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# Border conflict hits China-Russia relations

V By MATHIAS BRUEGGMANN 1

Dark clouds are gathering over the current flirt of friendship between Russia and China in a growing dispute over the demarcation of territory north of Korea.

The world's geographically largest state and its most populous one are edging more closely together towards strategic partnership, partly in answer to the eastward expansion of NATO.

China's President Jiang Zemin's visit to Moscow on April 22 is aimed at conjuring up a new "multi-polar world" against the "dictates of the USA."

But now a serious dispute has flared up over the 4,290-kilometer border shared by the two countries.

Although, as a gesture of trust, a treaty is due to be signed to reduce the amount of border troops here, there are now rumblings on the border which come at a highly inconvenient time for the leaders of both countries.

The Moscow newsweekly *Vek* claims one of Russia's biggest foreign policy problems is the "loss of 1,500 hectares of geostrategically important land to China."

It was referring to the imminent handover of previously disputed territory - mainly in the triangle between Russia, China and Korea on the Tumen River - in the course of demarcation work.

\* > Under a border treaty between the Soviet Union and the People's Republic in May 1991, the demarcation was due to

be finalized within the next few months.

But there is growing resistance to it in Russia's Primorye district in the far east. The region has already tried a few fine-tuned legal tricks to oppose it, claiming that the ratification of the treaty by the Supreme Soviet was anti-constitutional.

But since Moscow remained unmoved, the district is now taking a political sledgehammer approach. There is already talk in the region of a referendum against handing over the three disputed territories to the Chinese.

What sounds like just an irony in world history because it is getting in the way of plans by China and Russia to move closer together against the West, is less foggy as far as people in the far east of Russia are concerned.

They would not have any difficulty handing over the 1,200 hectares in the Ussuri and Chankaisski administrative districts, but if the 300 hectares around the Tumen River were to turn "yellow," it would give China direct access to the Sea of Japan Sea for the first time.

It would be a cornerstone in China's geographical policy, according to *Vek*.

For Beijing has already planned to build within three years the Port of Tumangan with a turnover capacity of 100 million tons a year. China would have a short sea route to Japan; the Russian ports of Vladivostok, Vostoshni and Nachodka would lose out considerably.

The Trans-Siberian Railway and the Baikal Amur trunk route would become redundant - increased rail tariffs have

already rendered the transport of many raw materials within Russia unprofitable.

China could cheaply transport large quantities of coal; through the new port, posing massive competition for Russian pits in Partisansk and Artyon.

As early as 1927 a Chinese officer declared: "If we get land on the Tumen, we will easily force Russia to its knees."

Yevgeny Nazdratzenko, the governor of Primorye and a man notorious for his anti-Chinese statements, is now insisting on making this own foreign policy in his region. He has even won over North Korea as an ally against the handover of territory on the river.

But President Boris Yeltsin has now urgently called on him to use "restraint in public statements on our relations with China," telling him to agree them with the Russian foreign ministry first. But Nazdratzenko will not budge.

"The territories are not disputed," he says. "They are ours - Russian."

But contrary to Yeltsin's public embrace of the Chinese leader, Russian democrats are also already warning: "Four people per square kilometer live here, where most of our raw materials are situated, as opposed to 127 Chinese," Yabloko leader Grigori Yavlinski told *Die Welt*.

"It is becoming increasingly dangerous there because our state is no longer as strong as it once was, there is a growing appetite there."

The magazine *Ogonyok* is also worried: "The far east is going yellow before our eyes," it wrote. (*Die Welt/GNNS*)

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**JOIN HANDS:** The presidents of (left to right) Kyrgyzstan, Askar Akayev, Kazakhstan, Nursultan Nazarbayev, China, Jiang Zemin, Russia, Boris Yeltsin and Tajikistan, Emomali Rakhmanov shake hands after the signing of the five-nation border troop reduction treaty in the Kremlin Thursday, AFP

# Russia, China, C. Asian states ink border troop reduction pact

max of hostility between the Soviet Union and China, whose alliance of the collapsed into rivalry for leadership between Beijing and Moscow gradually improving the independent states of the Soviet Union establishing friendly

fense deployment in the 100-km-wide strip along the border which stretches for more than 7,000 kms. The experts said that the treaty would not affect strategic missile forces, long-range aviation and navy deployed in the area. It sets special limits for border troops

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# ; Yellow River to \ end 'China's sorrow'

By H. ASHER BOLANDE

**T**HE Yellow River, dubbed "China's sorrow" for the disastrous floods it has unleashed on the North China Plain for centuries, has caused a different kind of misery in recent years.

Parts of the river's lower reaches ran dry for 136 days last year, choking off vital water supplies to downriver industry and some three million hectares (7.4 million acres) of farmland.

But according to Chinese engineers, the \$4.17-billion Xiaolangdi dam will tame the Yellow River, ending both these seemingly contradictory problems at a stroke.

Seasonal extremes in the river's flow are behind the double threat of flood and drought, said Wang Xianlu, the vice general manager of the dam's developer, the Yellow River Water Resource and Hydropower Development Corp.

Only 8.9 percent of the annual flow is used, as most of it rushes out to sea during the July-October flood season, he said.

The dam in Henan province - with a reservoir capacity of 12.65 billion cubic meters (16.4 billion cubic yards) - will simultaneously stave off floods and store water to ensure year-round supplies, he said.

It aims to raise protection to a level where a flood capable of overpowering defenses arises only once every 1,000

years.

Scheduled to shift the river's course on October 31, Xiaolangdi is second in scale only to its more famous Chinese sister, the mammoth Three Gorges project.

But Wang said the engineering complexity of the northern dam far outstrips that of the Yangtze river project.

"Most experts at home and abroad say Xiaolangdi is one of the world's most challenging projects," he said, citing rocky geological conditions that hamper the digging of 16 criss-crossed flow tunnels.

Disaster prevention and water control top its list of objectives, while the Three Gorges is geared to power generation, he said. Xiaolangdi has one-tenth the planned power capacity of its southern cousin, Wang said.

Topping the list of technical difficulties is the Yellow river's heavy siltation, which gradually crippled a dam built upstream in the 1960s at Sammenxia.

According to a report from the World Bank - which is financing Xiaolangdi to the tune of one billion dollars - the Yellow River transports more silt than any other river in the world.

"It carries three times the sediment load of (India's) Brahmaputra Ganges, with only eight percent of the annual flow," the report said.

As silt settles on the riverbed, the river rises by one meter (3.3 feet) every 10 years in its lower reaches. -AFP

/UV/3T-

# American corporate housing eyes China

By PETER HUMPHREY

**A**N American businessman is plotting a marketing revolution in the hospitality sector and aims to house US pioneers in the China market.

Corporate housing specialist Howard Ruby says he aims to turn the business of letting serviced apartments into a full-fledged industry that will provide everything from Internet terminals in the home child care and jobs for expatriate spouses.

Until recently the sector provided ready-to-live-in, service-provided, short-term apartments was a poor cousin of hotels, and in many cities of the world it still is.

"This whole industry has been below the radar screen over the last twenty years, being done by a mama and papa, or a small operator that operates one building at a time," said Ruby.

"And now we're seeing an industry evolve because of the needs of corporate clients as business globalizes around the world," the head of Los Angeles-based

Oakwood International said in an interview at a recent hotel industry conference.

Ruby's group recently launched a joint venture with a subsidiary of Australia-listed Lend Lease in Singapore with plans to provide 10,000 serviced apartments in Asia, and intends to take aim at London during the next year.

Ruby foresees large-scale expansion in the sector in the far east, especially in China, with much of American industry abuzz with plans to move people into the region.

Chinese cities such as Beijing, Shanghai and Guangzhou have large expatriate populations as well a large numbers of home-grown professionals moving around the country on assignment who need temporary serviced housing.

"I just finished a tour of major client companies in the United States. Every single one is planning an expansion into the far east, with most of them talking about China.

"Telecommunications, software companies, all the way through to clothing and furniture manufactures. They're all

talking China right now. Whereas a company might have sent 10 people last year, they're expecting to send over 20 people this coming year," he said.

The serviced apartment industry is starting to break away from the niche market identity and family-style business of old into a multifaceted service industry, Ruby believes.

Oakwood is the largest national provider of serviced apartments in the United States, with offices in 60 cities, more than 17,000 apartments and 25,000 clients including 400 of the fortune 500 companies and 75 of the world's top multinationals.

The potential of the business is highlighted by one client that carries out 50,000 relocations of staff a year, with an average three months stay in temporary housing, Ruby said.

A company like General Motors, for example, might need help with relocation or temporary housing for staff moved around on training, special projects like setting up new production lines and might put out 25,000 apartment requirements a year.

Ruby started out catering to the niche market of new college graduates three decades ago - apartments for baby boomers.

He moved on to corporate housing when companies asked for more services, such as maid service and taking care of bills.

He sees the business progressing to include video conferencing, Internet hookup, sports and recreation facilities, orientation tours, child care and job search agencies for spouses.

"This way a serviced apartment offers a branded service dedicated to the needs of the corporate customer. They are not just a physical facility, but a service provider," he said.

"Companies do not want staff transfers to end in failure because of a dissatisfied spouse. So we want to provide a service that makes a transfer a success."

With an increasingly cluttered market, customers looked now to a reputable brand as their one point of contact, Ruby said. *(Reuters)*

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# Russian airlines inching into world aviation

By MITCHELL LANDSBERG

AFTER decades of isolation, Russia's airlines — long the butt of international travelers' jokes — are inching their way into the world aviation market. ■

But the ride has been a bumpy one.

In recent months, the two biggest airlines in Russia, Aeroflot and Transaero, have signed deals to buy Boeing and Airbus jets, much to the outrage of the slumping domestic aircraft industry.

Aeroflot has also signed a deal with Continental Airlines to offer joint service between New York and Moscow. On international routes, both Aeroflot and Transaero are said to be moving toward the standards of big American and European airlines.

It will be some time, however, before the international jet set begins to chatter about the joys of air travel between, say, Novosibirsk and Vladivostok.

On domestic routes and on flights between the former Soviet republics, the prospects for decent and safe air travel remain grim. Since the breakup of the Soviet Union, airline fatalities have risen sharply and service — never big selling point — may have actually gotten worse.

"It's almost like there are two separate Aeroflots," observed Geoff Collins, a Dallas-based spokesman for the International Airline Passengers Association.

"Just because Aeroflot has signed an agreement with Continental and you're safe getting to Moscow ... once you fly within with former Soviet Union, they're not even close to international standards," he added.

Actually, it's not like there are two Aeroflots — more like 400 of them. When the Soviet Union fell apart, so did the official Soviet airline, then the world's largest. It was split into hundreds of smaller airlines across the span

of the former empire.

Some of these "babyflots," serving such far flung places, have become instantly notorious for lax safety, maintenance and service standards.

Standards are now set and enforced by civil aviation authorities in each of the independent post-Soviet states. They are linked by the interstate aviation committee, a mostly advisory agency that investigates all air crashes in the former Soviet Union but has little authority to enforce its standards.

The most recent disaster was the crash of an Antonov-24 airliner operated by Stavropol Airlines, one of the Aeroflot spinoffs. All 50 people aboard died on March 18 when the plane plunged into woods shortly after takeoff from the southern Russian city of Stavropol.

The increase in air fatalities is usually blamed more on poor maintenance than on badly made equipment, but Russian airlines are nevertheless beginning to turn to higher-priced western manufac

turers to fill their, new orders. . . Russian manufacturers are struggling. '•

.. Last October, the Aviakor Co., makers of Tupolev planes, announced it was laying off 2,000 workers because orders had dried up. The announcement came shortly after Aeroflot announced that it was buying 10 Boeing 737-400 passenger jets because they were better made than Russian planes. .

"Our aircraft producers mustn't feel discouraged by the deal, but rather as- ■ sess it as a stimulus to improve their products," Aeroflot Director . Yevgeny Shaposhnikov said at the time, no doubt profoundly discouraging Russian aircraft producers. ■

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When President Boris Yeltsin flew to the summit meeting in Helsinki last month, it was in a brand new presidential plane — a Russian-made Ilyushin 96-300. It might have been an important statement of confidence in Russian manufacturing, but Yeltsin had the plane furnished in Switzerland.—(AP)

# Chinese reforms take toll on theaters

By LEU SHEW YING

CHINA'S reforms have taken a toll on local theaters, which used to depend heavily on compulsory block bookings to sell performances with strong political themes, forcing them to look to professional promoters for help.

Theaters are finding it tough to survive in Shanghai because they lack marketing skills and interesting repertoires and are threatened by relocation of entire neighborhoods for urban redevelopment, industry sources said.

The situation is bad enough that the Shanghai culture administration bureau has launched a program to train professional promoters to give theaters a helping hand.

“The first batch of 40 promoters, who

are managers of performance broking companies, are now undergoing training,” Qiu Guoming, an official with the performance section of the bureau, told AFP.

“We want to produce people who can manage performances and at the same time understand the arts and the market place,” he said, adding that more promoters would be trained after the first batch.

Richard Luo, representative of China-Europe Cultural Exchange, described the cultural scene in Shanghai as dismal, with performance put on irregularly and on an ad hoc basis.

“There are not many cultural organizations. People have filled their stomachs and their desire for culture is growing but the state has no system to promote cultural activities,” he said.

The *Wenhui Bao* daily reported re-

cently that some theaters had resorted to renting out their premises for conferences to meet revenue targets set by the government.

The report quoted the manager of Shanghai Concert Hall as saying that the theater had to submit 320,000 yuan (\$38,500) to the government last year but half of the revenue was earned from non-performance related businesses.

The picture is bleaker for theaters located away from the city center.

“Theaters with poor locations have more difficulties selling tickets,” said the manager of Zhongxing Theater, which is near the Shanghai Railway Station in the city's northeast.

The railway station's neighborhood has undergone massive reconstruction recently and the relocation of residents has hit the theater badly.

“We did not sell any tickets to individ-

uals last year. Tickets to all performances were sold en bloc,” the manager, said.

Qiu said the report had painted a picture that was gloomier than the actual situation but he admitted that there were problems.

“Some theaters have given up their role as theaters because there are no audiences and rent out their premises for meetings. There is nothing we can do. But the majority of theaters are surviving,” he said.

“We can see the problems so we have to increase sales staff who can go out to sell tickets,” he said.

There are already 40 companies promoting theatrical performances in Shanghai but unlike in the West, they are concerned only with the arrangement of performances and have no understanding of marketing or audiences, the *Wenhui Bao* said.— (AFP)



# Life as usual for Deng's heirs

By HENRY CHU RD 25/4

**O**NE still sells her mediocre paintings for a living. Another continues his advocacy on behalf of the disabled. Yet a third holds on to her high-level bureaucratic post. Despite China's history, which is littered with the bodies of the heirs of fallen emperors and senior statesmen, life apparently has carried on as usual for the five children of Deng Xiaoping, China's late "paramount leader."

Since his death Feb. 19, speculation has been rife as to the fate of the Deng clan without the protection of its powerful patriarch, who ruled one-fifth of the world's population for almost 20 years.

But through a confluence of disparate events from Deng's long incapacitation to the imminent hand-over of Hong Kong to the future of his offspring, in the near term at least, seems safe and stable, analysts say. That is exactly the image that Beijing wants to cultivate for the country as a whole in a year of historic change and scrutiny.

Communist hard-liners will probably not dare touch the Deng family for fear of alarming the international community, on alert as China gets ready to repossess Hong Kong from the British July 1, experts say. Deng's hand-picked successor, President Jiang Zemin, who is trying to cement his position at the top, has a vested interest in seeing his mentor's two sons and three daughters prosper.

Moreover, whether through circumstance, their own personal inclinations or the quiet discouragement of their father, none of Deng's scions now commands a high political profile that could be perceived in the Chinese power structure as a threat.

"As long as the Deng heirs lie low and don't do something egregious, they should have nothing to fear," said Roderick MacFarquhar, who teaches contemporary Chinese history at Harvard University. "Until the Hong Kong takeover, nobody in the Beijing leadership wants to be seen rocking the boat. Any drastic action against the Deng family ... would certainly fall into that category."

The result is that even the youngest son, Deng Zhifang, a businessman implicated in a series of shady dealings, appears to remain shielded from harm.

Indeed, life has the potential to be more than comfortable, if low-key, for the younger Dengs, who range in age from 46 to 56. The family four years ago reportedly held interests in more than a dozen Hong Kong companies with a combined worth exceeding \$2 billion. Sources also say the Chinese government has exempted the Dengs from secret regulations limiting the amount of time that survivors of top officials can enjoy such perks as a driver, preferential slots in good schools and housing such as the spacious courtyard home, near the Forbidden City, where Deng's widow still lives.

"Their life will be fine," said Yao Fei, a spokesman for China's State Council, or cabinet. "We all thank Deng Xiaoping for his policies."

In large measure, speculation surrounding the House of Deng reflects China's preoccupation with the "taizi," or "princelings," of its ruling elite. Chinese history is studded with absorbing tales of palace intrigue against a ruler's heirs, whose fates often herald great political change.

In the third century B.C., after the first emperor of a unified China died — two scheming aides are said to have forged an edict ordering his eldest son and a favored general to commit

suicide. The aides then installed another son on the throne and ruled through him until he, in turn, was poisoned by one of them.

Less redolent of period melodrama is the fate of Mao Tse-tung's family.

After the death of the "Great Helmsman" in 1976, his wife, Madame Mao, was imprisoned. She went on trial as a member of the reviled Gang of Four accused of attempting to seize power and ultimately hanged herself. A nephew was also arrested for abuses of power during the Cultural Revolution, a notorious period of repression and tumult in China. Mao's highest-profile daughter, the editor of the Liberation Army Daily, one of China's most influential newspapers at the time, disappeared from public view.

But the situation with the

**Since his death Feb. 19, speculation has been rife as to the fate of the Deng clan without the protection of its powerful patriarch, who ruled one-fifth of the world's population for almost 20 years.**

Deng family differs. Whereas

Mao's successors including Deng, repudiated his Cultural Revolution, Jiang Zemin has pledged "unswerving" adherence to Deng's economic reforms. Thus, there is no need to demonstrate a shift in policy by attacking his family, analysts say.

Also, all but one of the five Deng children pursued jobs outside of politics, so they pose no major threat to Jiang or other party leaders. Even the exception, daughter Deng Nan, a vice minister of the State Science and Technology Commission, has avoided overt involvement in high-level Communist Party politics, although she may have influenced her father behind the scenes.

One theory suggests that Deng himself may have checked his children's political ambitions to safeguard their survival after his death. "Deng was smart," said one Western diplomat based here. "Without high political profiles, the former first family" can just fade away.

By many accounts, their influence and visibility already had begun to wane during the long period of Deng's physical decline. In the 1980s, an investment firm headed by his eldest son was shut down by the government amid allegations of profiteering. Since then, Deng Pufang, partially paralyzed after falling — or being shoved — out of a window in the Cultural Revolution, has confined himself to charitable work as president of the Chinese Federation for the Disabled.

Likewise, the youngest, Deng Zhifang, was the chief executive of a Hong Kong business implicated in a major corruption scandal in 1995. Many believe his family ties barely saved him from arrest. The chairman of the company received a suspended death sentence.

Son-in-law He Ping, married to Deng's daughter-cum-spokeswoman, Deng Rong, resigned last year as the director of armaments for the People's Liberation Army, the world's largest. He Ping's company, the Poly Group, is under investigation in the United States in connection with illegal shipments of thousands of AK-47 rifles.

"Deng's children have already had problems predating the old man's death in regard to their business ventures," said Stanley Rosen, a Sinologist at the University of Southern California.

During the paramount leader's final years, rumors swirled that the government had ordered Deng's family to keep silent about his health. On the eve of his death, the Beijing leadership disbanded his personal office, partly because, some contend, Deng Rong had built it into a budding personal power base. (*Washington Post*)

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# China, Russia sign 5-nation pact to cut border troops

MOSCOW, April 24 (AFP)

THE leaders of Russia, China and three ex-Soviet Central Asian states signed a treaty here today to cut total troop levels along their 7,300-km border by at least 15 percent to 260,800.

Russian President Boris Yeltsin hailed the accord as a "breakthrough" for the Asia-Pacific region, and Chinese President Jiang Zemin said it had "major significance" in destroying remnants of Cold War mentality.

