 3.5 times higher than 1978 figures.

During the "cultural revolution" (1966-76), Dazhai

was paraded as a national model for the other places to emulate, causing great suffering to the ordinary people. With the elimination of "leftist" influences, the situation has become gratifying. Changes are as follows:

1. A new managerial structure has been erected during the past ten years, leading cadres and the public have liquidated ultra-left ideas from the areas of ownership, exchanges, management and distribution. Step by step they have introduced a new economic management system.

2. Agricultural production as a solo act is rapidly being supplemented by production of coal, transport and other sideline occupations. Since 1983, Dazhai has established two coal pits with a combined annual productive capacity of 70,000 tons. The village has also set up a cobblestone factory and a grain processing mill. In addition, individual farmers have purchased eight cars and 14 tractors. In 1987, industrial and sideline incomes totalled 465,000 yuan, 16 times that in 1978. Proportionately, it rose from 15 percent to 58 percent of the village's total income. Income from industrial crops was 100,000 yuan, a 3.6-fold rise from 1978, accounting for more than 50 percent of total agricultural income.

3. The individual sector has developed. Of about 100 households, ten are engaging in commerce, transport service and stone processing. Moreover, hired labourers have emerged in the collective sector. For instance, among nearly 100 workers in village-owned enterprises, 40 percent are from other places.

(October 6, 1988)

Prospects for Offshore Oil

At the beginning of January, China held its third round of bidding for offshore oil exploitation to encourage foreign participation in developing the country's oil resources.

The China National Offshore Oil Corp. (CNOOC), however, has already established firm links with several foreign oil companies to extract oil from fields on China's coastal shelf.

Working in partnership with the Japan-China Oil Development Co., the BZ-28-1 oilfield at the centre of the Bohai Sea is expected to start producing oil early this year. Annual output is predicted at around 400,000 tons.

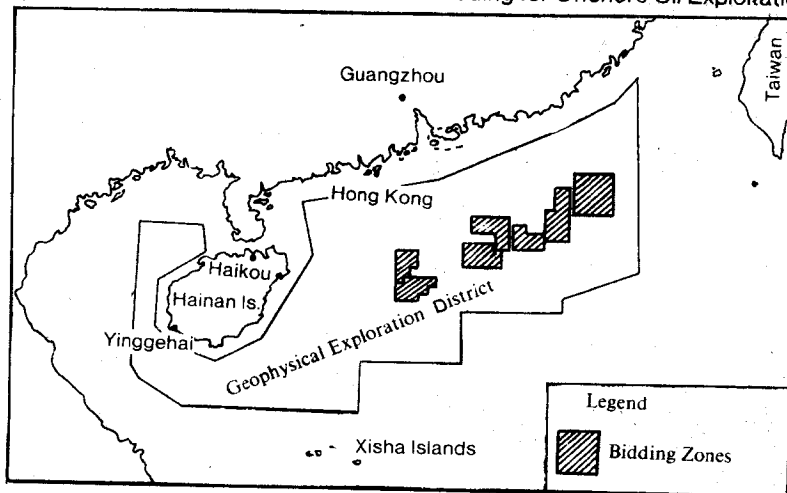
The same two companies also plan to bring the BZ-34-2/4 oilfield into production later this year. Its annual output is predicted at 400,000-500,000 tons.

Six oilfields at the mouth of the Zhujiang (Pearl) River, in the northeast of the South China Sea, in the north of the Bohai Sea and the west of the South China Sea are now awaiting exploitation. Most of these are either small or medium-sized fields. Some have rich deposits. For example the reserves of the Liuhua 11-1 oilfield and the Suizhong 36-1 oilfield amount to more than 100 million tons each.