"As the first treaty in the Asia-Pacific region on reducing military forces, this agreement has major political and military significance," Jiang told Yeltsin and the presidents of Kazakhstan, Kyrgyzstan and Tajikistan. Signed in the Kremlin, the five-nation treaty comes as Nato presses ahead with plans to expand into former Soviet bloc countries.

Although Moscow denies, the treaty is a counterbalance to Nato expansion, China has been vocal in its opposition to the alliance's plans.

Jiang and Yeltsin issued a joint political statement yesterday that called for a new world order and rejected a US monopoly on world power. The accord will result in a 15 percent reduction of Russian, Kazakh, Kyrgyz and Tajik troops in the 100-

km strip from the Chinese frontier, Russian military sources told Interfax.

China's foreign ministry refused to provide a percentage but its spokesman said both China and the four nations making up the former Soviet side

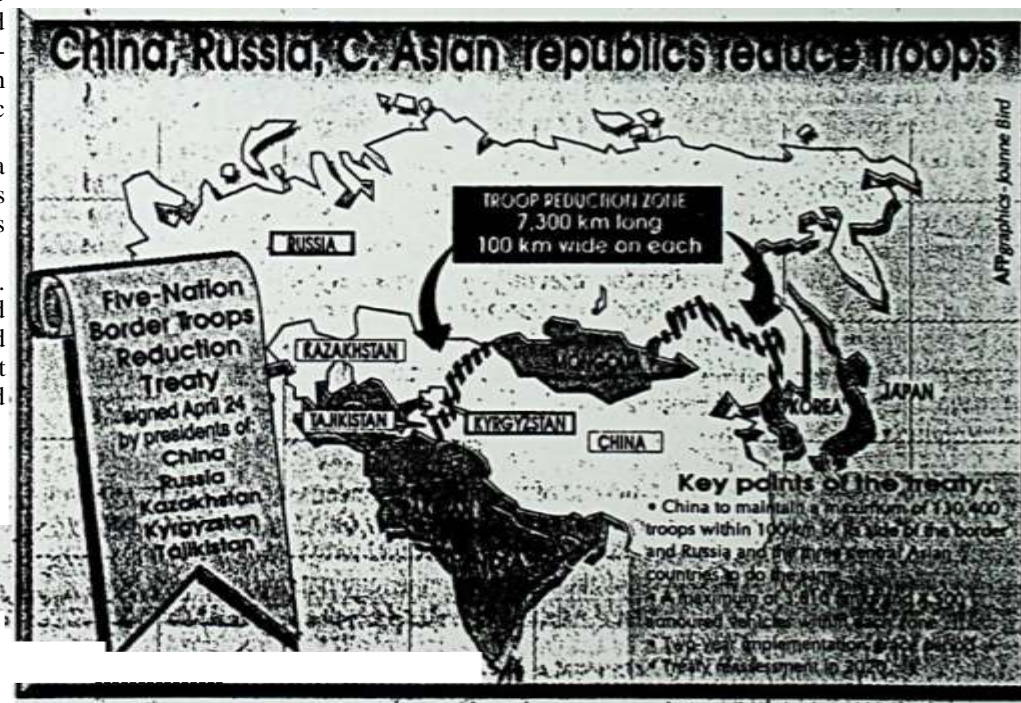
of the frontier would each be permitted a maximum of 130,400 troops in the strip.

China has a 4,300-km northern border with Russia's far east and a 3,000-km border in its north-west with Kazakhstan, Kyrgyzstan and Tajikistan.

The frontier was the scene of clashes between Chinese and Soviet troops in the 1960s, after the two giant neighbours became rivals for leadership of the communist world. Negotiations for reducing troop levels started in 1990 after the end

of the three-decade Sino-Soviet split, but they faltered after the collapse of the Soviet Union in 1991. Today's treaty does not include strategic components of the armed forces including navy, and long-range missiles, aircraft and air defences.

According to Russian military sources, the five nations will have a grace period of two years to implement the treaty and both sides will also be permitted to retain 3,810 tanks and 4,500 armoured vehicles within the zone.



# /Russia, China oppose one-superpower domination

MOSCOW, April 23 (Rtr)

THE presidents of Russia and China joined forces today in opposing the domination of one superpower in the post-Cold War world in a declaration which the Kremlin described as a breakthrough in its Asian policy.

"No country should seek hegemony, practise power politics or monopolise international affairs," said the declaration signed by Russian President Boris Yeltsin and visiting Chinese President Jiang Zemin after an hour of talks.

Neither Yeltsin, nor Jiang, who is on a five-day state visit to Russia, mentioned any specific country. But there was little doubt in Kremlin where the signing took

place what was on the minds of the two men, who both resent United States claims of leadership in the post-Cold War world. The declaration made implicit reference to Nato's plans to expand eastwards, which alarm Moscow.

"Both sides express concern over attempts to enlarge and strengthen military blocs because such a tendency may pose a threat to the security of some countries and aggravate regional and global tensions," the document said.

Yeltsin's spokesman Sergei Yastrzhembsky made clear that talks with Jiang were part of Moscow's search for new allies which could diversify its foreign policy, focused mainly on the West after

the collapse of the Soviet Union.

Itar-Tass news agency quoted him as saying Yeltsin told Jiang he was satisfied with "the positive developments in a 'triangle' of China-Russia-India". India's just deposed prime minister, H.D. Deve Gowda, visited Moscow in March.

"One may talk about a breakthrough in Russian policy in Asia," Yastrzhembsky said. Russian and Chinese officials stressed that their proposed "partnership aimed at constructive cooperation in the 21st century" was not aimed against any third party. "The very suggestion of plans to create some counter-blocs is wrong and counter-productive," Interfax quoted Yastrzhembsky as saying.

"The new type of Russian-Chinese relations has no other meaning than bilateral cooperation and friendship," Jiang said, addressing the State Duma (lower house). "These relations are not an alliance. They are not aimed against any third party." But the declaration nevertheless won immediate praise from Yeltsin's communist foes, who had criticised him for his pro-Western stance.

"From a formal point of view Jiang's visit does not have a clear anti-Nato flavour," prominent communist deputy Yalentin Kuptsov said. "But in future it is very important for Russia to have such a strong partner who also opposes the single-pole world."

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# Five-nation border treaty signed

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^ MOSCOW, April 24 (AFP) —

The leaders of Russia, China and three ex-Soviet Central Asian states

cemented ties here today with a treaty to cut total troop levels along their 7,300-kilometer (4,560-mile) border by at least 15 percent.

Russian President Boris Yeltsin hailed the accord, which puts a cap of 260,800 on total border troop levels, as a “breakthrough” for the Asia-Pacific region and Chinese President Jiang Zemin said it had “major significance” in destroying remnants of Cold War mentality.

/P: As the first treaty in the Asia-Pacific region on reducing military forces, this agreement has major political and military significance,” Jiang told Yeltsin and the presidents of Kazakhstan, Kyrgyzstan and Tajikistan.

Signed in the Kremlin, the five-nation treaty comes hot on the heels

of a joint political statement issued by Jiang and Yeltsin yesterday that called for a new world order and rejected a U.S. monopoly on world power. It also follows NATO plans to expand into former Soviet bloc countries despite opposition from Moscow and Beijing.

But Chinese Foreign Minister Qian Qichen denied there were any plans for an alliance with Russia and said blooming ties with onetime enemy, Moscow, were “good-neighborly relations...and not aimed against the United States.”

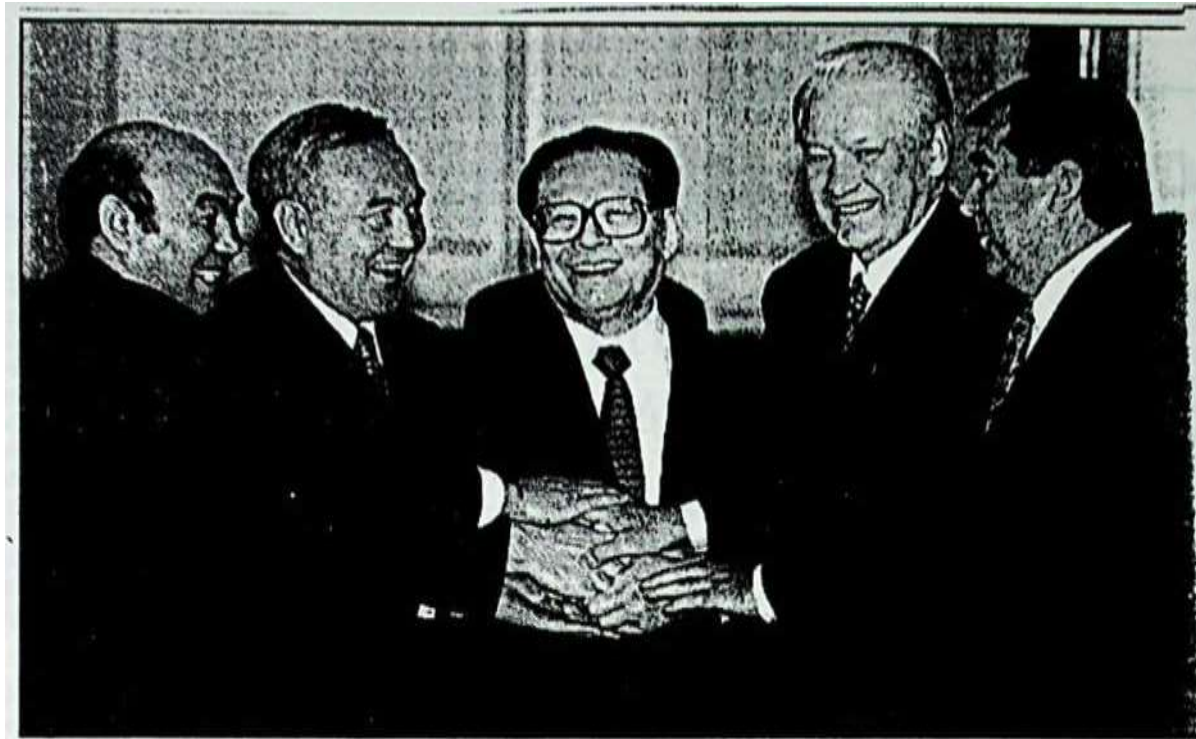
The accord will result in a 15-percent reduction of Russian, Kazakh, Kyrgyz and Tajik troops in the 100-kilometer (63-mile) strip from the Chinese frontier, Russian military officials told Interfax.

China’s Foreign Ministry refused to provide a reduction percentage but a spokesman said both China

and the four nations making up the former Soviet side of the frontier would each be permitted a maximum of 130,400 troops in the strip. China has a 4,300-kilometer (2,700-mile) northern border with Russia’s far east and a 3,000-kilometer (1,875-mile) border in its northwest with Kazakhstan, Kyrgyzstan

and Tajikistan. The frontier was the scene of clashes between Chinese and Soviet troops in the 1960s.

Today’s treaty does not include strategic components of the armed forces including the navy, and long-range missiles, aircraft and air defenses. According to Russian military officials, the five nations will have a grace period of two years to implement the treaty and both sides will also be permitted to retain 3,810 tanks and 4,500 armored vehicles within the zone.



Leaders of Kyrgyzstan, Kazakhstan, China, Russia and Tajikistan shake hands after signing a border troop reduction treaty in the Kremlin on Thursday. (Reuters)

## Five-nation border treaty signed

MOSCOW, April 24 (AFP) — The leaders of Russia, China and three ex-Soviet Central Asian states cemented ties here today with a treaty to cut total troop levels along their 7,300-kilometer (4,560-mile) border by at least 15 percent.

Russian President Boris Yeltsin hailed the accord, which puts a cap of 260,800 on total border troop levels, as a "breakthrough" for the Asia-Pacific region and Chinese President Jiang Zemin said it had "major significance" in destroying remnants of Cold War mentality. "As the first treaty in the Asia-Pacific region on reducing military forces, this agreement has major political and military significance," Jiang told Yeltsin and the presidents of Kazakhstan, Kyrgyzstan and Tajikistan.

Signed in the Kremlin, the five-nation treaty comes hot on the heels

of a joint political statement issued by Jiang and Yeltsin yesterday that called for a new world order and rejected a U.S. monopoly on world power. It also follows NATO plans to expand into former Soviet bloc countries despite opposition from Moscow and Beijing.

But Chinese Foreign Minister Qian Qichen denied there were any plans for an alliance with Russia and said blooming ties with onetime enemy, Moscow, were "good-neighborly relations...and not aimed against the United States."

The accord will result in a 15-percent reduction of Russian, Kazakh, Kyrgyz and Tajik troops in the 100-kilometer (63-mile) strip from the Chinese frontier, Russian military officials told Interfax.

China's Foreign Ministry refused to provide a reduction

and the four nations making up the former Soviet side of the frontier would each be permitted a maximum of 130,400 troops in the strip. China has a 4,300-kilometer (2,700-mile) northern border with Russia's far east and a 3,000-kilometer (1,875-mile) border in its northwest with Kazakhstan, Kyrgyzstan and Tajikistan. The frontier was the scene of clashes between Chinese and Soviet troops in the 1960s.

Today's treaty does not include strategic components of the armed forces including the navy, and long-range missiles, aircraft and air defenses. According to Russian military officials, the five nations will have a grace period of two years to implement the treaty and both sides will also be permitted to retain 3,810 tanks and 4,500 armored vehicles within the zone.

# Russia, China chide U.S.<sup>x</sup>



MOSCOW, April 23 (R) — The presidents of Russia and China joined forces today in opposing the domination of one superpower in the postcold war world in a declaration which the Kremlin described as a breakthrough in its Asian policy.

“No country should seek hegemony, practice power politics or monopolize international affairs,” said the declaration signed by Russian President Boris Yeltsin and visiting Chinese President Jiang Zemin after an hour of talks.

Neither Yeltsin nor Jiang, who is on a five-day state visit to Russia, mentioned any specific country. But there was little doubt in the gilded hall of the grand Kremlin Palace where the signing took place what was on die minds of the two men, who both resent United States claims of leadership in the post-Cold War world.

The declaration made implicit reference to NATO’s plans to expand

## Concern expressed over bid

to expand NATO

“Both sides express concern over attempts to enlarge and strengthen military blocs because such a tendency may pose a threat to the security of some countries and aggravate regional and global tensions,” the document said.

Yeltsin’s spokesman Sergei Yastrzhembsky made clear that talks with Jiang were part of Moscow’s search for new allies which could diversify its foreign policy, focused mainly on the West after the collapse of the Soviet Union.

Itar-Tass news agency quoted him as saying Yeltsin told Jiang he was

satisfied with “the positive developments in a ‘triangle’ of China- Russia- India”. India’s just deposed Prime Minister H.D. Deve Gowda visited Moscow in March. “One may talk about a breakthrough in Russian policy in Asia,” Yastrzhembsky said.

Russian and Chinese officials stressed that their proposed “partnership aimed at constructive cooperation in the 21st century” was not aimed against any third party. “The very suggestion of plans to create some counterblocs are wrong and counterproductive,” Interfax quoted Yastrzhembsky as saying.

“The new type of Russian-Chinese

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relations has no other meaning than bilateral cooperation and friendship,” Jiang said, addressing the State Duma (lower house). “These relations are not an alliance. They are not aimed against any third party.”

But the declaration nevertheless won immediate praise from Yeltsin’s Communist foes, who had criticized the Kremlin leader for his pro- Western stance. “From a formal point of view Jiang’s visit does not have a clear anti-NATO flavor,” prominent Communist deputy Valentin Kuptsov said. “But in future it is very important for Russia to have such a strong partner who also opposes the single-pole world.”

Jiang, Yeltsin and the presidents of Kazakhstan, Kyrgyzstan and Tajikistan will tomorrow sign a treaty on reducing aimed forces along the former Soviet-Chinese border. Few details of the treaty have been made public.

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MOSCOW, April 22 (AFP) — Chinese President Jiang Zemin arrived here today for a five-day visit aimed at pushing relations with Russia beyond confidencebuilding and into firm military and political commitments.

Jiang, who flew into Moscow on an Air China Boeing 747, will sign a key treaty on border troop reductions with Russia and the ex-Soviet republics of Kazakhstan, Kyrgyzstan and Tajikistan on Thursday.

He is also slated to issue a bilateral declaration on a new world order tomorrow with President Boris Yeltsin which is expected to include a strong call for a multipolar world, giving major roles to Beijing and Moscow.

“The establishment of this new type of state-to-state relationship between China and Russia ... constitutes a positive contribution to the establishment of a new international order,” Jiang said in an arrival statement.

“Looking back at the course of develop

ment of our bilateral relations in recent years, we are indeed satisfied with the positive results,” he added.

Jiang, on his second state visit to Moscow since the end of the three-decade Sino-Soviet split in 1989, was accompanied by his wife Wang Yeping, Foreign Minister Qian Qichen, Defense Minister Chi Haotian and other senior Chinese officials. Yeltsin broke his vacation on the Black Sea to return to Moscow today.

Tomorrow’s bilateral declaration will build on an accord signed in April last year to create a “strategic partnership” between China and Russia for the 21st century, and according to Jiang, will promote “a just and rational new order.”

Although Chinese Foreign Ministry spokesman Cui Tiankai stressed before Jiang’s arrival that the heralded partnership was “not an alliance and not aimed at any third party,” most analysts see it as a veiled challenge to the United States.

Even Yeltsin’s press secretary hinted

strongly today at the desire to constrain the post-Cold War power of Washington. “Russia and China are opposed to anyone’s aspirations to play the part of an absolute leader in international affairs, and this provision will be proclaimed in the declaration,” Sergei Yastrzhembsky told Interfax news agency.

The border treaty, which deals with troop reductions along the 7,300-kilometer (4,560-mile) frontier between China and the former Soviet Union, builds on a confidence-building five-nation agreement signed last April in Shanghai.

According to the Interfax news agency, the Russian and former Soviet Central Asian nations will cut their troops by 15 percent in the zone bordering China. The cuts will be made over two years and will allow the maintenance of 3,810 tanks and 4,500 armored vehicles across the border from China.

The border was the scene of clashes between Chinese and Soviet troops in the

1960s, after the two giant neighbors became rivals for leadership of the Communist world. China heralds the treaty as the first mutual security agreement in Asia, and the latest edition of Beijing’s influential Outlook magazine made a direct contrast between it and the eastward expansion of the North Atlantic Treaty Organization (NATO).

The agreement between China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan “graphically shows who threatens peace and who consolidates it,” it said.

In a further indication of growing ties, the Chinese defense minister has expressed a strong interest in buying top-of-the-range Russian tanks, armored personnel carriers and air defense systems, the Itar-Tass news agency reported today. Quoting a high-ranking Russian Defense Ministry source, the news agency said that China had raised the purchases during the visit of Russian Defense Minister Igor Rodionov to Beijing last week.

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# Sino-Russian partnership has limits

AN By Herbert Kremp 22/4  
Berlin 97

**W**HEN Chinese President Jiang Zemin enters the splendor of the Kremlin, the contradiction between appearance and the reality of Russia's plight will strike him as having deepened since his first visit, in 1994.

Jiang, who arrived in Moscow on Tuesday for a five-day visit, will find a country facing crisis in its new political system, an economy that has shrunk by half since Soviet days and an army that has deteriorated to the point where control over nuclear stockpiles has grown unsure.

In complete contrast, there is China, with a booming (if volatile) economy, continually growing trade and an irresistible allure to many foreign businesses. The faded revolutionary spirit, lingering in the trees according to the old Chinese myth, has not (yet, at least) affected the living.

Not short of money, the army is growing in quality and modernity, and China is benefiting from the strongest allies imaginable: the overseas Chinese, led by a gang of tycoons who seems like characters out of a novel.

They are the magnets for foreign investment, and wherever their clever noses lead them, the future must come.

An appropriate amount of protocol is being accorded to Jiang following

Russian President Boris Yeltsin's visit to Beijing and Shanghai in April of last year, when a dozen documents were signed. Among them were accords on economic cooperation, including the joint exploitation of hydrocarbon reserves in eastern Siberia and common efforts in nuclear energy (Russia is building a 1,000-mcgawatt reactor in northern China).

An agreement to set up a "hot line" telephonic link between the two capitals was also signed.

In addition, the two countries agreed — along with Kazakhstan, Kyrgyzstan and Tajikistan — to a joint security agreement for their 7,000-kilometer-long border. The pact was crowned with a declaration of a "strategic partnership... with a view to the 21st century." Under the declaration, all sides would renounce threats against their neighbors, while working to control nuclear weapons and limit troop levels along the joint border, where disputes have largely been shelved.

There was also a section on military technology (China is Russia's biggest arms customer), while all the countries expressed their desire for a multipolar international system, free of hegemony.

The agenda appeared to be carefully filled with details, yet the overall concept was not completely convincing. What does "strategic partnership" mean in a relationship characterized by strength on one side, and weakness on

the other? It was sham, designed for media consumption in the hope of having a calming influence.

Should the need arise, the declaration has a political rather than a military rationale. The aim is to imply something permanent; anything temporary is just "tactics". But the rhetoric cannot hide the lack of substance.

The long-term goal of the Sino-Russian accord is in fact on the inside. The breach between the two countries • after the unequal collaboration between Mao Zedong and Nikita Khrushchev in the late 1950s did not drain communism of its power.

The prospects of world revolution succeeding were fading — and in a history of world ideologies the process would be worthy of the greatest attention. It was the first big step toward the eventual failure.

Mao's romantic guerrilla ideology and Soviet "revisionism," which was based on the needs of nuclear technology, never fit together.

Without this hiatus, the world would have faced the greatest challenge of all time: the "inevitability of war," as both the Bolsheviks and Maoists saw it.

A Chinese accommodation with the United States came under an aging Mao, and it was Deng Xiaoping who reached one with the Soviet Union just before it collapsed.

The entire Chinese political process, including the country's conversion to a market economy, has taken place

under the sole leadership of the Communist Party — so far without any of the rumblings which eventually destroyed the Soviet Union.

For Beijing, a "strategic partnership" means an attempt to have a certain influence on the giant bankrupt to the north. Much cannot be said with certainty; the former empire lies like a beached whale along the "continental coast" of the Middle Kingdom, and many Chinese want only to exploit their long Siberian flank, to fuel the country's economic ascendancy.

But above all, Chinese want to keep the north quiet.

The Russians are also divided: Since the time of the czars, they have felt an almost primeval fear of encroachment by the Chinese masses. In this respect, Siberia was the fortress, the buffer zone against Chinese aggression.

Stalin wanted to rule China, and Khrushchev wanted to make war against it. No trace remains of these extreme ideas, yet partnership and cooperation between the two vast countries is not free of mistrust

Yeltsin dreams of an Asian counterweight to the Americans, moving closer to Russia in Europe through NATO's eastward enlargement, and Jiang Zemin will tell him only agreeable things. But what the Sino-Russian partnership can at most mean is a system of mutual insurance and protection.

(GNNS)

# Jiang tests political waters before key October

By Ian Macartney  
Beijing

AS the Communist party elite will convene late this year of China's political events of the decade, but no hint of what has filtered into the public eye. The 15th Congress of the party that has ruled China since 1949 will set the path of the world's most populous country as it begins a new era without the late paramount leader Deng Xiaoping or others of the revolutionary generation of Mao Zedong. State-run media have for months been trumpeting the importance of the Congress, but have avoided giving the party's 1.2 billion subjects a glimpse of what future policy it holds in store.

A crack in that Bamboo Curtain appeared last week when the Discipline Inspection Commission — watchdog of

probity — issued its first nearly a decade on what 70 million party members should and should not do. The anti-sleaze rules published in all major state newspapers hinted at subversion within the party's own ranks and specified punishments for offenses ranging from corruption to sleaze. "This is the start of a campaign to tighten up party rule before the Congress," said one Chinese political analyst. "We're going to see more such moves to safeguard party position." Another similar, but unpublicized, move coincides with the start last month of the soccer season in a nation where football mania runs at fever pitch.

"The leadership is anxious to avoid any soccer-linked unrest," said one party source, referring to increased unrest and minor disturbances involving fans disappointed or jubilant at the performance of their teams. "They think soccer fever has become too extreme,"

he said. The party's propaganda department, arbiter of what China's media can tell China's people, has decreed a cooling-off of coverage of the season by newspapers and television. With match-linked disturbances increasing and disputes among teams rising, propaganda czars have ruled the media must report less about such matters as interteam rows, salaries of players and debate on hiring of foreign coaches, said the party source. But preparations for the Congress run beyond sleaze and sport. President, party chief and military commander-in-chief Jiang Zemin must use the Congress to win party endorsement for his position as heir to his late patron, Deng Xiaoping, who died in February, and to set his own stamp on party politics. Jiang has yet to identify a theme for the Congress and has a team of advisers ensconced behind closed doors struggling to draft a pre-Congress political report. Jiang — officially

dubbed the core of the third generation of party leaders but who has yet to win his party stripes—sent up a trial policy balloon in party circles last week.

The balloon carries suggestions apparently from pro-Jiang factions that the Congress focus on political reform — or revival of plans for some level of urban democracy that were effectively dumped after the 1989 student-led pro-democracy demonstrations. "Jiang is testing the political waters," said one party source. Nothing is decided yet and he wants to see the response of various sectors, including the military." Deng's heir is almost certain to run up against strong resistance to his plans — whether from rivals who will oppose him for the sake of power or from leftists-opposed on principle, diplomats said. How Jiang balances off those factions in the months before the October gathering could decide the future of China for the next five years. (R)

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# China: A-share market risk

SHENZHEN — As China heads toward its July 1 reunion with Hong Kong, economic signals, emerging all seem "to be painting a picture of stability: Inflation is low, growth is strong, interest rates are falling, exports are rising and foreign investment is stable."

But one part of the Chinese economy isn't cooperating: The domestic stock markets. With prices on China's domestic Class A-share markets trading at multiples of more than 40 times earnings and rising steadily, traders and analysts say market risk is increasing daily.

Along with it, so is the potential for a financial crisis that could spoil the politically sensitive handover with protests from China's small retail investors who have pumped their life savings into markets in Shanghai and Shenzhen. That situation leaves central government market regulators with a sticky question: How to keep share prices from bubbling over while avoiding a clamp down that could result in a nose-dive of equal damage, market professionals in China say.

The China Securities Regulatory Commission (CSRC) won't comment about speculation in the markets — a spokesman for the regulator declined to answer questions on how the agency views the overheated markets. But traders and analysts say the regulator is cooking up a batch of

## increasing;

With prices on China's domestic Class A-share markets trading at multiples of more than 40 times

measures aimed at slowing the markets' meteoric ascent.

"The government's in a tight spot. It doesn't want to make any really big policy moves to slow the markets down, but hopes that through a continuous series of market-damping announcements that it can bring them under control," says Zhan Yuyin, a senior executive with Pingan Securities. Prominent among the measures is a plan to rush out a spate of convertible bond, or CB, offerings by large state-owned companies. Pegged at a total of around 40 billion yuan, Zhan says the government is hoping the CB issues, along with its ongoing 123-billion-yuan government Treasury bond issue, will pull enough cash out of the markets to slow their gallop.

"Convertible bonds haven't been offered in China before, and the government is hoping the newness will lure investors," he notes. To bolster the effect, the CSRC will continue its ongoing crackdown on margin trading and other channels of illegal capital flows into the market, he adds.

A trader at Guangdong Securities says

she believes regulators are also planning to increase the total allowed value of new share offerings for 1996 by 5 billion yuan to 15 billion yuan, as well as speed the pace of those now in the pipeline. That includes, she says, moving quickly with the CSRC's new plan to float 32 "historical problem" companies, a move expected to test sentiment by listing a batch of companies known for poor quality.

If that's not enough, the CSRC is also setting plans for a round of tougher measures, including squeezing the exchanges' single-day fluctuation limit to 5 percent from the current 10 percent and changing trading clearance to T+3 from T+1, a move that would force investors to hold shares for three full days before selling, says a trader with China Southern Securities. "T+3 trading would definitely slow speculation in the markets," she says, noting that most of China's domestic investors buy one day and sell the next.

As a last resort, the CSRC may also start listing "legal-person" shares for public trading, says an official at Great Wall Se-

shares held by state-controlled entities as a way to maintain the state's stake insisted companies can't trade on the open exchanges now; but they represent about 60 percent of the market capitalization in the country's two exchanges in Shanghai and Shenzhen, and would have an immediate damping effect by diluting market values, traders say.

"The fact is that right now, demand for stocks is much higher than supply, much, much higher," says a trader at Caijing Securities. He estimates that some 600 billion yuan is floating around in 24 million domestic securities accounts now. The figure dwarfs the roughly 280 billion yuan in tradable market capitalization on the Shanghai and Shenzhen exchanges, he notes. That's particularly troubling for regulators, traders say, because much of the money is held by small, inexperienced retail investors who pay little heed to market fundamentals.

"They all think they can get rich overnight. It's like they're playing video games," says one domestic trader, asking that his name not be used. He estimates domestic retail investors now represent about 40 percent of total dealings in A-share markets in Shanghai and Shenzhen — up sharply from last year when they accounted for about 15 percent. (AP-DJ)

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More than 90 percent of the migrant near

Many unregistered migrant families, are able to evade the fines and censure that are supposed to follow any breach of the rules on child numbers.

While a large degree of migration was the inevitable result of economic reform, where the human tide was not carefully channeled it was causing social problems and weakening China's strict population controls, the China news service said.

The agency gave no details of how the estimate was made. Ministry of civil affairs officials contacted by telephone declined to comment.

Migrants have poured into most of China's cities to work as laborers and to do other jobs looked down on by newly affluent urban residents, but officials say the influx has also weakened social order and boosted crime.

service on Monday quoted the ministry of civil affairs as saying. Under-reporting and other factors had led to the miscounting of the huge army of rural Chinese who have flooded cities and towns in search of work, the agency said.

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He said one billion yuan (\$120 mil-  
lion) worth of industrial bonds for the  
dam, which has been condemned by en-  
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plete the state financing.  
Yuan added that the corporation  
hoped "the Three Gorges project will at-  
tract financial support both from home  
and abroad.  
"Enterprises from more than 30 coun-  
tries have begun to provide the project  
with equipment and technologies," the  
official said.  
Earlier this month, Japan's govern-  
ment formally announced it would back  
a Japanese consortium in their bid for a  
piece of the dam.  
But major international financial insti-  
tutions and commercial banks have re-  
fused to join the project on the grounds  
that it may run counter to environmental  
conservation and is too risky.  
The authorities have planned for all  
loans to be repaid by 2009 when the  
dam is due to be completed, the Chinese  
reports said Monday.

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SAUDI GAZETTE

Analysts said much of the drama from an otherwise predictable series stemmed from

with Jiang at his side, Deng the party to rally round his anointed

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Jiang Zemin  
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to Deng's  
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While the series paid homage to Deng's 1992 tour of southern China's special economic zones, which he used to kick-start stalled reforms, viewers saw a sanitised version. "A key part of the southern tour was Deng's anti-leftist theme," said a Chinese academic

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# China's best lobbyists are US companies

By JIM DRINKARD

**T**HE investigation into whether China tried to buy influence in Washington has overshadowed Beijing's most effective lobbying force: US businesses eager to tap the world's largest market.

Corporate America has hired lobbyists to urge favorable trade status for Beijing, underwritten trade missions and fact-finding trips for US officials and enlisted the help of former diplomats, even a former president, to open doors.

Trade and foreign policy professionals say China fares best when it stays in the background and lets American businesses take the lead in promoting their mutual interests.

In lobbying reports for 1996, the issue of renewing China's favored trade status was among the most frequently mentioned issues for US corporations — which spend hundreds of millions of dollars a year trying to influence policy in the nation's capital.

Another issue important to China, admission to the World Trade Organization, also is a priority for US firms.

The company with the most at stake, and the leader in keeping trade channels open, is aircraft maker Boeing.

"Almost every major company in the United States has an interest in China now," said Greg Mastel of the Economic Strategy Institute, a Washington research group.

On Sunday, a former Clinton administration economist said it's easy to understand the rush to China. "China is in fact our most rapidly growing export market, and it is 20 percent of the world's consumers," Laura D'Andrea Tyson, on the television program "Meet The Press." "If we don't stay engaged ..., we are going to lose over time to other national competitors."

Besides Boeing, the list of major players includes McDonnell Douglas, General Motors, Ford and Chrysler; Procter and Gamble, Amway, McDonald's and Coca-Cola; Motorola and AT and T; General Electric, IBM, AllieSignal, Pfizer.

China also represents a huge prospect for American wheat, soybeans, cotton and corn and for financial services like insurance, banking and investment.

American companies often enlist former US leaders to open Chinese doors.

Last April, former president Bush flew to Beijing with Dean O'Hare, president of the Chubb group of Insurance Cos. While there, Bush introduced O'Hare to China's president, Jiang Zemin, and brought him to meetings with the China International Trust and Investment Corp., the government's investment arm.

Other high-profile former government officials whose names carry weight in China include Henry Kissinger and Lawrence Eagleburger, former secretaries of state, and ex-national security adviser Brent Scowcroft.

"Companies find they have to use those kinds of senior figures to demonstrate credibility in China," Mastel said.

It's not just the export potential of the world's largest market that fuels corporate America's ardor for China. Americans have an appetite for Chinese-made Nikes and Reeboks, for toys and apparel sold by major US retailers from Sears to Wal-mart. Mushroom pizza and plastic household gadgets also come from China.

"Some of these things we can't buy anywhere else in the world right now," Motley said.

Even the Pentagon is in on the buying spree. Buy-American advocate representative James Traficant was upset last week to discover an air force reserve unit in Vienna, Ohio, was issued Chinese-made boots.

It was lobbying by US business that led President Clinton three years ago to cut the linkage between China's human rights record and renewal of its most-favored-nation trade status.

The business coalition for US-China trade, a 1,000-member group that includes fortune 500 companies and major trade associations, is pushing to make China's favored trade status permanent to avoid the annual debate over renewal.

That effort has been complicated by allegations that China may have been behind efforts to funnel illegal campaign money into US elections. The allegations, which China angrily denies, are the subject of FBI and Congressional investigations.—(AP)

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# Gingrich warns Beijing against forcing Taiwan for reunification

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TAIPEI (AFP) — US House of Representatives Speaker Newt Gingrich Wednesday warned China here against using force to bring Taiwan back to the mainland stressing Washington's commitment to peaceful reunification.

"It is important to be explicit with both the People's Republic of China and Taiwan that should Beijing seek to reunify Taiwan with the mainland by force or intimidation, the United States will use all means necessary to prevent it," Gingrich told reporters after a 200-minute whirlwind visit here.

Gingrich is the first US speaker to visit this nationalist island, separated from mainland China since 1949, since Washington switched diplomatic recognition from Taipei to Beijing in 1979.

He and other 11 representatives met Taiwanese President Lee Teng-hui, Premier Lien Chan and Foreign Minister John Chang for talks at the end of his Asian tour, which also took him to Beijing, Tokyo, Hong Kong and Seoul.

During his three-day visit to China last week, Gingrich said he had "reiter

ated our commitment to the principle of peaceful, voluntary reunification ... consistent with the 'One China' policy."

"The use of force or engaging in provocative actions by either side is unacceptable," he added.

But Beijing has reacted sharply after Gingrich told Chinese President Jiang Zemin the United States would be prepared to intervene if China invaded Taiwan.

The strong words prompted Jiang to issue his own warning following their meeting when he said: "We hope the US administration and the Congress will handle the Taiwan issue with caution."

On Tuesday Beijing repeated its warnings that Washington should not interfere in the Taiwan question.

"The controversy between China and the United States on the Taiwan issue revolves around one point which is US interference," said Chinese foreign ministry spokesman Shen Guofang.

"The US government and the Congress have expressed their support for the 'One China' policy ... and we hop\*\*

that the United States will keep its agreements," he added.

Vague legislation adopted in the United States in 1979 has allowed Washington to support a One-China policy while paving the way for peaceful reunification between Taiwan and the mainland.

Gingrich praised Taiwan's "impressive democracy and a prosperous free market economy" which had strengthened "the long and close relationship" between the two countries.

He also expressed support for the resumption of the cross-strait talks which Beijing suspended in mid-1995 after Lee visited the United States, in a move interpreted as promoting independence.

## LEE FOR PEACEFUL MEANS

Taiwanese President Lee Teng-hui, meanwhile, ruled out independence for Taiwan and urged Beijing to resume top-level talks to resolve cross-strait disputes through peaceful means.

Lee also told Gingrich that Taiwan sought to acquire more advanced weaponry to safeguard its security as China had never renounced the use of military force against it.

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# Investment in China to reach \$32.5 billion

SHANGHAI, April 4 (AFP) — China's State Planning Commission has projected a rise in actual foreign investment as high as 270 billion yuan (\$32.5 billion) by the end of the century, a report said today.

China would attract cumulative actual foreign investment of 230 to 270 billion yuan by the end of the century compared to the current 177 billion yuan, it said.

Future foreign investment would be directed to state-supported pillar industries such as telecommunications, automobiles, electronics, energy and petrochemicals.

To support the move, preferential taxes and other incentives will gradually be reduced to promote national treatment — a key principle to World Trade Organization (WTO) entry, which China is seeking.

Import custom duties would be lowered and policies on foreign investment would be amended to cater to the new investment trend, the report said, without providing details.

The government also plans to expand build-operate-transfer projects and draw up regulations on such projects as soon as possible.

The report said the state was not satisfied with the current structure of foreign investment, where 50 percent of investment was focused on the processing industry, 30 percent on hotels and property, 1.5 percent on agriculture and less than 10 percent on power, petroleum and pillar industries.

The report said that in the processing industry, foreign investors were still interested in labor-intensive projects.

During the ninth five-year development plan period, from 1996-2000, foreign investors would be encouraged to invest more on basic construction, basic industries, high-technology industries, and large-scale projects.

The authorities would direct foreign investment to agricultural technology, land resources development, water conservancy,

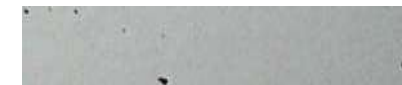
energy, transportation, important raw materials, machinery, electronics and mining industries which the state is in urgent need of.

New and advanced high technology should be imported to improve enterprises' economic profits and to produce products which are adapted to the domestic and international markets.

Foreign investment in tertiary industries would be carried out stably, while property development should focus on residential houses and high quality projects would be strictly controlled.

A recent World Bank report warned that the record amounts of investment capital flows China were likely slow down.

The reasons cited were a decline in round-tripping — where Chinese investors send money out of the country to be reinvested as "foreign" funds — and the matching of foreign investment disbursements with falling commitments.



# China lauds own human rights progress

/ BEIJING, March 31 (DPA) — China today said it had made great progress in improving its human rights situation through continuing economic and legal reforms, but denied the existence of any political prisoners serving time in its jails.

In its annual work report released by the State Council and published by the official Xinhua news agency today, China focused on rising income of its urban and rural populations, legal reforms, curbing police abuse and granting criminals legal representation as proof of progress in the area of human rights.

The government of the world's most populous nation defines human rights as the right of its 1.2 billion citizens to adequate food and clothing, a concept greatly differing from the western concept of human rights. The State Council began its "white paper on China's human rights conditions

in 1996," with a lengthy assessment of economic gains of the past year, providing figures for the nation's gross domestic product, average per capita income and the amount of money consumers spent on food. Last year an estimated 7 million peasants met their basic needs for food and clothing. Of all the world's developing countries, China has proven to be the fastest in lifting its population out of poverty, the report said. At the same time, Beijing had made "vigorous efforts" to promote democracy at the grass-roots level in urban and rural areas with the promotion of village and neighborhood committee elections.

The State Council crowed the successes of its National People's Congress in tightening controls over law enforcement officials and cracking down on rising violent crime that has swept the nation. ....

"The severe crackdown on crimes has

safeguarded social stability and the human rights of the people all over the country, and won the heartfelt support of the general public," the report said. Amendments made to the criminal law this year, meanwhile, have transformed "counter-revolutionary crime" to "jeopardizing state security".

A large number of participants in the 1989 pro-democracy movement, that ended with the bloody military crackdown on Tiananmen Square on June 4, were charged and jailed as counter-revolutionary criminals. The democracy movement itself was denounced as a counter-revolutionary action, a decision Chinese dissidents have strongly protested and for which they have been jailed. Judicial authorities today said there were a total of 2,026 people now serving jailtime. for counter-revolutionary crimes, 46 percent of the total prison population, > y

# China's economic miracle hides local misery

BEIJING (AFP) - China's glowing economic figures for 1996 could barely hide the country's desperate struggle with crippling state sector debt and widening gaps in regional living standards.