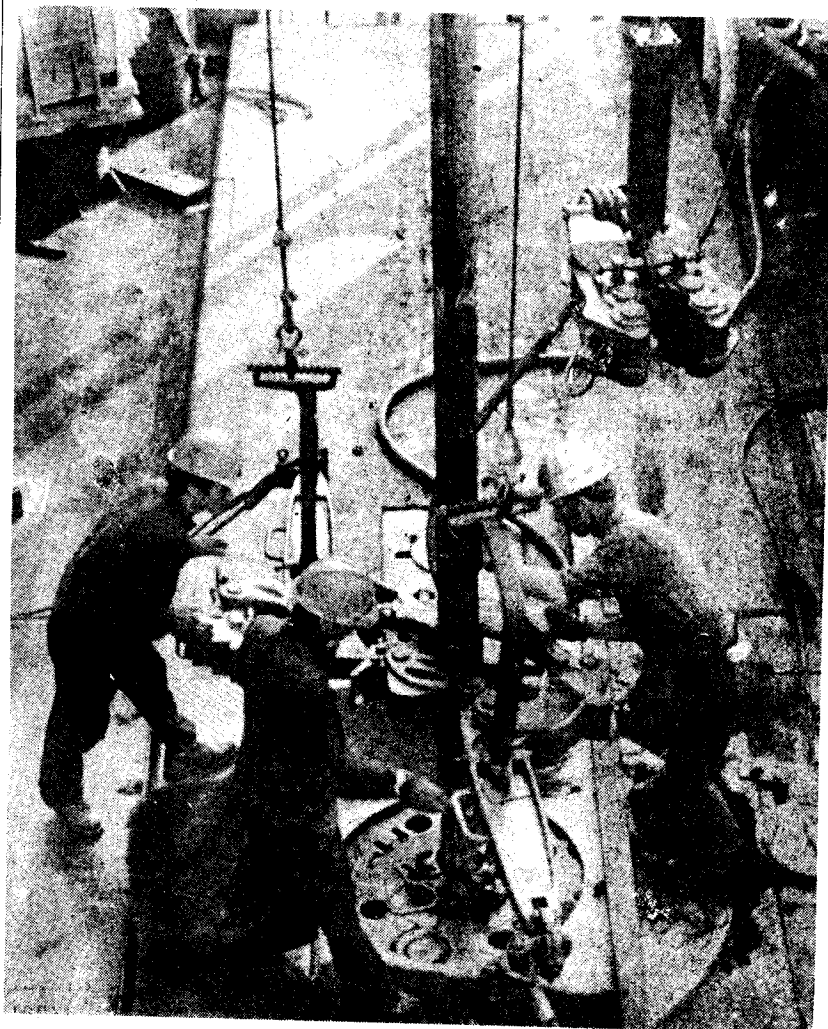
On October 23 last year, China signed an agreement to develop the Ya 10-3-1 natural gas field near Yinggehai off the west coast of Hainan Island with the American company ARCO. Annual output is expected to be 3.25 billion cubic metres.

According to Zhou Shan, ge-

Exploration Zones for the Third Round of Bidding for Offshore Oil Exploitation



Sino-foreign co-operation on a South China Sea oil rig.



neral manager of CNOOC's liason department, oil exploration around China's coastal seas during the last few years has resulted in the establishment of just 200 oil wells. She said, however, that her corporation was optimistic about the prospects for further development.

To increase exploitation of China's oil and natural gas reserves, CNOOC mounted its third round of off-shore oil bidding on January 3 (the two previous rounds were held in 1983 and 1986).

Divided into seven zones (see map) covering a total area of 32,075 square kilometres, most of the bidding area is covered by shallow seas around 200-500 metres deep.

Previous explorations suggest that the sedimentary rock in the Dongsha-Shenhu Zone offers particularly good prospects for striking oil (the Liuhua 11-1 oilfield stands in this zone).

To encourage foreign participation, China has introduced a series of preferential measures for the third round of bidding:

- After preliminary prospecting has been completed, overseas companies can choose to continue co-operation or stop their contract, thus reducing investment risks.

- All oilfields with an annual output of less than 1 million tons will be exempted from oilfield use fees.

- The cost of hiring Chinese workers and the number of the integrated administrative committees will be reduced.

Since Sino-foreign co-operation to develop China's oilfields began in 1979, overseas companies have signed 44 contracts and agreements for prospecting and establishing prospecting wells. Some 24 of them are now under implementation, involving a total foreign investment of US\$2 billion.

by Han Baocheng

Tea Trade Blossoms

In 1988, China's tea exports increased by 20,000 tons to 197,000 tons, the largest rise registered in recent years. China is now the world's third largest tea exporter after India and Sri Lanka. About 45 per-

cent of all tea grown in the world is now sold overseas.

While most tea-exporting countries primarily produce black tea, China has concentrated on offering variety: scented teas, Wulong tea,

Harvesting tea in Meitan County, Guizhou Province.