A report released Friday by the State Statistical Bureau (SSB) showed that while China's national economic indicators last year showed a happy balance of strong growth and low inflation, the picture at the local level was often far bleaker.

"Unbalanced development among regions and among different groups of the population was still prominent, and the real income of certain households in selected provinces and regions had declined to some extent," said SSB Director-General Zhang Sai.

"The life of some low income households was still difficult," he added.

The SSB report showed that inflation in rural areas was as high as 13 percent - more than twice the national average of 6.1 percent.

The price rises either cut back or completely cancelled out increases in rural per capital income, and Zhang estimated that around 58 million rural Chinese were living in abject poverty.

While urban incomes rose in 1996, the SSB report showed that unemployment

remained a serious concern.

By the end of last year the number of registered urban unemployed stood at 5.53 million, Zhang said, although most experts agree that the true figure is many times larger.

The unemployment problem hampers the government's attempts to reform the country's ailing state sector, amid fears that any significant streaming program would inevitably result in mass lay-offs and social unrest.

According to the SSB, the accumulated debt of China's state-run firms had swollen to 496 billion yuan (\$59.7 billion) by the end of 1996, up 32 percent from the previous year.

Total profits from the state sector plunged 42.5 percent from 1995 to 41.8 billion yuan, SSB chief economist Qiu Xiaohua said, adding that as of December last year, 32.6 percent of state-run enterprises were running at a loss.

The dismal situation faced by China's state firms was highlighted by government leaders during last month's National People's Congress, with Premier Li Peng pledging to make state sector reform a priority in 1997.

According to Qiu, the government has little choice but to close those enterprises that show no indication of being able

to turn themselves around.

Among the loss-making state firms, Qiu estimated that 20 percent had been hemorrhaging funds for "many years" because of backward technology, unmarketable goods and poor management.

"The difficulties faced by these enterprises will continue and they have to be closed," Qiu said.

Despite the bleak figures revealed by the SSB, Qiu said a quarterly breakdown of the statistics provided some cause for optimism.

The central bank twice cut interest rates last year - in May and August - slashing one-year deposit rates to 7.47 percent from 1995's 10.98 percent.

Qiu estimated that the cuts had saved enterprises nationwide around 100 billion yuan (\$12 billion) reduced interest payments.

## EXTRA 10m TONS OF GRAIN IN 1996

Meanwhile, China announced a 10 million-ton addition to its crucial 1996 grain harvest figure, saying the damage wrought by last year's floods and droughts had been less than feared.

The figure released by the State Statistical Bureau (SSB) put total grain output for last year at 490 million tons, compared to the previous official tally to

480 million tons.

"In making the original estimate, people had over-stated the effect to last year's disasters," SSB director general Zhang Sai said.

## FOREIGN INVESTMENT

Meanwhile, China's State Planning Commission has projected a rise in actual foreign investment as high as 270 billion yuan (\$32.5 billion) by the end of the century, a report said Friday.

China would attract cumulative actual foreign investment of 230 to 270 billion yuan by the end of the century compared to the current 177 billion yuan, it said.

Future foreign investment would be directed to state-supported pillar industries such as telecommunications, automobiles, electronics, energy and petrochemicals.

To support the move, preferential taxes and other incentives will gradually be reduced to promote national treatment - a key principle to World Trade Organization (WTO) entry, which China is seeking.

Import customs duties would be lowered and policies on foreign investment would amended to cater to the new investment trend, the reports said, without providing details.

# Access Key part of business for Chinese firm

By STEVEN MUFSON

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ANG Jun has sipped coffee socially with President Clinton.

ton, met informally with Morihiro Hosokawa when he was Japan's prime minister and chatted with Philippine President Fidel Ramos, lie golfs with China's business elite and hobnobs with its political leaders. And he frequents, and chairs, the pricey Capital Club, a dining spot perched at the top of one of Beijing's tallest buildings.

Wang's key to this select company: his chairmanship of the China International Trust and Investment Corp., the most influential financial and industrial conglomerate in China.

Founded at the dawn of the late Deng Xiaoping's economic-reform era as the government's window onto the capitalist world, CITIC today reflects China's emergence both as a major force in the global economy and as the ultimate potential market for foreign firms with merchandise or services to sell.

Last week, while in Beijing to help patch up U.S.-Chinese relations, Vice President Al Gore watched Boeing sign a deal to sell planes and General Motors agree to set up a new automanufacturing plant. The size of the GM investment alone far exceeds an entire year's worth of foreign investment during the first years of CITIC's existence.

Mirroring the explosive growth of China's economy, CITIC has ballooned into a sophisticated \$23 billion conglomerate with massive holdings in Hong Kong and substantial assets scattered throughout the world, including in the United States. At the same time, because of its size and its impeccable connections, it is avidly courted by the biggest foreign companies - including many prominent American firms - eager to establish or

more than one-third the size of Manhattan - which it plans to transform into a superport. And its Hong Kong affiliate is a major player in the close-knit Hong Kong business world, providing political reassurance while muscling its way into bigger roles in the territory's main utility, telephone company and two major airlines.

Since the revelation that Wang attended a February 6, 1996, White House meeting for major Democratic Party contributors, where he shook hands with Clinton and exchanged pleasantries, some people in the Justice Department and Congress are wondering whether CITIC's tentacles are reaching into American politics.

Access is a key pail of CITIC business, but it is usually the part CITIC sells, rather than buys.

Business people in China say they believe Wang's visit had more to do with American companies trying to cozy up to China than with the Chinese trying to gain influence in the United States. In an interview earlier this month, Wang said his US trip was initiated by Lehman Brothers Inc., which is competing for a bigger role managing China's new stock and bond offerings.

A Lehman Brothers spokesman said four or five Lehman executives gladly hosted a breakfast for Wang in New York the day after he visited the White House.

Said Lehman spokesman Bill Ahern, "It made perfect sense because CITIC is one of the largest financial conglomerates and we would like to be doing more business in China." At the Wang meeting, one Lehman executive mentioned a Chinese bond issue that a competing investment bank had handled and told Wang that Lehman "would love to do something like that," Ahern said.

Lehman Brothers is not the only company trying to impress Wang and CITIC. As China's leading "red chip" company, CITIC is the most sought-after partner for "blue chip" foreign firms seeking footholds in China. Its partners include Bechtel Group Inc., Coopers & Lybrand, Siemens AG, United Technologies Corp., Ciba-Geigy AG, Reynolds Metals Co. and Cable and Wireless PLC - to name a few.

One American partner that lot CITIC take a small interest in a joint venture said, "It was well worth it." Because of its savvy about foreign business and

Chinese politics, CITIC managed to break through a local government obstacle and bridge a gap between the US firm and local Communist politicians.

For the princelings of the next generation, business rather than the military or politics has been the most alluring career.

The younger Wang studied at a Harbin engineering school, spent 10 years at shipbuilding plants, and served two years in the military. But he did not join the Chinese Communist Party until 1978, at the age of 39.

"It raised a lot of eyebrows," Wang said, "but it's my personality. I don't like to follow orders of superiors." He joined CITIC as soon as it was created.

Now, like many of China's emerging capitalists, he talks about assets and profit margins. He complains about high business taxes. He keeps a computer on his desk. He drives a blue BMW and keeps a golf club in the office. His golf handicap is 14, he said, but he's working on it.

With China awash in foreign investment - more than \$40 billion poured in last year - deal makers now seek CITIC. One person who has knocked on its door is former Secretary of State George P. Shultz, on behalf of his old engineering and construction firm Bechtel.

Shultz and two Bechtel executives visited Rong Yircn, the first head of CITIC, in Beijing on the day in March 1993 that he was named China's vice president. The upbeat Rong proposed that Bechtel join CITIC in building a superport on sparsely populated Daxie Island. Rong contended the plan would ease shipping bottlenecks in Shanghai and spur development throughout central China. As he envisioned it, the port would eventually have more than half the capacity of Hong Kong and be one of the five largest in the world.

Later, CITIC bought the island and won the right to issue permits and approvals, power normally reserved for local or provincial governments. Bechtel is the lead developer with plans for ports, warehouses, railroads, roads, water and electricity infrastructure.

"There's no question that-Asia is the hottest developing market for us right now. China by its very size and number of projects it does is very tempting," a Bechtel spokesman said when the deal was announced in mid-1994.

Shultz still cultivates the CITIC relationship. A member of its board of international advisers, he visits often and delivers speeches to CITIC conferences that include China's top leaders.

Nowadays, CITIC can be choosy about its investments. Two years ago, Wang lamented that it was a shareholder in more than 200 Chinese enterprises, many of them flops. A light-sensing company in Xiamen had run up big losses; a textile-and-cotton plant in Heilongjiang lost money.

Overall, CITIC's return on its domestic manufacturing investments was zero, Wang said in an interview two years ago.

Since then, the company has focused more on high technology, infrastructure and financial services. Among its projects: a deal with Siemens and Deutsche Bundespost Telekom to set up a phone service company in four cities to challenge the state telephone monopoly.

CITIC has also been wheeling and dealing in Hong Kong, where companies are looking for political cover before the return of the British colony to Chinese rule on July 1. Many leading Hong Kong families and companies are suddenly ready to sell shares to CITIC's Hong Kong affiliate, CITIC Pacific - often at bargain prices.

CITIC Pacific is 26.5 percent owned by CITIC Hong Kong, which is a wholly owned unit of the Chinese parent company. The chairman of CITIC Pacific is Larry Yung, the son of former CITIC chief Rong and now a high-profile member of Hong Kong's business elite.

Earlier this year, CITIC Pacific bought a 20 percent stake in China Light & Power, the colony's largest electric utility. The Kadoorie family, one of Hong Kong's oldest and richest families, which had rebuffed CITIC's overtures in the past, agreed to reduce its stake in the utility to make room.

Family head Michael Kadoorie said CITIC Pacific's "relationships ... will put China Light & Power in a very strong position" to forge deals in the rest of China.

But the deal made many Hong Kong executives wonder whether Chinese companies will exploit their connections to strong-arm old-line Hong Kong firms into giving up choice chunks of the Hong Kong economy.

(Washington Post)

# ^ Villagers in northern China get a chance to elect own representatives

By SCOTT HILLIS

**O**N a bright March day in northern China's Beixing village, local officials rounded up nearly all the adult residents and locked them in a schoolyard hung with bright red banners bearing political slogans.

Welcome to democracy - Chinese style. ...Some 2,000 sun-baked farmers sat patiently on small stools, listening to campaign speeches by candidates running for village chief, deputy chief and seats on the local council.

Poll officials, eager to ensure a smooth balloting process, took no chances on fraud or procedural disorder, clapping lock and chain on the gates of the schoolyard, where makeshift plywood polling booths stood in the dirt.

The enfranchised residents of the village in northern Hebei province waited for more than six hours before they were let out after the final count. They said they didn't mind.

"Once we started these democratic elections and we could choose someone we trusted, the village started developing and the economy started picking up," Beixing pear farmer Liu Ruifa said. "Democratic elections let you choose

someone from your own village and lead the village into prosperity," Liu said.

Village democracy, quietly launched by the ministry of civil affairs in the mid-1980s and complete with multi-candidate polls and mostly-secret balloting, has spread to nearly a million villages that arc home to some three-quarters of China's 1.2 billion people, officials say.

Candidates who do not belong to the ruling Communist Party compete and often win against card-carrying party members who have traditionally wielded ultimate local power.

Officials boast the grassroots political freedom has helped to bring economic growth to villages and say democracy will spread, in time, to the county, provincial and national levels.

"China will develop its democracy," said Wang Zhcnayao, deputy director of the office of basic-level democracy under the ministry of civil affairs. "But our experiences conclude that promotion of democratic elections should not be too fast."

Wang gave no timetable for the spread of democracy to the most senior levels but made clear that changes would be a long time in coming.

Some western analysts say the Com-

munist Party, which still holds a firm grip on power and is far from sharing the political pie, will eventually have to brave deeper political reform if it wishes to haul China into the modern age.

"Until the election process begins to work its way up, there aren't going to be any dramatic changes in people's lives, said US China analyst Anne Thurston.

Most voting villagers, like those in Beixing, fret more about practical, mundane matters close to home rather than over national policy hammered out in distant Beijing.

"When it rains the road is all muddy and you can't get pesticides on the trees in time," said 29-year-old resident Song Huanju of the village's main concern.

Winners of polls are often innovative, entrepreneurial types who promise to seek out new markets for local goods or who have the connections and knowhow to start up new lines of business.

The party, looking to fill its ranks with more creative and pragmatic officials, has tried to recruit non-members who can win elections, Thurston said.

"It's also a way of sort of boosting the legitimacy of the party at the local level," Thurston said, adding that some 40 percent of non-communists elected later sign on with the party.

Beixing's incumbent village chief and party member Liu Qinxue won re-election to the three-year post with his pledges to repair the road, wipe out school fees and improve the village electricity network.

Teaching China's potential voters about election procedures, monitoring for poll fraud and ensuring smooth transfers of power were just some of the problems facing expansion of elections, said Waiig of the civil affairs ministry.

"The technical difficulties involved in holding elections - even at the country level mean it is still too early and we need to wait a bit longer," Wang said.

Another problem was getting people to follow simple rules of order, he said.

"How to get the farmers to queue up? We know how difficult it is to get city dwellers to queue up, what about farmers?" he asked.

Villagers in Beixing seemed unconcerned with proper polling procedures. Many voters chatted noisily about the choices as they filled in ballots, often letting friends or family vote for them or choosing more than one candidate for the same post.

"Certainly the Chinese have a long, long way to go," said Thurston. - (Reuters)





Riyadh Daily  
13/6/97

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# US for better China relations

By JIM ANDERSON  
13/6

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Rep. Doug Bereuter, Republican of East Asia and Pacific Affairs, says that progress has had difficulty in filling a committee, where members involved in foreign affairs. on to the fact that Asian members numerous, are frequently a Bereuter had to turn away now there are several means to increase the number of Optimists see some posts often unflattering attention of China.

The anti-MFN group argues, in the words of the conservative Center for Security Policy, for strong "While MFN is a blunt instrument — affected millions of Chinese workers, the economy Kong, US jobs associated with exports to an impact na — it is also the only measure currently on the remotely proportionate to the magnitude of the Beijing is creating, to a considerable degree with the garnering from trade with the United States."

The pro-MFN proponents, such as Democratic Congressman Lee Hamilton of Indiana, say the anti-MFN group haven't really considered the consequences of trying to isolate China. The Hamilton argument says that the only feasible way to influence Chinese behavior in the direction that the United States would like is through "constructive engagement"

This argument is being played out against the backdrop of a weather change in American politics, in which Asian ethnic groups are beginning to coalesce. Realizing their potential strength, they have tried to emulate the powerful pro-Israel lobby, to the frequent embarrassment of the Clinton administration which has had to return millions of dollars in foreign campaign contribution from Chinese or Indonesian corporations.

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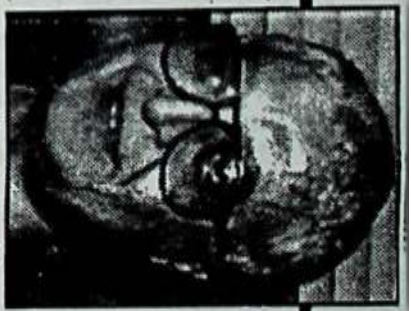
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Frankly Speaking
HASSAN TAHISIN
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# Influx of Chinese children

## snarks new

**K**OK Man-sing is only 8 years old but has already experienced a lifetime's worth of trauma - separation, flight, refuge and now the constant fear of apprehension followed by certain deportation. He is a pint-size fugitive, an illegal immigrant from China, brought here on a motorboat in the dead of night by "snakeheads," or local smugglers. And he is on the run.

"I was scared the policemen would come," Man-sing said, describing his flight here with his 7-year-old sister, Kok Man-kok, crammed on a motorized sampan with about 50 other illegal immigrants. "We came at nighttime, but I don't know what time it was."

When they arrived, sometime near dawn, he and Man-kok, armed with only an address scrawled on a piece of paper, found their way to their parents' house, and the family was reunited after nearly two years.

"I'm afraid to go back to China," said Man-sing, sporting a new Chicago Bulls baseball cap and a gray warm-up suit. "I like Hong Kong a lot. I want to get my identity card so I can stay longer. I like the television, and I like playing. Even though I don't have any friends, if I stay longer I'll be happier. I never want to go back to China."

As he spoke, a boy next to him quickly nodded in agreement. "The Chinese government is rotten," said Yong Dong-chuen, 12, who also is facing repatriation. "I'm not afraid. I won't go back, even if they make me."

The boys are part of a wave of hundreds of illegal immigrant children who have been flooding over the border from southern China in record numbers in re

**Almost all the migrant children are from Guangdong Province, born to Hong Kong men who went back to China to marry and start families. In most cases, the men returned to Hong Kong but the children were forced to vie for places on a lengthy waiting list for the right to move here.**

cent weeks, sparking a budding humanitarian crisis and prompting social workers to warn of an even larger human swarm to come. So far this year, about 1,500 children are believed to have crossed the border illegally, about double the number who crossed in all of 1996. The influx is straining the resources of local welfare agencies.

Almost all the migrant children are from Guangdong Province, born to Hong Kong men who went back to China to marry and start families. In most cases, the men returned to Hong Kong but the children were forced to vie for places on a lengthy waiting list for the right to move here.

When Hong Kong reverts to Chinese control on July 1, these Chinese children of Hong Kong parents are guaranteed the right to reside here under the Basic Law, the mini-constitution that will govern this territory's affairs. Many feel their best chance is to come in now, before July 1, because they fear the border will become even more tightly controlled once China takes charge.

The Guangdong public security bureau and Hong Kong social workers estimate that 130,000 children are waiting

to be reunited with their families here. Under a quota system, Hong Kong currently allows only 150 permits for oneway border crossings each day, with 66 of those slots set aside for children reuniting with parents.

"This is a very critical moment," said Ho Hei-wah, director of the Society for Community Organization, which is assisting the families. "If they can stay in Hong Kong until the first of July, they automatically have the right of abode" because of the Basic Law.

The incoming government of Tung Chee-hwa, China's future chief executive for Hong Kong, recognizes that the influx of children, and the 130,000 more waiting to cross, is one of the most pressing issues it will face.

"It lands squarely on our shoulders; we've got to tackle it," said Antony K. Leung, the managing director of Chase Manhattan Bank here and one of Tung's executive counselors. "The question is how to get them to Hong Kong on an orderly basis. We have to see if we can find ways to stop them from coming (all) at once." Among other problems, Leung said, a sudden influx of 130,000 new children after July would overbur-

# crisis in HK

den the already crowded school system.

Most of the parents, though, are not interested in waiting. Many say they have waited long enough and have had to endure not only the grinding bureaucracy in China, but also corrupt local officials who demand huge bribes to give children higher places on the waiting lists.

The government here has announced that those children entering illegally will be sent back to China and forced to wait their turn through established channels. To allow them to stay, officials have said, would lead to a rush of illegal immigrants, which would cause a hazard because of the risky sea voyage. A general amnesty also would be unfair to those who have waited their turn to come legally, officials say.

Other illegal immigrants here have told of corrupt Guangdong officials demanding bribes in exchange for favorable places on the waiting list. While the officials charge applicants the equivalent of \$25,000 for favorable treatment, the snakeheads offer more immediate passage to Hong Kong at cut-rate prices. One young woman said she paid a snakehead \$12,000 for three persons - herself, a sister and her 6-year-old brother.

Some parents here say they would rather wait than put their children's lives in the hands of the snakeheads. "The children are coming over illegally because of the pressure from the parents," said Choi Wai-kwan, a Hong Kong wholesaler who married in Guangdong in 1985 and has been waiting ever since to bring his wife and four children here. "The parents are too impatient, and too anxious." (Washington Post)

# Explosion in Beijing sets nerves on edge

BEIJING, May 13 (AFP) — An explosion jolted a park next to Beijing's forbidden city today afternoon, sending shivers through the Chinese capital following a series of suspected terrorist bombings in March. According to local residents near Zhongshan park, which borders the southwest wall of the forbidden city, the blast was caused by a lone suicide using explosives. There were no official reports of any casualties. The park entrance was blocked by uniformed police and ambulances were seen driving into the park. "Some people were injured," a gatekeeper said. "We heard a loud explosion from the park before 5:00 p.m. (0900. gm)," said one local resident.

A duty officer with the public security bureau section responsible for the park would only say that "an incident took

place," but refused to give any details.

Plainclothes police, wearing plastic gloves, could be seen inside the park, searching the lawn and placing material into plastic bags.

One staff member of a restaurant inside the park confirmed the explosion, but said she had been told not to answer questions from journalists. Access roads on the west and east sides of the park were initially blocked off by police, who lifted their checkpoints at 7:00 p.m. (1100 gm). On March 7, a bus bomb went off in Beijing, which has experienced little terrorism.

Witnesses said three people died in the bus blast, although the official version spoke only of a dozen wounded.

La id-off workers were suspected of planting a further two bombs in the capital later the same month.

# China set to start WTO talks in Geneva

GENEVA, May 16 (AFP) — Talks on China's long-standing bid to join the World Trade Organization are set to resume next week in Geneva amid hopes, diplomats said today, that Beijing will bring fresh impetus to private bilateral sessions.

A formal meeting of China's working group on accession on May 23 will be preceded by closed-door talks with its major trading partners the United States, Japan and Europe. "I don't think there will be a spectacular move from the Chinese side," one trade official said.

"I would say if they could move forward in bilateral talks with different countries, that could considerably improve the atmosphere." ...

Negotiations with Japan, for instance, had not moved in any meaningful way for two years, the official said. (China was hailed during the last round of negotiations here in March for giving ground on certain areas, notably agreeing to allow

independent firms in China to conduct their own trade, rather than having to go through designated entities, three years after winning WTO membership. Chinese negotiators also vowed to abide by all WTO rules on intellectual property rights immediately.

Progress was also made on draft protocol items covering nondiscrimination and non-tariff measures, which will also feature on next week's agenda along with a host of other issues such as transparency and state trading.

Much remains to be thrashed out, however, with diplomats stressing that China's entire service sector has still to be brought into the liberalization equation.

"We must have movement on trade in services," said a European diplomat.

Even in areas where China has budged, the distance covered is less than at first thought, trade sources said.

"The extent of the right to import (pledged for individual companies) is rather limited,

said the trade official, adding that Beijing was permitting individual firms to import freely only for their own consumption, and that companies would not be entitled to bring in "anything."

WTO Director-General Renato Ruggiero said after meeting with top Chinese officials last month that China must make an "ambitious offer" to open its market to foreign trade by the end of the spring to keep momentum going.

The main stumbling block, say diplomats, is the political tussle between China and the United States over how far Beijing is willing to move on market access at a time when Washington is miffed over its growing trade imbalance with the country.

Last year the U.S. deficit with China was almost \$40 billion, a four-fold rise since 1990.

Resistance in the U.S. Congress against conceding trade ground to the Chinese could make the Chinese back off, say some

analysts. "If I were the Chinese I wouldn't put an all-out effort to move things forward on this occasion because of uncertainties on the American side," the trade official said.

"(The Chinese) might do just enough to keep the ball rolling." ...

China's top WTO negotiator Long Yongtu will hold talks with U.S. Assistant Deputy Trade Representative Robert Casr sidy ...

China, one of 28 countries in the queue, is pushing to join the world trade body on developing country terms, which would grant it lengthier schedules for adherence, to WTO regulations.

The United States argues that China, the world's fastest growing economy, should come in under developed country status. Taiwan, considered a renegade province by China, is also pressing to become a member of the WTO, though observers say Taipei will not be able to enter before the mainland secures membership.



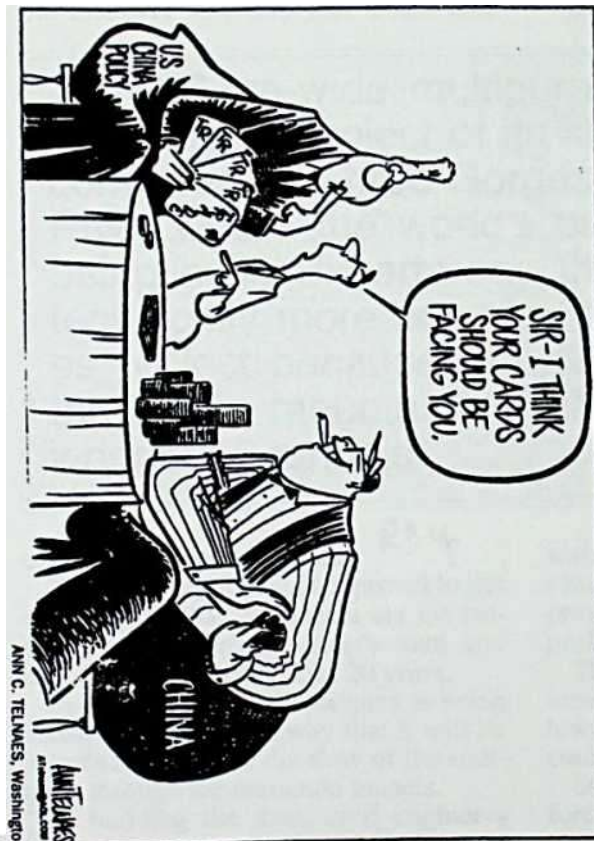
Renato Ruggiero.

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**Too Many Americans**

Beijing is using U.S. corporations and former officials to push its ambitious agenda and expand its global power.

By PAT CHOATE

To expand the flow of Chinese goods into the U.S. market, China is building a vast commercial infrastructure in business with the rest of the world.

States (\$40 billion in 1996) provides the Chinese with the hard currency needed to do

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# China's new dam to tame Yellow River

By ANDREAS LANDWEHR

**C**ONSTRUCTION is in full swing on an ambitious dam project to tame the mighty Yellow River and use its water to provide electricity and irrigate crops.

Engineers reckon that in six months' time they will be able to divert the river through tunnels drilled through the bowels of a mountain while the walls in the Xiaolangdi dam are built to a height of 154 meters.

This amazing feat of civil engineering is currently taking shape in the central Chinese province of Henan, some 40 km north of the bustling town of Luoyang.

In addition to using the river for electrical power and irrigation, experts hope the dam will put an end of flooding along the lower course of the waterway and reduce sedimentary deposits along the riverbed.

The 1.6-km-wide multipurpose dam is the second biggest project of its kind in China after the controversial Three Gorges dam on the Yangtze River where the world's biggest power plant is being built.

Experts say the Xiaolangdi dam is technically more complex than the Three Gorges project because the river is being re-routed through a mountain at different levels via network of 16 tunnels.

The Yellow River gets its name from the vast quantities of yellow brown loess it carries in suspension. The 4,385-km-long waterway rises in the Kuen-lun ranges of western China and flows a tortuous course across the country

the Yellow Sea in the Gulf of Pottai.

Because of the loam, the water level rises 10 centimeters every year or one meter per decade, according to Wang Xianru, the vice director of the company in charge of the project.

As a result, the dikes along the lower reaches have to be enlarged at least every 10 years, a time-consuming and labor-intensive exercise that costs hun

they constructed another dam 130 km upstream without making allowances for sediment.

The biggest problem encountered so far in the Xiaolangdi project has been the varied geological composition of the mountain through which the tunnels are being drilled and which will also house a hydroelectric power plant.

Six 300 megawatt turbines will use the

end of April.

Companies from France, Germany and Italy are among the foreign participants in the \$4.1 billion venture, which the World Bank is helping to finance to the tune of \$1 billion.

The senior engineers are matter-of-fact about the project, in contrast to the mood at the construction site where, there is an almost revolutionary fervor reminiscent of the old days of communism.

But the dam would not be possible without major social upheavals. Some 200,000 people living in the vicinity must be relocated before it is inaugurated in the year 2001.

The first 1,200 were moved from what is now the construction site to a new model village, which is also named Xiaolangdi. Many of the people were reluctant to leave their homes.

"We had no choice, everything has been pulled down," said one old man. But he said the quality of life was better in their new home, and received nods of approval from other villagers.

The center of the village, which, the authorities like to show off to visiting journalists, is dominated by a statue of the Great Helmsman Mao Tsetung that was built in 1993.

"The peasants will never forget what Mao has done for them," says Xu Minima, the woman in charge of the resettlement program.

"Everybody thinks of the common good," she says. That is one of the qualities of the Chinese. "They have given up their homes for the benefit of the nation," Xu adds. - (DPA)

The 1,6-km-wide multipurpose dam is the second biggest project of its kind in China after the controversial Three Gorges dam on the Yangtze River where the world's biggest power plant is being built. Experts say the Xiaolangdi dam is technically more complex than the Three Gorges project because the river is being re-routed through a mountain at different levels via network of 16 tunnels.

dreds of millions of dollars. ^

The Xiaolangdi dam is expected to put an end to all that. Engineers say the reservoir can absorb the river's mud and clay for a period of at least 20 years.

In addition, the dam complex is being constructed in such a way that it will be possible to regulate the flow of the sediment through the mountain tunnels.

In building the dam, civil engineers learned from the mistakes made by their Russian counterparts in the 1960s when

water of the river to generate electrical energy that will be used to supply the province of Henan, especially at times of peak demand.

The water will then drop into a catchment basin, from where it will be allowed to flow back into the river and continue on its journey to the coast.

Some 10,000 workers, including 500 foreign engineers and craftsmen from 49 countries, are working on the project, which was 37 percent complete at the

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parents are unable to pay.  
Books are also paid for, tables and chairs were provided, and 600 teachers trained for the project.  
Nine-year-old Wei Qihun and more than ten other children in the remote village of Bapai are among the 220,000 children who already attend school in the three provinces thanks to the pro-

one of them a child is being given fusion. Colds, pneumonia and diarrhea are the most common diseases, he said.  
The World Bank has allotted \$247 million as interest-free credits for the present program, including soft loans to further new schools and  
run up. Li Jing-village of Caijia, clinic which com-

Two years after the project was kicked off in July 1995 as a model concept of fighting poverty in the country Piazza is happy with the overall results despite the problems that have cropped up.  
"It works," says Piazza, who is already busy preparing two new projects in Sichuan, Shaanxi and Ningxia.  
The World Bank has allotted \$247 million as interest-free credits for the present program, including soft loans to further

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ern Chinese Guangxi area.  
The credit also paid for tools, seeds and fertilizers to create new terraced fields to grow corn. In the past Liang toiled only 0.4 mu of land, soon he will have one mu (0.066 hectares).

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MONDAY, MAY 5, 1997  
Kipahy Daily  
WB project to improve infrastructure in China

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# step toward taming Yellow

By Scott Hillis  
Xiaolangdi, China

What do you do with a river that rises 10 cm (four inches) a year and already looms perilously over cities that sit under the shadow of the dikes that hold it in?

China believes the answer, at least for now, is its multi-billion dollar Xiaolangdi Dam Project, in the central province of Henan. Through the centuries, deposits of silt have raised the bed of the Yellow River so high that its waters now look down upon many cities and towns along its banks.

"In the past, hundreds of years the dikes have been raised many times so that the river is higher than the surrounding area in many places," said Wang Xianru, deputy director of the Yellow River Water and Hydropower Development Corp.

Beijing spends \$1.2 billion each decade on shoring up the banks to keep at bay the threat that could claim tens of millions of lives should the river burst its dikes. Some 4,000 villages were wiped out and untold millions of peasants drowned in 1938 when nationalist leader Chiang Kai-shek ordered the dikes blown up to try to halt advancing

Japanese invaders.

At the core of the \$4.17 billion project near Henan's capital Zhengzhou is a 154-meter (500-ft) rock and earth-filled dam faced with a complex web of 16 tunnels that also thread through the river's left bank. The tunnels are intended to regulate the river's huge silt load and erratic water flow. "Electricity generation is only a lesser priority of the Xiaolangdi project, with flood control being first," said Wang, whose company is in charge of the project.

Engineers spent 30 years designing the dam, which will be the largest of its kind in China. It is far more intricate than its much



Wang Xianru, deputy director of the Yellow River Water and Hydropower Development Corp. explains construction of the Xiaolangdi dam on China's Yellow River at the project's site in central Henan province. (Reuters)

bigger, more expensive and highly publicized cousin at the three gorges on the Yangtze River. "The project has several characteristics, one of which is its complexity," Wang said, gesturing to the 14.5-meter-wide (47-ft) tunnels that burrow more than one km (3,300 ft) through a hill on the left bank of the river.

"The rock conditions here are not very good, so it is very difficult to proceed with the job," he said. A vast 12.5 billion-cubic-meter (441 billion-cubic-ft) reservoir behind the dam is to serve as a catch basin for silt and will be capable of holding 7.5 billion cubic meters (265 billion cubic ft) of sediment before it finally fills up after about 30 years. What happens then? Wang said he hoped the temporary halt in the flow of silt would buy time to come up with a more permanent solution.

"At that time, our children will think of something to do," he said.

The reservoir would also allow dam operators to regulate the Yellow River's notoriously fitful flow, which fluctuated between a dawdling 1,500 cubic meters (53,000 cubic ft) per second and a raging 16,000 cubic meters (565,000 cubic ft) per second, Wang said. Although water levels are now at record lows, the river has claimed tens of millions of lives over the centuries, earning it the moniker "China's sorrow". The World Bank is helping to bankroll Xiaolangdi because the project was deemed too risky to attract private investment, said Pieter Bottelier, chief of the World Bank's China Mission.

The project would use more than \$1,109 billion in foreign funds, with \$1 billion of that coming from a World Bank loan and the remainder from foreign commercial credits, Wang said. Six 300-megawatt generators would go on line between 1999 and 2001 to help slake central China's growing

demand for energy, said Wang.

Wang's company has already signed a \$55.8 million contract with German firm J.M. Voith AG for the turbines and will issue tenders in October for more than \$44 million worth of auxiliary equipment such as a computer control system. Another \$110 million will go toward resettling more than 200,000 people whose homes will be flooded when the river is blocked on Oct 31 this year, one month before the Yangtze is diverted for the Three Gorges Dam.

The World Bank's Bottelier said irrigation fees collected from villages and cities downstream would pay back 70 percent of the project cost although government water pricing would have to be changed. China has given no hint it plans to ease controls on current prices in the region, held artificially low by the state. "The water (price) will have to go up to a much higher level to pay for that dam," Bottelier said. (R)

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# Clinton-Jiang summit set for October

WASHINGTON, Aug. 15 (R) — U.S. President Bill Clinton and Chinese President Jiang Zemin will hold a summit talks in the capital in October as scheduled and among the issues to be broached will be human rights and international trade, National Security Adviser Sandy Berger said yesterday;

Berger spoke with public television's "News Hour with Jim Lehrer" after, returning from a three-day trip to Beijing to lay the groundwork for a late October summit, between President Bill Clinton, and Chinese President Jiang Zemin. Berger also said plans for a China visit next year by President Clinton were on track.

"This is an enormously important relationship," Berger said in a television interview. The way China evolves over the next 10 years as the largest country in the world will have an enormous impact on our future," he said. "So for both countries, engaging with each other so that we can ex-

^^^^S^^^^fe?du^SfFereilce^ isfexf tremely important," hesaid."  
. Berger, said that he raised thorny issues

such as human rights, especially of political dissidents, China's arms sales to Iran, and China's bid to enter the World Trade Organization, as well as areas of mutual concern, such as the situations in North Korea and Cambodia. But the discussions were part of a new, broader strategic dialogue between the two countries. "We have broadened the range of our discussion with China and tried to engage them in not only a discussion of specific subjects that are problems, or areas in which we can cooperate, but a broader strategic dialogue," Berger said. <

"The summit is important for both countries. This is an enormously important relationship. The way in which China evolves over the next 10 years as the largest country in the world will have an enormous impact on our future," Berger said, citing such areas as the environment or nuclear nonproliferation.

China and the United States have a long history of cooperation over "a range of issues, including Beijing's rival, Taiwan, human rights abuses in China and Tibet, trade and nuclear proliferation."

Berger, who met Jiang Zemin on Tuesday in the seaside resort of Beidaihe, said: he also made clear, that Beijing could not expect to be admitted, to the WTO, "simply," because they're a big country!

He said he expected progress, although possibly not in the short term—and certainly no major breakthroughs, at the October summit, since it would require some internal restructuring and "fairly significant effects" on state-owned enterprises.

Trade would be one of the topics discussed during the "summit," Berger said, noting that movement toward regular summits would be helpful.

Jiang's meeting with Clinton will be the first state visit to the United States, by a Chinese president since the Chinese army crushed student-led pro-democracy demonstrations in Beijing's Tiananmen Square on June 3-4, 1989. • Washington.. switched \* diplomatic. jreca\*. rogmtion to Beijing finoimJaipd-iiFd979^

# China's Shanxi to become industrial land

By H. ASHER BOLANDE

**G**OASTAL cities have dominated China's booming development, but investors wary of steadily rising cost say the northern province of Shanxi is a more likely candidate to become a permanent heartland for heavy industry.

Separated from Beijing by a few hundred km and the rugged Taihang mountain range, this inland zone has largely been left behind during the last 15 years of high-speed economic growth.

Resulting bargain rates for labor and land are coming to the fore as new transport and telecommunications links gobble up the distance — and bolster the allure of Shanxi's strategic natural resources.

“Shanxi will become a leading industrial province in the next 10 years,” said Jack Perkowski, the chairman of leading China investment firm Asimco.

**Following the US historical pattern, the area will come to dominate heavy**

manufacturing in, the same way its ‘American equivalent - north-central states like Illinois and Michigan - became the permanent home to the automotive and other industries. *i* “The cost of doing business is dramati

cally lower in inland areas,” Perkowski said. “Why build \* (factories) in New York?”

According to 1995 government figures, wages in Shanxi were just 51 percent those in Shanghai and 57 percent of those in southern Guangdong province. • Together with US heavy-equipment • giant Caterpillar, Asimco (Asian Strategic Investments Corp.) is sinking nearly \$100 million into a Sino-US venture in southern Shanxi to produce engine castings.

Provincial officials hope the high-profile project, the first of its size in the province, will start a bandwagon effect among other big-ticket foreign investors.

“We want to become an export center, so the project occupies an important position,” said Liu Zuozhou, vice general secretary of the provincial government.

Ma Jiajun, the director of the Shanxi Foreign Investment and Trade Development Council, said previously, investment T/had come from Asian spurges like, JJong^ ~^ Kong and limited itself to 5 small-scale hotel or retail operations.

Caterpillar's international stature should help draw foreign investors' attention, he said.

“Shanxi's electricity is China's cheapest Shanxi's coal is China's cheapest,”

he said.

The province is China's number-one producer of coal, the country's main energy source, accounting for a full quarter of national production. It is also home to large bauxite, iron, copper and cobalt. Sfia^lis^i^t.billionyuan (\$963.9 million) serves, offering local material for heavy industry, - v v v - ^^^^ayejagellpateiated per capita.\*’-’; > .

Power-general facilities; piggybacked onto massive coal mining operations in the cities of Taiyuan and Datong allow Shanxi to export 25 percent of its electricity..’ : r\*!’ -\*v {£v: eign investors/: > .

- But Ma said the province's dominance in coal has also provided it with a wind-fall in terms of cargo links. To assure coal distribution around the country, the central government has built extensive rail links connecting Shanxi to the sea-board. Wang . Bipedang, the vice director of foreign trade bureau, said the fall in terms of cargo links. To assure preferential policies would not be erased around the country, the coming years to meet "national treatment" requirements favored by the World Trade Organization - which China is trying to join.

A recently completed superhighway links Taiyuan to the northeastern Bohai sea via Beijing. It is due to extend; benefits to domestic firms." he said.