ZHOU HAORONG



white tea and brick tea, etc. China's green tea dominates world markets, accounting for 85 percent of global exports. It is principally sold in Africa and South Asia.

With its unique fragrance and ability to combat obesity, Wulong tea, especially Fujian's, has become popular in Japan during the last ten years. It can now be seen in the country's largest department stores and corporations, as well as in street vending machines. Last year, the Japanese imported 8,000 tons of Wulong tea.

China's scented teas are mainly sold to Okinawa and overseas Chinese around the world. Recently, however, jasmine tea has started growing in popularity in Europe.

All China's tea exports for the last 40 years have been handled by the China Tea Import and Export Corp. (CTIEC). Its General Manager, Shi Yunqing, said markets had gradually expanded from Eastern Europe, Africa and Asia during the 1950s to embrace more than 100 countries now.

Shi said that the variety of teas built up during China's 3,000-year history of tea production enabled all manner of preferences and tastes to be satisfied. He said CTIEC was currently trying to expand its range and remodel its packaging to penetrate international markets even further.

In the United States, Britain, France, and Hong Kong, CTIEC's business dealings are handled by the Sunry Corp., which also manages China's imports of coffee and cocoa.

by Li Ning

Beijing Exports More Garment

The Beijing Garments Import and Export Corp.'s export earnings reached US\$156.47 million in 1988, up 28 percent on the previous Year, its General Manager, Ma Guoxun, reported recently.

The corporation principally manages the export of medium and high grade shirts, trousers, Western-style suits, women's fashions, jackets and coats. Half of its business comes from processing imported materials to specifications supplied by customers, which include such internationally famous brands as YSL and Ar-row.

In previous years, the United States formed BGIEC's largest market, buying around one-third of its output. But since the US government imposed strict limits on garment imports, the corporation has turned its attention to Japan and Europe.

With the appreciation of the South Korean won and the

New Taiwan dollar, Chinese goods have grown increasingly competitive in Japan. Last year, the Japanese bought garments worth US\$49.18 million from BGIEC, 110 percent more than in 1987, becoming its largest overseas customer, while sales to Europe in-

creased by 30 percent to US\$23 million.

Ma said his corporation's exports looked to carry on rising through 1989, and he predicted all-round progress during the coming 12 months.

by Li Ping

BEIEC's General Manager Ma Guoxun talks with American buyers after signing an export agreement.



Luoyang Museum Mirrors Folkways

One year ago, Luoyang, capital of nine dynasties and now one of China's famous scenic spots, founded a folkway museum and opened it to the public. So far, it has gained the praise of visitors from both home and abroad.

Located in the middle reaches of the Huanghe (Yellow) River, a cradle of Chinese civilization, Luoyang was the capital for one-third of China's 5,000-year-long stretch of recorded history. Therefore, the 'Central Plains' folk culture as represented by Luoyang may well mirror the nation's characteristics.

Now the museum houses two themes: folk handicrafts and folk customs. In the folk handicrafts hall, embroidered articles, such as the *hebao* (a small bag for carrying money and odds and ends), are on display. Although a silk gauze skirt and an embroidered dress by country girls were made many years ago, they are still bright in colour and clearly veined with designing threads. For women, three-*cun* (*cun* is a unit of Chinese length equal to 1/3 decimetre) embroidered shoes and winter face-pads and for children, belly-pads to ward off colds and tiger-headed shoes to frighten evil spirit—all these bring to life the ancient customs of dress. The *yunjians* (ornamental articles for women) tell of individual tastes and economic disparities among various classes in feudal society.

Papercuts, sculptures and lovers' courting presents from western Henan Province are also exhibited in the museum, adding a dash of local flavour. More distinctive are a silver-



The *yunjian* is a distinct cultural decoration.

cast coronet shaped like a phoenix and worn as a bride's headdress in feudal China, and such sculptures of bamboo, roots and wood as the Longevity Star, sorceresses, arhats and *Chang E Flying to the Moon*, *Ma Gu Offering Birthday Greetings*, and *The Graceful Concubine of Luohe River*.

There are three halls for the viewing of folk customs.

The wedding customs hall displays a scene from a typical middle-class family's nuptial celebration. It is also a showroom for bridal chamber furnishings—both from stage of China's feudal period. In the centre of the wedding room hangs a big Chinese character read double happiness. On either side are draped antithetical wedding couplets and colourful curtains. Eight life-like folk musicians playing *qin* (a seven-stringed plucked instrument somewhat similar to the zither), clapping cymbals, holding *sheng* (a reed



Scene from the Spring Festival is captured in wood.

pipe wind instrument) on both hands and blowing *sona* (wooden trumpet with a brass mouthpiece and brass open end) add a musical aura to the festive scene of newlyweds.

To the left is the scene of *baitang* (an old wedding ceremony with newlyweds together bowing to heaven and earth, to parents and to each other). An experienced and prudent man is presiding over the wedding. The gentle bridegroom is standing side by side the shy bride, who is jubilantly but carefully supported by gorgeously dressed bridesmaids. Onlooking guests are whispering to or teasing each other or just quietly inspecting, with smiles. The whole scene gives one a sense of realistic participation.

On the opposite side is the bridal chamber, furnished with quaint desks and chairs, antiques, books and a painted screen. On an ornately carved, roomy bed lie fragrant pillows

and embroidered quilts.

The other two customs halls, the hall of birthday celebrations and the hall of traditional beliefs, each contain some cultural relics considered to be highly artistic. The former shows the Chinese people's love and respect for elders. The latter displays various objects of worship.

In order to more completely bring to sight culture in ancient Luoyang, future plans include halls for ancient dresses and personal adornments, local food customs, local theatre plays and folk festivals in the Luoyang Folkway Museum.

by Luo Huiyou



Manneguins play at an ancient wedding ceremony.

photos by WANG XIUQIN

Gymnastic Prince Bids Farewell

Li Ning, a well-known Chinese gymnast who won 15 world championships, announced his retirement at the end of 1988.

At a ceremony in Shenzhen sponsored by his fans, Li said that he plans to set up a gymnastics school in order to train the country's budding young talents.

This sports veteran, 25, is the most outstanding gymnast in recent Chinese history. During his 17-year-long career, he won more than 60 gold medals. Li's movements have been characterized as daring, graceful, accurate and steady. He made great contributions to world gymnastics by executing a number of highly difficult routines.

Li was born into an educated family in Liuzhou, Guangxi Zhuang Nationality Autonomous Region. His father taught in a middle school, and his mother worked as a librarian. As a young sprout, he liked to

perform somersaults and handstands. At the age of 8, his monkey-like agility caught the eyes of a hometown coach. he was sent to join the provincial team in order to receive professional training.

In 1973, he made his debut at the National Teenage Gymnastics Competition and captured the floor exercise championship. Four years later, he took second place in the same event at a national competition. In 1980, Li was recruited by the national gymnastics team and placed in the hands of Zhang Jian, a coach of considerable experience.

Li was soon to impress the world with a series of victories in international competitions: He won the three gold medals for pommel horse, floor exercise and rings at the 11th World Students Games in 1981; he swept six out of the seven titles for men's gymnastics at the Sixth World Cup Gymnastics Competition in Yugoslavia in

1982 and received three gold medals at the 1984 Los Angeles Olympics. His rising star was polished by acclaim from gymnastic buffs worldwide, and to his admirers he became known as the "Prince of Gymnastics."

Soon after the 1984 Olympics, however, Li noticed a waning of his own physical prowess. He decided to close his gymnastic career after the Seoul Olympics, shooting to go out like a comet. Although his Olympic dream fizzled, people still view him as a shining hero in Chinese sports history.

Zhang was not at a loss for words when it came to his progeny's contributions to Chinese gymnastics.

Gao Jian, the national team's chief coach, said that Li was practically irreplaceable in terms of skill and talent and well deserved his verbal coronation.

And Li himself commented, my wins and losses make me want to struggle harder. My biggest hope is to make even greater achievements."

by Zhang Wei

Up Front

I do feel that where the cover is concerned, perhaps *Beijing Review* chooses the more brash, thrusting style of American weeklies. But American weeklies can change their cover within 24 hours, you cannot. Therefore, it seems to me, the cover headings should not be so full of assurance, but leave a little to the imagination. Thus for vol. 31 No. 28, I would have written "Lawyers—A New Profession, and a Hopeful One" rather than "Lawyers Make Their Mark." If you read *People's Daily* and *Guangmin Daily*, law is still a new thing in China, and quite a few examples of lawlessness are reported. "Lawyers—A New Profession, and a Hopeful One" would make people feel that you are not trying to boast too much. It is all a question of toning. Toning up, or toning down.