... year-oldland^he said.' • which-has direct flights. to Hong Kong Shanxi, part of the northern homeland and all major Chinese cities.' It has handling capacity for nearly two million passengers and 14,000 tons of cargo per year. « trading hub up until the 20th century. ;-;’ . ■

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Arab News 9 August 97

# China preparing for a new reform push

By Andreas Landwehr

After years of political paralysis and bickering, China is now preparing for a new reform push. Chinese president and general secretary of the Communist Party, Jiang Zemin, wants to grasp the opportunity at the important 15th party congress in September to finally push forward with the long-awaited restructuring of the

money-losing; state industry. But eliminating the burdens of the old planned economy and introducing market reforms to the dinosaurs of the state sector has met with obvious resistance from the Communist Party leadership. For the past year and a half the leftists have increasingly voiced opposition to the market reform; introduced by the late Deng Xiaoping who died in February. In the uncertainty surrounding the end of the Deng-era, there have been no serious attempts to reform the state sector, of the Financial Committee of the National Stability and maintaining the status quo. It was Jiang Zemin's cautious approach, for the first time since Deng's saying, "A socialist market economy's goal is to combine social equality with patriarchy, the country; against the left-wing and put it in a picture of a future forms, the Communist Party has openly begun a new discussion on how much market forces, and how much state control is good for the country. The leadership, now gathered at the seaside resort of Beidaihe in northeastern Heilongjiang, has already given the

favor of market and reform. A series of articles and commentaries has spread through a number of these articles are also meant to silence new reform left-wing opposition ahead of the party congress. While officially no date has been set, diplomatic sources said the Communist Party, Jiang Zemin, wants to grasp the opportunity at the important 15th party congress in September to finally push forward with the long-awaited restructuring of the country further...

"The development should be the sole criterion for judging success in building socialism," said author Ban Minli in another People's Daily commentary. "Poverty is not a characteristic of socialism." Dong Fureng, vice chairman of the National Peoples Congress, was cited by the official Xinhua news agency as saying, "A socialist market economy's goal is to combine social equality with patriarchy, the country; against the left-wing and put it in a picture of a future forms, the Communist Party has openly begun a new discussion on how much market forces, and how much state control is good for the country. The leadership, now gathered at the seaside resort of Beidaihe in northeastern Heilongjiang, has already given the

means to interfere and regulate the market. A certain number of state-owned or state-controlled commercial banks, non-bank financial institutions and warehousing enterprises are necessary," said Dong Fureng. "The state has to invest in non-profitable public facilities, infrastructure and hi-tech industries that the difficulty in making profit and the risks."

But in general, the number of state-owned firms needed would be substantially reduced. Behind this reform push in the state sector is economic czar Zhu Rongji, who is tipped by many — even in the Chinese ministries — as the next prime minister. Current Premier Li Peng cannot stand for a third term next March. Vice Premier Zhu has already become something of a legend for successfully fighting double-digit inflation and pushing for reform in the financial sector. He now wants to continue building China's economy by turning around the state sector around. He is optimistic about getting state-owned companies out of the loss-making cycle within

from the sale of state-owned enterprises could be used to pay old debts, find new jobs for the unemployed and restructure the social security system is urgently needed to replace the old "danwei" or work-unit system, of welfare benefits provided by the state-owned firms. The central government wants to spend 30 billion yuan (3.6 billion dollars) this year for the reform of the state sector. Qualified companies will be allowed to raise more capital abroad or by issuing stocks or bonds. "The party's goal is to propagate highly productive, forces needed to build a socialist market economy," wrote Ban Minli in People's Daily. "The introduction of stocks and bonds has enhanced the vitality of the enterprise, capital, technology and labor markets, and have in turn led to the emergence of the shareholding, voucher and pushing for reform in the financial, lease and Contract system." No doubts that radically turning building China's economy by turning around the old state economy structures is the most daunting task of the current leadership. But it is also the most promising one.

efficiency raised, increased bankruptcies released over the past 12 years show, where necessary and elimination of that China has ranked as a world leader in surplus labor, as he said during a recent in terms of economic development/the week-long inspection tour of state-run party paper reported. "Marching forward) industries in northeastern Liaoning; ward there is a new world, and there is a province. The state media has quoted no way of going back," it concluded. Chinese experts as saying the funds



# India, China hold talks on reducing border tension

NEW DELHI (AP) — Indian and Chinese diplomats met Monday to discuss the border dispute, but the two sides were yet to devise a timetable or finalize the number of soldiers each side should maintain.

India and China fought a 21-day war in 1962, which many Indians saw as a humiliating defeat for their army. Bilateral relations have considerably improved in recent years.

Zemin was the first Chinese head of state to visit India. The two sides agreed last December not to launch military attacks against each other and not to cross the cease-fire line into territory controlled by the other.

During the latest round of talks, India also is expected to express concern at the flow of advanced weapons to Pakistan, the neighbor with whom India has fought three wars. New Delhi says China is helping Pakistan develop nuclear capability and missile technology.

China says it is helping Pakistan develop peaceful uses for nuclear energy.

The India army has 11 mountain divisions, or 154,000 soldiers, along the frontier, and China is believed to have as many or more.

Beijing claims India is holding 90,000 square kilometers that belongs to China in what is now India's eastern state of Arunachal Pradesh.

Indian and Chinese diplomats met Monday to discuss the border dispute, but the two sides were yet to devise a timetable or finalize the number of soldiers each side should maintain.

Both sides are expected to discuss confidence building measures that may lead to a reduction of troops along their disputed border on the Himalayan frontier, according to an Indian diplomatic source who spoke on condition of anonymity.

The *Statesman* reported New Delhi would also raise concerns about Chinese troops crossing into India territory. The newspaper, quoting unnamed defense ministry officials, said the average four or five a month, compared to two or three for the same period last year.

The Chinese delegation is led by Vice Foreign Minister Tang Jiaxuan and includes senior officials from the People's Liberation Army. India's new foreign secretary, K. Raghunath, heads the Indian team.

A decision to reduce troops was made during Chinese President Jiang Zemin's visit to India last year.

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the boundary dispute, jmdjio preakthrou^^e^^pected!; during the two days of talks this week.

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Riyadh Daily 5 August 1997

# People's Liberation Army turns 70 on Friday

By GILES HEWITT

CHINA'S People's Liberation Army (PLA) turns 70 on Friday, but does so in far more sprightly and confident fashion than many of the political elders it affects to obey. In fact, the world's largest army is arguably in as good a shape as it has ever been since its official founding on August 1, 1927, although some experts point disparagingly at its backward technology and over-manning.

Mao Zedong's celebrated dictum that political power grows from the barrel of a gun has lost little of its validity in China — where political leaders lobby furiously for the military support considered vital to their survival.

Such activities have intensified significantly in the wake of patriarch Deng Xiaoping's death in February and in the run-up to the key 15th Communist Party Congress in the autumn.

The military's influence has grown with its economic transformation into one of China's largest commercial entities, boasting tens of thousands of dis-

parate enterprises — from hotels and nightclubs to ice cream manufacturers.

Income from those enterprises is the main source of funding for the PLA's ambitious military, modernization plans and far exceeds the official 1997 defense budget of 80.57 billion yuan (\$9.7 billion).

The three-million strong army "is a virtual state within a state, and perhaps the most powerful institutional lobby in China," says George Washington University sinologist and specialist on the Chinese military David Shambaugh.

"This is a military that is there to preserve the party state in power. It is not going to let the party fall from power as was the case in eastern Europe and the Soviet Union."

The army, whose symbiotic relationship with the party goes back to the early days of the revolution, has always stepped in to restore order and put down any threat to the regime — such as during the Cultural Revolution and the succession struggle after Mao Zedong's death in 1976.

And it was military intervention in

June 1989 that finally put an end to the pro-democracy demonstrations in Tiananmen Square, at the cost of hundreds of thousands of lives.

However, with Deng dead, the question of where the PLA's true loyalties now lie remains unanswered, despite President Jiang Zemin's repeated efforts to shore up his position as head of the powerful Central Military Commission (CMC).

After Deng's death on February 19, Jiang moved swiftly to secure pledges of loyalty from the top military brass, but the first and second CMC vice chairmen — Liu Huaqing and Zhang Zhen — were noticeably tardy in parroting the mantra of obedience to the party "with Jiang Zemin at the core."

Liu, 81, the sole military representative in the politburo standing committee, is widely expected to retire from the making of policy. Despite its strength in numbers, most experts estimate that the PLA will take 20 years to become a true modern military ally. However, other Jiang rivals have also maneuvering to increase their influ-

ence with the army.

During a recent visit to France, the Chinese hierarchy, Qiao, Shi, issued a veiled challenge to Jiang when he suggested that the CMC

chief should be answerable to China's parliament, of which Qiao is the chairman.

The army itself has little to gain from such, factional infighting, especially if it were to spill over into an all-out power struggle.

"The PLA is very much an integral part of the economic equation in China," said one western military attaché based in Beijing.

"As long as the economy develops, so does the army, and that gives the military a powerful vested interest in political stability. Hence the loyalty pledges to the party and the military, at the country's top decision-

making congress, Jiang can fill with a more secure up to 20 years of fighting force, especially the army.

However, other Jiang rivals have also missed out on spending budgets to the air force and navy. — (AFP)

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# 1/Chinese party infighting comes into open

BEIJING, July 30 (R) — A rare revelation of factional strife among China's Communist Party elite marks the start of a campaign to discredit leftists opposed to economic reform and the rule of President Jiang Zemin, analysts said today.

The few dozen men who run China sat down this week in beachfront villas at the resort of Beidaihe for their annual round of political infighting and decision-making amid the first overt signs for several years of a power struggle, Chinese sources said.

"The leftists are attacking Jiang," said one Chinese source close to the party. "They have been making a lot of noise in recent months and...the Jiang faction has decided to respond."

That response came in a bold front-page interview yesterday by the China Economic Times with Xing Benshi, editor of the party magazine "Seeking Truth", that exposed rifts between leftists opposed to economic reform and Jiang's group that backs the market policies of late paramount leader

Deng Xiaoping. "This is pretty peculiar, this is not consistent with the way they usually do things," one Western diplomat said of the interview. "It looks as if it was something meant for internal eyes only and they forgot and there it is on the front page. This looks like a call to the party faithful to stand up and be counted," he said.

Any sign of public disagreement among the ruling elite is anathema to China's party leaders who have struggled for decades to present a united front despite the behind-the-scenes feuding that has often paralyzed policy.

The revelation that Deng's political heirs were embroiled in a power struggle between hard-liners and reformists comes as the elite jostle for position in the run-up to a crucial five-yearly Communist Party congress in late September or early October.

The congress will mark the political coming of age of Deng's heir, party chief Jiang Zemin, showing if he has the clout to pack the new Central Committee, its Po

litburo and all-powerful Standing Committee with his supporters, diplomats said.

"This interview consolidates Jiang's position ahead of the 15th party congress," said the Chinese source. "This helps Jiang a lot... it openly criticizes the leftists."

The leftists—ultra-radicals who espouse orthodox Marxist theory and oppose Deng's radical capitalist-style reforms are led by veteran hard-liners Song Ping and Deng Liqun, both conservatives who nevertheless maintained close ties with Deng. They have circulated internal documents in recent months attacking Jiang for his slogan "to talk politics" that they say fails to follow Deng's emphasis on economic reform and for apparently distancing himself from Marxism in a May 29 internal speech.

"We definitely can't ask Marx to provide ready-made answers to solve problems that arise 100 years or several hundred years after his death," said Xing, vice principal of the Central Party School.

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# China power struggle exposes opposition to reform

By Jane Macartney <sup>FT</sup> <sup>1</sup> <sup>ween</sup> <sup>leftists</sup> opposed to economic reform  
Beijing \*\*\*

A rare revelation of factional strife among China's Communist Party elite marks the start of a campaign to discredit leftists opposed to economic reform and the rule of President Jiang Zemin, analysts said on Wednesday.

The few dozen men who run China sat down this week in beachfront villas at the resort of Beidaihe for their annual round of political infighting and decision-making amid the first overt signs for several years of a power struggle, Chinese sources said. "The leftists are attacking Jiang," said one Chinese source close to the party. "They have been making a lot of noise in recent months and... the Jiang faction has decided to respond."

That response came in a bold front-page interview on Tuesday by the China Economic Times with Xing Benshi, editor of the party magazine "Seeking Truth", that exposed rifts be-

form and Jiang's group that backs the market policies of late paramount leader Deng Xiaoping.

"This is pretty peculiar, this is not consistent with the way they usually do things," one Western diplomat said of the interview. "It looks as if it was something meant for internal eyes only and they forgot and there it is on the front page. "This looks like a call to the party faithful to stand up and be counted," he said.

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The leftists — ultra-radicals who espouse orthodox Marxist theory and oppose Deng's radical capitalist-style reforms — are led by veteran hardliners Song Ping and Deng Liqun, both conservatives who nevertheless maintained close ties with Deng.

They have circulated internal documents in recent months attacking Jiang for his slogan "to talk politics" that they say fails to follow Deng's emphasis on economic reform and for apparently distancing himself from Marxism in a May 29 internal speech expected to be the focus of the party congress.

"We definitely can't ask Marx to provide ready-made answers to solve problems that arise 100 years or several hundred years after his death," said Xing, vice principal of the Central Party School and a member of the law, committee of the National People's Congress, or parliament.

Xing's remarks revealed for the first time since Deng's death last February that a strong bloc of opposition exists, to his reforms that have transformed a Stalinist backwater into a fledgling economic powerhouse.

Diplomats voiced surprise that the leftists, whose influence had appeared to be shrinking in recent years, should still pack enough of a punch to merit such a strongly worded and open counterattack just before the key Beidaihe meeting. Xing was unequivocal when asked in the interview if one of China's most pressing problems was a revival of leftism.

"Yes, you can definitely say this," Xing said. "This is not our subjective speculation, this is the way it is." (R)

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# China suspends ties with Sao Tome over

BEIJING, July 12 (Rtr)

CHINA has suspended diplomatic relations with the state of Sao Tome and Principe because the tiny African nation has set up official ties with Beijing's arch-rival Taiwan, the Xinhua news agency said today.

"China has decided to suspend its diplomatic relations with Sao Tome and Principe as of July 11 because the latter 'established diplomatic ties' with the Taiwan authorities," Xinhua said.

The acting charge d'affaires of the Chinese embassy in Sao Tome and Principe Yang Naiqian had made serious representations in Sao Tome over the issue yesterday, the agency said.

Sao Tome's ties with Taipei violated the principles of its diplomatic relations with Beijing, and the implementation of all agreements between the two governments would stop immediately, it said.

"Such an act has brought serious damage to the foundation for friendly relations and cooperation between the two countries," it quoted Yang as saying.

Taiwan said it was not surprised by rival China's decision to suspend diplomatic ties with Sao Tome and Principe.

"We are not surprised by the development," foreign ministry African affairs chief Timothy Yang told reporters, choosing his words carefully so as not to further agitate Beijing.

"What concerns us most is our diplomatic relations with Sao Tome. We will not interfere with Sao Tome's ties with other countries," Yang said.

Taiwan sealed official links with Sao

I Tome and Principe in May when it set up an embassy there over the fierce protests of Beijing, which has seen Taiwan as a rebel province not entitled to diplomatic ties since the two split in 1949 after a civil war.

The suspension is Beijing's latest tightening of diplomatic screws on Sao Tome after it halted development projects in the impoverished nation in May pending Sao Tome's decision of whom it would recognise.

Sao Tome, like many other developing African and Caribbean states, has been part of a fierce diplomatic tug-of-war between Beijing and Taipei, with both sides making use of soft loans and other aid to woo potential allies to their sides.

Beijing had been building Sao Tome's first national sports stadium and had several residential and engineering projects in the country, one of the world's poorest states.

Officials in Sao Tome earlier said the African republic had received pledges of aid from Taiwan totalling \$30 million over the next decade after deciding to formalise ties with Taipei.

Taiwan's exiled Nationalist government is recognised by only about 30 states, most of the small, poor and heavily dependent on Taipei's financial generosity. Taipei severed ties with the Bahamas in May after learning the Caribbean nation was preparing to secure links with Beijing.

South Africa, Taiwan's biggest ally, has said it will switch recognition to Beijing by

the end of 1997.

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## China to impose strict rules on foreign travel

BEIJING (AFP) – China is set to implement strict new regulations next week governing overseas travel by its citizens, to combat rising illegal immigration and other scams run by unauthorized tour operators.

In a joint statement released Wednesday, the National Tourism Administration and Ministry of Public Security said the regulations – effective July 1 – were essential to bringing order to a "chaotic marketplace."

That chaos has resulted from the increasing number of Chinese who, in recent years, have become able to self-finance their holidays abroad.

In the past, nearly all Chinese traveling abroad either did so with government money, or with financial help from overseas relatives, making it far easier for the government to keep tabs on their movements.

"However, a lot of changes have taken place," the statement said.

"With changes in social consuming ideas, more and more people want to visit foreign countries, and Chinese citizens are expecting to travel to more destinations," it added.

As a result, the overseas tourism sector has become an open house for illegal operators.

"There are disqualified organizations and individuals ... organizing outbound travel through all sorts of channels," the statement said.

The new regulations forbid Chinese to apply for passports anywhere other than their registered place of residence.

They also stipulate penalties for unauthorized use of public funds for traveling, and for anyone engaging in illegal activities or over-staying their time in foreign countries.

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At a landmark Moscow summit, the presidents of Russia and Yeltsin and Jiang Zemin - new era in ties and called "polar" world order. Although trade bloomed with the Soviet split in 1989, it dried five years later when the border basically collapsed and end to barter trade and quality products. In 1994 and even by 1996 had Sino-Russian trade plunged \$6.85 billion - still down peak of \$7.68 billion.

According to Chinese and Russian sources, the energy accord comprised two elements:  
Chernomyrdin echoed Li's optimism about future trade and called for greater cooperation in defense, transportation and space cooperation. "We have a very serious task to increase our economic cooperation, but it can be achieved as our two countries are very big and their potentials are huge, especially in the defense, transport and cosmic industries," he said.

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warmed considerably since the last Soviet President Mikhail Gorbachev visited Beijing in 1989 and ended the three-decade Sino-Soviet split.  
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In a noon ceremony at the Great Wall, the two premiers toasted relations and then witnessed signing of an accord on boosting trade cooperation.  
They also witnessed an accord on energy cooperation between Siberia and northern China, an agreement on maintaining the Russian Consulate in Hong Kong, an agreement on using Russian rolling stock on Chinese railways and an accord on cultural cooperation. "Although our bilateral trade is not so big at the moment, I am confident it will increase to \$20 billion by the end of the century because we have lots of possibilities for cooperation, especially in gas, oil and electricity," Li said after the signing.

of 20 billion kilowatt hour electricity to China, the source President Jiang Zemin met earlier in the with the Chinese leaders for increased political and the Russian premier last in April and Li in December. The Russian premier made a preliminary holding regular meetings to boost cooperation.  
nomyrdin was accompanied by Russian Deputy Prime Minister Boris Yeltsin and three ministers. The delegation also expected to press for several projects, including a \$10-billion deal for electric dam on the Yangtze River and construction of a nuclear power plant in a province. Political relations between the former Communist rivals have warmed considerably since the last Soviet President Mikhail Gorbachev visited Beijing in 1989 and ended the three-decade Sino-Soviet split.

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# Russia, China sign six trade accords

Bilateral business worth \$20b targeted

RUSSIA, June 14 (AP) — Russia and China signed six trade accords on Monday, including one that would allow Russia to sell a maximum of 20 billion kilowatt hours of Siberian electricity to China, the sources said.

Chernomyrdin met earlier in the day with Chinese President Jiang Zemin and looked relaxed with the Chinese leaders, who both called for increased political and economic ties.

The Russian premier last met Jiang in Moscow in April and Li in December, when the two premiers made a preliminary agreement on holding regular meetings every six months to boost cooperation.

Chernomyrdin was accompanied by Russia's First Deputy Prime Minister Boris Nemtsov and three ministers.

The delegation was also expected to press for several major projects, including a \$10-billion deal to supply equipment for the Three Gorges hydro-electric dam on the Yangtze river and the construction of a nuclear power plant in Jiangsu province.

Political relations between the two communist rivals have warmed considerably since the last Soviet president Mikhail Gorbachev visited Beijing in 1989 and ended the three-decade Sino-Soviet split.

At a landmark Moscow summit in 1996, the presidents of Russia and China, Boris Yeltsin and Jiang Zemin, announced a new era in ties and called for a new "multi-polar" world order.

Although Sino-Russian trade has rebounded since the end of the Sino-Soviet split in 1989, it dropped off sharply five years later when trade all along the border region collapsed, due to an official ban on barter trade and a surfeit of poor-quality products.

In consequence, overall Sino-Russian trade plunged 33.8 percent in 1996, even by 1996 had only returned to \$7.68 billion, down from the 1993 peak of \$11.5 billion. Chernomyrdin said the Beijing last night after a brief stop in the southern economic zone of Shenzhen, which borders Hong Kong.

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# Bureaucratic corruption worsens ^ plight of China's rural poor

By CHARLES HUTZLER

**L**U Guangming plowed his rocky, sloping patch of farmland by hand and hoe only to see the muddy branch of the River Si swallow most of it last summer.

For Lu, flooding is part of an annual and seemingly futile struggle for survival that leaves him ever poorer. His less than half-acre plot - set in a gorge of gray limestone mottled with green scrub in southwestern China - cannot feed his family of six even in the best years.

With two-thirds of his staple corn crop drowned last year, he worked on a road gang to buy grain, got some from the state and borrowed some from a friend, the fourth or fifth person he owes.

"It never changes," Lu says, crouching in his hut of woven reed walls and thatched roof. His head of white hair rests near his pulled-up legs, bony from 50 years of hard labor and little food.

Lu is among China's poorest of the poor, one of 58 million rural orphans of the economic reforms that in 19 years have successfully lifted nearly 200 million others out of the most wretched poverty.

China's communist leaders, heirs of a peasant revolution who now rule from teeming, gleaming coastal cities, have come to see the bedrock poor as a drag on their legitimacy.

Communist Party General Secretary Jiang Zemin in January renewed a crusade to end rural China's worst poverty by 2000. He ordered spending and loans be increased to about \$1 billion annually.

Beijing's apparent political resolve and money, however, may not be enough to

overcome the rampant official corruption and indifference that have worsened the plight of the poor.

China defines its poorest as those making less than 530 yuan (\$64) a year, without enough food or decent homes. Beyond that severe definition, 300 million Chinese live on deprivation's brink, earning less than a dollar a day, the World Bank's international poverty standard.

Most of China's poor are minorities pushed to dusty plateaus, steep hillsides and other remote areas by centuries of Chinese migration and conquest. Land is scarce and sickly.

"Many people in China live in areas where they should not live. Those should be national parks; they shouldn't be for human habitation," says Pieter Bottelier, resident head of the World Bank's operations in China.

In the worst villages, according to bank experts, more than one of every 10 infants dies in the first year of life. Few children go to school, their parents unable to afford tuition. There are no roads and little good drinking water. Medical care is often dozens of kilometers away by foot.

For Lu, a member of the tiny Yao mi



JIANG ZEMIN: Vows to end rural poverty

nority, the nearest road is a two-hour walk across the craggy, fissured limestone outcroppings of Guangxi region's Lingyun county, 150 kms north of the Vietnam border. His family gets by on two meals a day: the corn, cassava and potatoes they grow and wild grasses they forage for.

His son had to quit secondary school because the fees were too high and his labor too crucial. His two daughters never attended. The 12 yuan (\$1.50) tuition was too much.

Lu's life of poverty is the type the Chinese government wants to end. As part of its anti-poverty efforts, a World Bank program targeting southwestern China's mainly minority farmers will enter Leaky Hill village later this year.

The \$486 million project aims to tackle poverty's causes and symptoms by building roads, schools and medical clinics, giving small loans to farmers and helping them find jobs off the farm.

In less than two years, health clinics have been built in 900 villages, 407 kms of roads laid, and 70,500 people given off-farm jobs.

"The very poorest sectors of society are where they were 20 years ago," says Alan Piazza, the crusading World Bank officer overseeing the project.

Piazza has had to battle corrupt local officials and hidebound bureaucrats who prefer building high-profile factories rather than clinics and schools.

Already, the project has built a clinic a half-hour walk from Leaky Hill. Lu hopes for a World Bank loan to buy a cow and some goats.

Halfway across the county, in Longfeng village, the project helped Hou Guiyong and her crippled husband land a \$300 loan to buy 13 goats last year. Now numbering 26, the goat herd has been used as collateral to buy more grain and will eventually be sold, if all goes well, to pay off chronic debts and the loan.

"This place isn't beautiful. It's too poor," Hou says, looking at her mud-floored home of wood planks. "Come back in a few years. We'll have more goats and the house will be fixed up." (AP)

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# Russians in Far East apprehensive about the future

/ By GARETH JONES

**J**A monument to the fighters for Soviet power in the ZIL Far East Towers proudly above the harbor in Vladivostok, guarding the eastern approaches to what is still the world's largest nation.

But Soviet power collapsed more than five years ago and the people of Russia's Far East, dogged by economic woes and a feeling that distant Moscow does not care, are looking nervously at their neighbors and wondering what the future holds.

Vladivostok, which means "ruler of the east" in Russian, lies close to the Chinese and North Korean borders and is only an hour's flight from Japan. Moscow is seven time zones to the west and 7,500 km away.

"Moscow is so far away. When we go there it feels like we're landing on another planet," said Natalya Vstovskaya, spokeswoman for regional governor Yevgeny Nazdatenko.

Things can look very different from the other end of Russia, as demonstrated last month by the local reaction to a border agreement between Russia and China.

Politicians in the Primorsky Krai region - of which Vladivostok is the capital - urged Moscow to halt its plans to hand over a sliver of land to Beijing under a border demarcation deal signed back in 1991.

They also called for a referendum on the plan, which will give China limited access to the Sea of Japan.

Opponents of the deal, led by Nazdratenko, claim that it

will fatally undermine Vladivostok's position as the major port and transport and telecommunications hub of the region.

"The transfer of even a small piece of land to China sends a signal that Russia is terminally enfeebled," said a pamphlet entitled "why we should not give up our land" published this year by a group of local experts with Nazdratenko's blessing.

The border dispute reveals a deeper local unease about Beijing's growing economic and political clout that contrasts sharply with Moscow's enthusiastic hosting of Chinese President Jiang Zemin last month.

Vladivostok was built in the last century largely by Chinese and Korean laborers on land imperial China regarded as its own.

"Maps are still used in Chinese schools that show large swatches of the Russian Far East marked as territory illegally taken by tsarist Russia," said Viktor Larin, director of Vladivostok's Institute of History, Archaeology and Ethnography.

"I am 100 percent certain that raising people on such ideas is storing up all sorts of problems for the future," said Larin, a specialist on Chinese history who speaks Mandarin.

"Of course Russia needs good relations with China but it was a mistake to make territorial concessions," he said.

The demographic balance helps explain local reticence. The vast Russian Far East region, blessed with natural resources like oil, minerals and timber, has only about eight

million people. China is the world's most populous nation.

Primorsky Krai has also suffered from an influx of Chinese poachers, illegal workers and drug traffickers since Russia opened its border in 1992.

"China is not a threat to the Russian Far East today but in 20 or 30 years it could pose one," said Larin, "Not necessarily a military threat but an economic or ecological one, certainly."

Opponents of the border demarcation deal are also concerned that it sets a precedent for Russian concessions in other territorial disputes.

Russia has still to fully normalize relations with Japan because of a five-decade-long row over four windswept islands in the Pacific seized by the Soviet army at the end of World War II.

Tokyo claims the islands as its northern territories and Moscow's refusal to return them has so far blocked a peace treaty formally ending hostilities between the two neighbors.

Nevertheless, Russia is an important source of raw materials for resource-poor, densely populated Japan and the big Japanese trading houses are very active in Primorsky Krai.

Signalling a slow thaw in official ties, a Japanese warship visited Vladivostok last year for the first time since 1925 and a Russian vessel is expected to make a reciprocal trip to Japan. The Russian and Japanese defense ministers, recently exchanged visits for the first time. (Reuter)

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# Burial of Chiang's body a bitter pill for Taiwanese

2/12/96

By KEVIN CHEN

TWENTY-one years after the death of generalissimo Chiang Kai-shek, the long-serving strongman ty still cannot rest in peace. The body of Chiang, who power on the Chinese mainland traction - while party elders and The issue has become an era and surviving family members back to his native China in a state. But reflecting the once-popular ade-old democratic renaissance that could complicate Taipei's Further denting support for claim a determined mission to tarian era but one that has little Chiang's Republic of China civil war to Mao Zedong's control. Throughout his rule in Taiwan just Taiwan.

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# China expo ends with <sup>u</sup> \$17.8m in deals signed

JEDDAH, Dec. 8 — The China Trade Exhibition has concluded with \$17.8 million worth of deals being signed.

According to Wang Rui, an official with the China Chamber of International Commerce and a representative of the China Council for the Promotion of International Trade which organized the exhibition, the signed deals are on items such as color TV sets and washing machines. Other deals struck include those for mini-trucks, light industrial products, shoes, textiles and garments.

Accounting for the success of the exhibition, Rui said that Chinese TV sets were much cheaper than those from Japan and

South Korea but made to similar standards. He said that with the support of the Saudi agent, they will have their share of the market in a very short period.

Rui added that people were always impressed by the lower prices of Chinese products.

He stressed that great efforts had been made to change the image of Chinese products as being only textiles, garments and light industrial products.

About 65 Chinese companies and manufacturers from 14 provinces took part in the exhibition and displayed a variety of products ranging from machinery to high-tech articles.

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# China likely to accept Delhi's rule in Sikkim

NEW DELHI, Dec. 16 (R) — China is moving toward conceding India's annexation of the Himalayan region of Sikkim, disputed by Beijing since New Delhi took it over in 1975, Foreign Minister Indira Kumar Gujral said today.

Gujral told Parliament he discussed Sikkim with Chinese President Jiang Zemin during his visit to India last month.

"The impression I got was that there was a move in China to accept India's contention on Sikkim," Gujral said, adding that he hoped for "some worthwhile result" when officials met at a later date. He did not elaborate.

Jiang's visit to New Delhi was marked by an agreement to reduce troops and arms along the Himalayan border. The pact flashed out an agreement in principle signed by former Prime Minister P.V. Narasimha Rao in Beijing in 1993.

Gujral said that when India and China discussed boundary issues, it was implied that Sikkim would belong to India once the two sides put aside their longstanding quarrels and agreed on a common border.

China claims large parts of Arunachal Pradesh and Sikkim, both states in northeastern India. Chinese officials have in the past said Beijing was ready to concede the annexation of Sikkim to India, but no agreement has been reached.

The border dispute led to a brief war between the two countries in 1962. Relations

thawed in 1988 when then Indian Prime Minister Rajiv Gandhi visited Beijing.

The issue of the 4,500-kilometer (2,800-mile) frontier is viewed as central to problems between the two countries, home to one third of the world's population.

Sikkim is strategically vital to India as it borders Tibet. It is hedged by Nepal in the west, Tibet in the north and east, Bhutan in the southeast and India's eastern state of West Bengal in the south.

Sikkim was a British protectorate from 1886 until 1947 when India became independent. Three years later it became an Indian protectorate.

Between 1973 and 1975, partly as a result of uprisings, the ruler of the protectorate was progressively deprived of his powers. It was peacefully incorporated into India as a state in 1975 after its legislature voted to abolish the monarchy and join the Indian union.

China claims some 90,000 square kilometers (35,000 square miles) of Arunachal Pradesh state.

India says Beijing occupies about 33,000 square kilometers (13,000 square miles) of the Aksai Chin region which it says is part of Delhi's Jammu and Kashmir state.

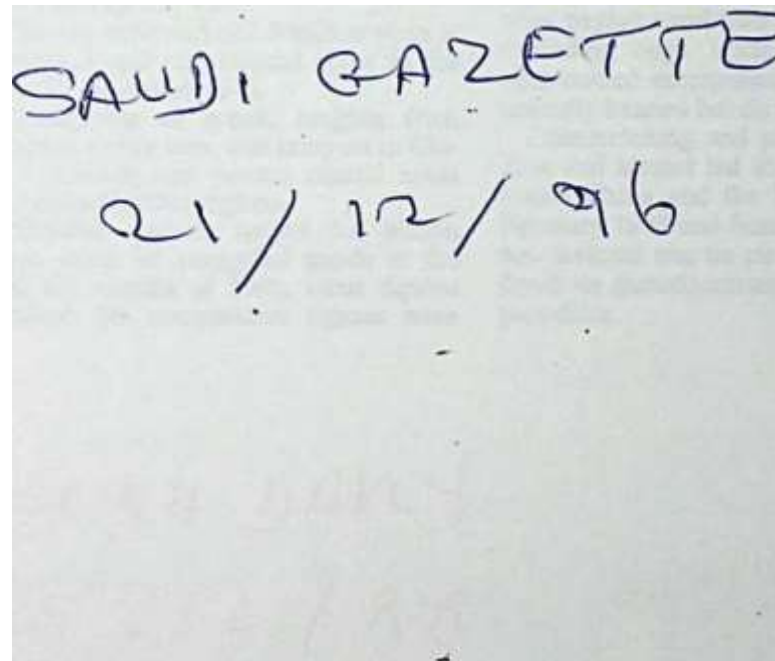
During the talks last month, both sides said the agreement on confidence-building measures in military areas along the line of actual control could lead to troop and weapon cutbacks.

**CHINA'S AGED POPULATION INCREASING:** One in four Chinese will be aged 60 or over in a little more than 40 years' time as its 1.2 billion population "ages" faster : than the rest of the world, Xinhua reported in Beijing on Friday. The dispatch quoted experts as saying that China's aged population would increase to 132 million by the end of 2000 and climb to 374 million by 2040 from 110 million in 1994. By 2040, 24.48 percent of the total population would be sexagenarian, the official news agency quoted experts of the Chinese association of the elderly as saying. "The increasing scale of the aging population in China is probably the largest in the world," the experts said. - AFP. V

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BEIJING (R) - China vowed on Tuesday\* to intensify a crackdown on economic disorder in 1997, citing tax evasion, financial irregularities, smuggling and counterfeiting as some ills that cost the state billions of dollars a year.

"Basically, the situation of economic disorder still has not changed. Some problems are even considerably serious," the official *People's Daily* said in a commentary.

Chinese authorities uncovered tax, auditing and pricing violations valued at 161 billion yuan (\$19.4 billion) in the past 11 years, or an average of 14.6 billion yuan a year, the commentary said.

"Increasing the intensity of regulating and revamping economic order has become an important mission which brooks no delay," the mouthpiece of the ruling Communist Party said.

"We cannot be soft when dealing a blow to various economic crimes," the commentary said.

Tax evasion and smuggling were now rife, springing up along with market-oriented economic reforms introduced by a paramount leader Deng Xiaoping in

the late 1970s.

State media said taxpayers had evaded personal income tax worth an estimated 12 billion yuan since the tax was introduced in 1980.

Up to 60 percent of state-run or collective firms in China evaded taxes, the media said. It gave no figures.

"Many enterprises have two sets of accounting books and fabricate financial statements, budgets, sales and asset appraisal," the commentary said.

Chinese companies owed 35.7 billion yuan in industrial and commercial taxes in the first 11 months of 1996, up 72.9 percent from the year-ago period, *Xinhua* news agency said.

Beijing collected 563.9 billion yuan in industrial and commercial taxes in the first 11 months of 1995.

Smuggling of goods, ranging from drugs to stolen cars, was rampant in China's thriving and porous coastal areas and inland border regions.

Chinese customs seized 5.6 billion yuan worth of smuggled goods in the first six months of 1996, latest figures showed. No comparative figures were

available. : • ' • " -

Cheng Xiusheng, an economist with the development research center under the cabinet, said economic disorder was inevitable as China abandoned central planning and embraced market reforms.

The authorities have reined in galloping inflation, allowing them to now turn their attention to restoring economic order, Cheng said. •

"It can be said that inflation is under control... the next step is to revamp economic order," he told Reuters in a telephone interview.

The *People's Daily* said financial irregularities, including financial institutions paying exorbitant interest rates and extending huge loans to loss-making state-owned enterprises, have been "repeatedly banned but do not stop."

Counterfeiting and piracy were common and almost led to a trade war between China and the United States in February 1995 and June this year. China has declared war on piracy and clamped down on manufacturers of pirated compact discs.

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# Foreign banks in China allowed to lend in yuan

SHANGHAI, Dec. 25 (AFP)

THE People's Bank of China (PBoC) has issued new rules which will govern what could turn out to be the most lucrative line of business for foreign banks in China: the ability to lend money in local currency.

•A copy of the regulations governing local currency business for foreign banks based in Shanghai's Pudong economic area, dated December 23, was obtained today. Most foreign banks in Shanghai are now based in the old part of the city, but would have to move to Pudong to qualify for the foreign currency business.

Foreign banks in China are now restricted to doing business in foreign currency, which severely limits their scope of business. There was no indication of which banks might first receive permission to lend in local currency.\*

According to the rules, approved foreign financial institutions would be allowed to take yuan deposits from foreign-invested enterprises and individuals only, and will be able to lend or guarantee yuan loans to foreign companies.

The interest rates governing such transactions, however, have to be in line with those set by the central bank.

The rules stipulate that foreign financial institutions will have to convert the equivalent of 30 million yuan (\$3.6 million) in foreign currency to begin doing yuan business.

They will also be able to borrow short-term yuan from the central bank "if necessary" or borrow local currency from the unified inter-bank market, which is now restricted to local banks, but under conditions yet to be set by the central bank.

Foreign finance companies and joint venture finance companies' yuan business will be restricted to accepting deposits of more than one million yuan for at least six months' duration.

Foreign banks can do bill settlement in the Chinese currency but, foreign finance companies or joint venture finance companies. Approved institutions will also be allowed to invest in treasury and other bonds. To qualify for a yuan trading permit, banks must have operated in China for at least three years and have been profitable for two consecutive years be-

fore making the application.

Bank branches must also have a foreign exchange loan balance averaging at least \$150 million every month, while for joint-venture banks and financial companies, the figure was \$100 million or more than 50 percent of their gross foreign exchange assets.

They also must keep reserves with the PBoC's branch in Shanghai, the amount of which would be decided later.

Their yuan liabilities will not be allowed to exceed 35 percent of their gross foreign exchange debts in Shanghai.

They must also comply with the PBoC's accounting and financial management practices and separate their yuan and hard currency businesses.

A tax would be levied on foreign financial institutions' yuan transactions, but the amount was not specified. The regulation only said that profit after taxation could be converted into hard currency and repatriated.

The applications to do yuan business must be approved first by the Shanghai branch of the central bank before being submitted to Beijing for final approval.

# Russia, China power station deal sign

MOSCOW, Dec. 27 (AFP)

CHINA and Russia signed a framework agreement in Moscow today for the construction of a nuclear power station in China's eastern province of Jiangsu, Russian news agencies reported.

They said the signature came after a meeting between Russian Prime Minister Viktor Chernomyrdin and his Chinese counterpart, Li Peng.

The two premiers also decided to meet twice a year in future in connection with a joint governmental commission, such as already exist between Russia and the United

i France.

The decision is aimed at "upgrading trade, economic and technical cooperation" between the two countries, whose "economies are complementary", Li Peng said as quoted by Interfax news agency. The two leaders' next meeting will be in Beijing.

Speaking of the planned nuclear power plant, Russian Nuclear Energy Minister I asked the Russians not to disclose the value of the contract, but that construction of such

a plant on average represents an amount of \$3 to \$4 billion.

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# 9,000 China party cadres ^ accused of

BEIJING, 24 Dec. (AFP) — Nearly 9,000 Chinese Communist Party cadres were investigated for corruption in the first eleven months of this year, the China News Service (CNS) reported today.

Among the cadres suspected of bribery, misappropriation of funds and patronage, 2,387 were middle or high-ranking civil servants, a rise of 10.9 percent over the same period last year, the agency said.

Furthermore, 2,522 functionaries, belonging mostly to the police, the judiciary, industrial and commercial administrations and tax authorities, were dismissed or resigned between July of last year and November this year, the China Daily reported.

Since 1993, more than 200,000 cases of corruption have come before China's courts.

Last month, a suspended death sentence was upheld by the supreme court on Zhou Beifang — son of the former head of the steel giant Shougang.

The sentence handed to Zhou — one of the so-called "princelings" — attracted widespread publicity as his father was a close friend of China's patriarch, Deng Xiaoping. But the case of former Beijing Communist Party figure Chen Xitong, sacked in April 1995 for diverting \$22 billion of public funds, has led to considerable skepticism over the government's ability to quash corruption.