And please, when you have photographs of doctors, don't show them using a stethoscope—it's a very hackneyed and unconvincing picture.

With heartfelt good wishes for your continued success and progress.

Han Suyin
Switzerland

Living History

The article *Tibetans On Tibet: Inside Accounts* is a living sort of history. It is not the history gathered by a professor. It is the actual account of those who suffered through the events in question.

It would be good to include in future issues living accounts of people who lived in China prior to liberation. Likewise, personal accounts from all regions of China periodically placed in *Beijing Re-*

viewn would help everyone understand the history of China and its people. These make the situation more real than any academic treatment. Some day these accounts will be cited by students of history, which tells us now how important such living material are.

Sincerely yours,
George S. Tolmie
USA.

Touring China

My husband, daughter (aged 13) and myself have just returned from a visit to China. We thoroughly enjoyed our visit, loving both your country and its people.

Our tour to Beijing, Xian and Canton had 12 people: four Americans, two Canadians, three New Zealanders, and three Australians.

We found the tour guides to be friendly, honest, respectful and helpful.

To improve tourism we would suggest, as the tourism article in Vol. 31 stated, better transport facilities. In particular as regards flying. For example, if a flight is delayed or cancelled, say so, then people can go and see some more sights or even sleep instead of waiting for hours in airports.

We all enjoyed the tour food, but a more Western breakfast would be better.

The guides were very good and gave a lot of information. And most important, we felt safe at all times.

Sandra Hiles

Australia

My wife and I recently visited China for three weeks and were very impressed with your people and culture. We had occasion to read and enjoy *Bei-*

jing Review many times—especially the international articles and those on developments within China during the last few years.

If you have a large circulation in the United States, I feel you should include more articles on tourism. These articles should be frank about accommodation in western China. I do not believe this would discourage tourists to that area, but would better prepare them for the lack of some of the facilities we expect in this country, i.e., air conditioning, ice, and better service at some of the hotels.

I plan to visit China again within the next two to three years and am looking forward to it.

Edwin E Foreman
USA

Productive Comments

1. Because of the introduction of computerized production, there is a distinct improvement in your magazine: it's clearer and more readable.

2. There seems to be clear system as regards signing articles. Why are some articles signed, but others not? How can we know the sources of an article if we don't know the author? Or were they written by your editorial board?

3. All the photographs were credited, but many of their captions were too long and lacked terseness and precision.

4. The printing quality is not high!

5. I suggest putting a small square symbol at the end of the article.

M. Pasteur
Manila, Philippines

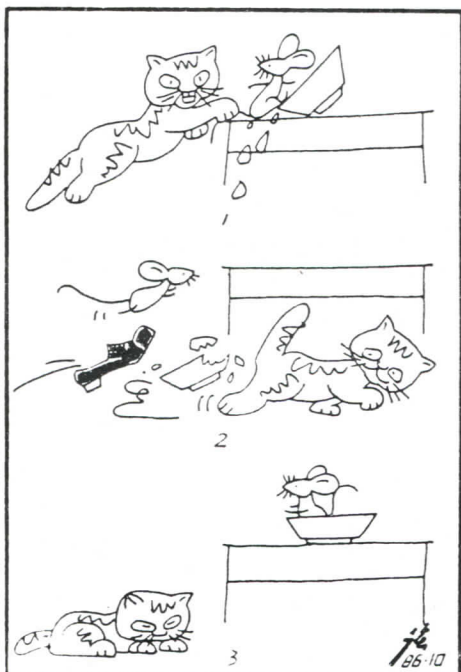


Not All Come to Water the Tree.

by Liu Qingtao

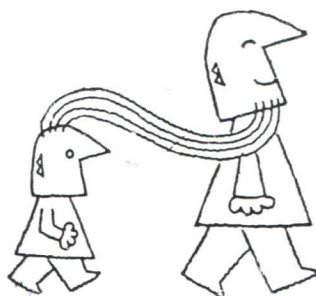
ART PAGE

Humour Paintings



A Lesson Learnt.

by Liu Qiang



Titleless.

by Xiao Bi



Before and After Marriage

by Zhang Liang



A Tedious Speech Wastes Time

by Bai Shancheng

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