Chen, who is still under house arrest, continues to benefit from political protection, sources say.

"The investigation into Chen Xitong is still under way, and the fate of that investigation is in the hands of the central party disciplinary committee," acting Beijing Mayor Jia Qinglin told journalists yesterday.

"It is inconceivable that there will be no result," Jia said, while refusing to confirm whether Chen would face criminal charges and a trial.

ARAB NEWS  
25/12/97

China plans to crack down on economic order, he told Reuters in a

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# China plans to crack down

# BBC denies being soft on China

LONDON, Dec. 2 (R) — The British Broadcasting Corporation (BBC) denied yesterday that its reporting of China is being influenced by its commercial interests.

A British Sunday newspaper, The Observer, said the BBC was anxious not to provoke Beijing as it needed as many reporters as possible in the country in the runup to next year's handover of Hong Kong. The Observer said the BBC's trade links with China were "currently at an all time high". The corporation is negotiating to broadcast its World Television in China and has sold multimedia packages and television programmes there. "The suggestion is totally (also," said Bob Phillis, deputy director general and chief executive of BBC Worldwide, and Tony Hall, chief executive of BBC News, in a statement.

"It is simply untrue to suggest that there has been, or ever would be, pressure placed on BBC journalists to distort or soft-pedal stories in order to cater for BBC commercial interests. "The BBC?

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# / China calls for nuclear-free South Asia

ISLAMABAD, Dec. 2 (AP) — Warning that instability in South Asia is a threat to the entire region, China's President Jiang Zemin pressed today for declaring South Asia a nuclear-free zone.

"China will support the proposal and initiative for the establishment of South Asia nuclear-free zone and an Indian Ocean zone of peace," Jiang said in a speech to the Pakistan Senate or upper house of parliament. Jiang, who is in Pakistan on a four-day visit, outlined China's policy on South Asia during his 20-minute address.

Originally Jiang was to address a joint sitting of parliament, but last Nov. 5 Pakistan President Farooq Leghari dissolved the more powerful, lawmaking lower house of parliament, led by Prime Minister Benazir Bhutto.

Jiang said Pakistan and China have been friends for 45 years because neither country

has interfered in the other's internal affairs. Pakistan refuses to recognize Taiwan, does not sympathize with Tibet and has never criticized China's human rights record.

In return, China has been a key trading partner of Pakistan's and has been generous in sharing technology with Islamabad.

The United States has accused China of sharing nuclear technology and has threatened sanctions twice in the past two years. Last year Washington accused China of selling Pakistan M-11 missiles, capable of carrying a nuclear warhead and upsetting the military balance in the region.

The U.S. administration also threatened China with sanctions over the alleged sale of ring magnets, used in the construction of a nuclear bomb. ,

Both China and Pakistan have denied the exchange of either nuclear equipment or technology.

Because both Pakistan and its often hostile neighbor India are believed to be capable of making a nuclear bomb, many defense analysts believe South Asia is one of the most volatile regions in the world. The two countries have fought three wars since 1947, when the British gave the Asian subcontinent its independence and created Pakistan and India. "South Asia is an important part of Asia... Without its stability and development, there can be no peace and prosperity in Asia as a whole," Jiang said.

During his 20-minute speech Jiang also called for greater intra-Asia trade links, although he didn't offer any specifics.

Since his arrival yesterday, Jiang and his Pakistan counterpart have signed seven different agreements, all trade related.

A Chinese spokesman however said no military agreements will be signed during the visit.



# 7 Jiang moves to retain power after Deng

By Benjamin Kang-lim,  
Beijing

CHINA'S Communist Party leader Jiang Zemin appears to be making all the right moves to shore up his position to retain power after the death of paramount leader Deng Xiaoping, diplomats and analysts said on Friday.

Jiang has declared war on corruption, crime and poverty — scourges that have plagued China for centuries and led to the downfall of many a dynasty.

In his latest move, he used the party's four-day, annual closed-door plenum that ended in Beijing on Thursday to resurrect ideological puritanism — spiritual civilization — which has been eroded by nearly two decades of economic reforms. Whether Jiang would be able to stave off challenges from rivals in the party and cling to power in the post-Deng era hinged in part on the crucial 15th party congress to be held in late 1997, diplomats and analysts

China's political heavyweights will be jockeying for position in the run-up to next year's congress, a five-yearly opportunity for reshuffles in the party's powerful Politburo and its yet more influential Standing Committee.

Chinese sources say the Communist Party is debating a plan to revive the post of chairman and to create one or two vice chairman positions — one of which could be given to premier Li Peng, a loose ally of Jiang whose term ends in 1998. Li is required by the constitution to step down as premier in 1998 after serving two six-year terms and is keen to find another job to remain in the top echelons of power.

Armed with the weapon of spiritual civilization — Communist jargon for toeing the party line — Jiang is battling to avoid the fate of his two predecessors, analysts said.

Hu Yaobang and Zhao Ziyang were sacked from the party's general secretary post in 1987 and 1989 respectively because their "grip on ma-

terial civilization was tight but their grip on spiritual civilization was loose", one Chinese analyst said.

"They did not pay enough attention to ensuring that the party's position could not be challenged... That was what brought them down," an Asian diplomat said of Hu and Zhao.

A plenum communiqué attested to Jiang's worries. "From the start to the end, we should be resolute on tightening the grip on both," the plenum communiqué said. "At no time can we sacrifice spiritual values in the name of momentary economic development."

The spiritual civilization campaign aims to create a Communist utopia — stamp out superstition, tighten the party's grip on media, instill politically correct values and create heroes and model workers whose orthodox Marxist behavior the populace at large should strive to emulate.

It is hardly rousing stuff. But Jiang may be desperate.

Analysts said Jiang remained overshadowed by Deng, architect of the

market-oriented economic reforms and still influential even without an official post and despite increasingly fragile health.

"In the midst of his great triumph, Jiang Zemin if he is all that powerful...there is no need for him to go out of his way to mention Deng Xiaoping," a Western diplomat said referring to the communiqué that tips its hat to Deng.

"Jiang Zemin...is still in consolidation mode...in the process of selling himself," he said. "The jury is still out." Jiang is eager to consolidate his power base even after amassing the three most important positions in China — general secretary of the Communist Party, state president and chairman of party's powerful Central Military Commission. Many diplomats see Jiang as a transitional figure after the death of Deng, which is widely expected to trigger a scramble for power among those eager to succeed him as the de facto emperor of the world's most populous nation. (R)



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JIANG: Consolidates power



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# China calls for 'last chance' war on AIDS

BEIJING, Oct. 17 (R) — Chinese officials have called for a war on AIDS, warning that the nation is in danger of losing its last chance to slow the invasion and spread of the disease, state media said today.

Time was running out to guard against AIDS spreading through the populations of neighboring countries, Peng Qizhong, minister of the National Commission on AIDS, said at a national meeting on AIDS in Beijing. From now until the end of the year is the last time for our nation to win a war on AIDS, the official spokesman said.

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efficiency syndrome) in recent years on infection via drug addicts in southwestern provinces close to the "Golden Triangle" and heroin production area that includes parts of Thailand, Laos and Burma.

Chinese HIV/AIDS epidemics in neighboring countries may have an impact on the HIV epidemic, said Health Ministry spokesman. "A large number of minorities in the border areas are suffering from HIV infection," he said. "These health officials would continue to work with the national blood bank and the Ministry of Education to spread AIDS prevention knowledge."

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# A new controversy in China

R.D By STEVEN MUFSON

22/10/96

A surprising controversy has slipped into the open in China, where political feuds are usually kept behind closed doors. The issue: Do China's economic reforms threaten the power of the ruling Communist Party?

The debate has cast one of the country's leading voices of Communist orthodoxy, former party propaganda chief Deng Liqun, opposite one of the leading voices of economic reform, Cao Siyuan, an economic consultant who was ousted from his official posts and detained for nearly a year in the crackdown that followed the 1989 democracy movement.

China's economic reforms have been the centerpiece of the Deng Xiaoping era — and rarely has anyone dared question them. But that era is drawing to a close as the 92-year-old leader fades from the political scene. And that has rekindled a struggle over where the Communist Party wants to go and whether economic success will be enough to buy loyalty to the party.

Deng Liqun, known here as "Little Deng" and no relation to Deng Xiaoping, is considered the inspiration behind a probing article known as "The 10,000-Character Essay." In it, Little Deng and his supporters warn that the current direction of economic reforms is eroding state control of the economy and is creating a powerful new bourgeoisie that will threaten the power of the Communist Party. They call on the party to pay attention to classes, "class contradictions and class struggle" in order to hang onto power.

Though Little Deng has denied authorship, the essay bears the stamp of his views and was probably written last year by supporters in government think tanks. It has been circulating quietly since then among influential leaders, and parts of it seem to be finding echoes in recent leadership pronouncements and government propaganda.

"In order to draw a lesson from the '1989 disturbance' and prevent a repetition of the toppling of the political power of the proletariat of Eastern Europe and the Soviet Union, we must conduct a careful analysis of all factors affecting China's state security," the essay says. Otherwise, it warns, "when a political storm does come and we find ourselves in an unfavorable situation, it may be too late to change the situation."

Cao, a cheerful, rotund bankruptcy expert who has taken aim at some of China's industrial dinosaurs, said Little Deng and his allies want to "turn back the clock to the Cultural Revolution. I don't think that's even possible."

In response to the essay, Cao wrote an article published this summer in the *Economic Work Monthly* in Guizhou Province, accusing the essay's authors of "totally repudiating" the policies of the past 17 years and "stirring up ideological confusion." As for Little Deng's call for "class struggle," reminiscent of Mao Zedong's chaotic Cultural Revolution of 1966-76, Cao asks, "Have the Chinese people and the Communist Party not

suffered enough from this?"

Maybe not. Many of the themes sounded by Deng Liqun and his allies are seeping into the rhetoric of Chinese leaders. And with Little Deng's allies in the propaganda department, the official state-owned media have taken up many of the issues in the essay. Those allies also arranged to ban the reprinting of Cao's article.

Many of the themes Little Deng has sounded were echoed at last week's closed-door plenary session of the ruling Communist Party. The call for raising "spiritual civilization" is a more-positive spin on Little Deng's battle against "spiritual pollution" in the early 1980s. The call for a "correct line" in the arts resembles Little Deng's views on preventing "peaceful evolution" and "bourgeois liberalization."

It is extraordinary that Deng Liqun, 81, is around at all. On at least four occasions over the past 10 years, his career appeared to be over because of political infighting or the death of his patrons. Little Deng has been trying hard to woo President and Communist Party chief Jiang Zemin, for whom he co-wrote a major leftist speech in 1991. Sources say former aides of Deng Liqun are now key Jiang aides.

Like neo-nationalists, neo-conservatives and neo-authoritarians, Little Deng and his allies have tried to capitalize on an undercurrent of dissatisfaction among many Chinese about the way Chinese society has changed.

Instead of hailing the growing prosperity of China, the essay's authors are revolted by lavish wealth, conspicuous consumption and the material aspirations of their fellow citizens.

Although one of the slogans of the Deng Xiaoping era was "to get rich is glorious," the essay's authors find little to celebrate. Money is not only the condition for material comfort but has also become the criterion for the media to judge a man's social value and career," they said.

They also condemn the flood of foreign culture and products, the "worshipping of everything foreign" and the yearning for the capitalist world."

Little Deng's allies view changes in the economy strategically. They fret that the decline in the state sector has created a strong private sector and a "new bourgeoisie" that they say will inevitably "weaken the party's leading position." The state sector's share of China's industrial output dropped from 76 percent in 1980 to 48.3 percent in mid-1994, the essay notes disapprovingly.

The essay also laments the growth of joint ventures and foreign investment, which now account for 30 percent of China's gross national product.

"The growth in foreign capital is conducive to China's economic development, but it will also make China's economy more dependent on other countries. Compared to the past, we will easily be manipulated by others," the authors said.

(Washington Post)

Like neo-nationalists, neoconservatives and neo-authoritarians, Little Deng and his allies have tried to capitalize on an undercurrent of dissatisfaction among many Chinese about the way Chinese society has changed.

# Chinese choose young leaders



Chinese President Yang Shangkun votes on one of the last agenda items during the closing session of the 14th Communist Party Congress in Beijing Sunday. (AP)

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Deng Nan, a daughter of Deng Xiaoping, whispers into the ear of the 87-year-old patriarch during Deng's public appearance in Shenzhen in March this year.

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By Jane Macartney



ANG Dan's name cards describe him as "free man" and "world citizen", but for the next 11 years the democracy activist's world will be a prison.

The disappearance of the 27-year-old into the Chinese gulag on Wednesday signalled a tightening of the communist party's grip on all aspects of life - from religion to crime, from where people may speak to where they may spit. The sentencing of the former leader of the 1989 Tiananmen Square pro-democracy demonstrations left only a handful of the country's dissidents free.

The Beijing Number-one Intermediate People's Court took less than four hours to convict Wang Dan of plotting to subvert the government. "What do they really think they have to be afraid of from people like me?" said one prominent dissident after learning that Wang Dan had been jailed.

"Of course, they don't really believe that a kid in his 20s poses a threat," said the dissident, who like others interviewed recently, declined to be identified. "But by putting him in jail they create a hostage who they can release whenever they feel they need to make a gesture on human rights to the West," said the dissident, who spent the day of Wang's trial with a policeman posted in his living room.

**The dissident is one of a rapidly dwindling band still at liberty in China. Most are either sentenced to lengthy jail terms**

**or just keeping their heads down while the security organs remove what it sees as**

**potential threat to party rule.**

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The dissident is one of a rapidly dwindling band still at liberty in China. Most are either sentenced to lengthy jail terms, serving in labour camps, living in voluntary exile or enforced banishment overseas or just keeping their heads down while the security apparatus seeks pretexts to lock them up and remove what it sees as a potential threat to party rule.

"Don't think for a moment that the aim of sending Wang Dan to jail is just to frighten people like me," said the dissident. "This is a warning to the United States that says 'we can be tough to our own people and we can be tough to you, too,'" he said.

This week, a US State Department official underlined the tensions in the Sino-US relationship by describing China's current leadership as the most difficult that Washington has had to deal within 25 years. When US Secretary of State Warren Christopher comes to China in late November he will find few dissidents to add to his reception party guest list.

Historian Bao Zunxin, a veteran of the ill-fated 1989 pro-democracy demonstrations who wrote a letter to the government this year calling for a crackdown on corruption, lives quietly in Beijing. Outspoken environmental champion and author Dai Qing - who spent months in prison after the June 4, 1989, military crackdown in Tiananmen Square - writes, campaigns against the huge three Gorges dam on the Yangtze river and often gives interviews in Beijing to foreign reporters.

Veteran democracy activist Xu Wenli this year completed a 15-year prison term for subversion but has kept silent since a police ban on meeting foreigners and publishing his writings. Ren Wanding, like Xu, a veteran of the 1979 democracy wall movement, was released this year from a seven-year-term for his role in the 1989 student movement. - Rtr

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At the same time, the number of China's islands is 5,000, instead of the previously announced 3,300," Xinhua said, without giving details on the location of the islands.

Other statistics gleaned by the satellite's powerful camera will have significant repercussions for geological forecasting, oil exploration and mineral prospecting, it added.

China has launched 17 retrievable satellites since 1975 and successfully retrieved 16 of them.

# China to launch new defense programs

BEIJING, Oct. 7 (AFP) — China is accelerating its defense program and plans to launch 20 satellites and develop new advanced weaponry by the turn of the century, Xinhua reported today.

According to a Xinhua source who attended a top-level symposium held by the commission of science, technology and industry for national defense, China will also launch more than 1,000 experiments related to national defense by the end of the century.

Although China claims that it will only spend \$8.4 billion on defense this year, the London-based International Institute of Strategic Studies estimates 1994 military expenses were \$28 billion.

The World Bank has an even higher estimate of between \$37 and \$52 billion a year between 1990 and 1995.

However, China's satellite launches have been plagued with a series of disasters culminating in the explosion of a malfunctioning rocket shortly after lift off on Feb. 15. The state of the army's weaponry also came into question during China's war games against Taiwan in March, when bad weather basically closed down the entire operation.

Meanwhile, diplomats and analysts said that maintaining the Communist Party's absolute grip on power will be the only major issue discussed at the highly- secretive party plenum which opened today in Beijing. "In this plenum, internal politics are more or less united on economic growth as the only way forward. The only outstanding issue is maintaining the party's grip on power," said a well-placed Chinese academic in the capital.

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# [/China hails soft landing of economy^ though World Bank expresses doubt

BEIJING, Oct 6 (Rtr) . .

CHINA'S economy has landed softly after belt-tightening to dampen soaring inflation but details of a World Bank report today indicate the credit squeeze may have slowed the economy far faster than officials will admit.

China's economic growth was running at just seven percent in the late summer months compared with an official figure of 9.8 percent for the first half, Hong Kong's South China *Morning Post* today quoted the World Bank as saying.

Economic analysts have warned for several months that China's growth may be lower than official figures show, citing a sharp slowdown in investment in fixed assets as well as a poor export performance in the middle of the year.

However, an official report by the Chinese Academy of Social Sciences and the State Statistics Bureau today said China expected gross domestic product (GDP) to grow by about 10 percent in 1996, rising to 10.3 percent in 1997.

China's GDP grew by 10.2 percent in 1995 and Beijing has set an official minimum growth target of eight percent for 1996.

The World Bank report quoted in the South China *Morning Post* said the situation in China's lumbering state sector gave serious cause for alarm. About 17 percent of GDP was now created by products from state-owned factories which could generally not be sold — more than double the figure quoted by the World Bank last year and demonstrating a rapid deterioration, it said.

The World Bank cited high unemployment, of about 10 percent in urban areas, and even as high as 30 percent in some cities, compared with an official figure of 3.8 percent nationwide.

Economic tsar Zhu Rongji said last month that China's economic development had maintained steady growth in the first eight months, with the economy displaying its best performance since the credit squeeze was imposed in 1993.

Chinese officials may be reluctant to reveal a slowdown that could open the door to criticism when a power struggle is under way as paramount leader Deng Xiaoping fades from the scene and with a crucial Communist Party congress due late next year.

"The Chinese economy has basically achieved a 'soft landing' thanks to a tight monetary policy adopted since the second half of 1993," the *Economic Information Daily* today quoted the State Statistics Bureau report as saying.

Inflation would drop to about seven percent in 1996, falling to 6.7 percent in 1997, it said. Inflation was 14.8 percent in 1995, with an official target of 10 percent set for this year.

Fixed asset investment would climb to 2.35 trillion yuan (\$283 billion) in 1996, a 'rise in real terms of 10.7 percent compared with last year, the report said.

Economists have warned the rate is too low to ensure economic growth of nine percent and recommended 12 percent

# Ties with Russia, China: V challenge for Clinton

WASHINGTON (AFP) - China and Russia are shaping up as serious challenges to President Bill Clinton as he heads into a second term that aides hope will produce the greatest diplomatic achievements of the post-Cold War era.

But Clinton, eager to leave his mark on history, will also find a string of pressing issues awaiting him upon his return to the White House, including the fate of US troops in Bosnia, Israeli-Palestinian peace accords and Iraq.

And the re-election of an opposition-ruled Congress, determined to keep the Democratic president in the line of fire, is expected to mount roadblocks in the way of Clinton's desire to be an accomplished statesman.

Presidential aides say they expect Clinton to carve out a greater role for himself in foreign affairs during the second term, contrary to his first term, when fixing the US economy was the priority.

In his acceptance speech Wednesday, Clinton said "we must keep America the world's indispensable nation - finishing the unfinished business of the Cold War, meeting the new threats to our security through terrorism and the proliferation of dangerous weapons, and seizing these extraordinary opportunities to extend our values of peace and democracy and prosperity."

Clinton aides say the president has learned much over the past four years as he tackled the war in Bosnia, the nuclear threat from North Korea and the democratic transition in Haiti.

In the final weeks of his re-election

campaign, Clinton laid out a plan for enlarging the North Atlantic Treaty Organization in 1999 to include countries that were formerly in Moscow's orbit.

NATO enlargement, the most ambitious proposal for strengthening European security since the Marshall Plan, has been, steadfastly opposed by Russia, which has warned such a move could restart the Cold War.

An all-out diplomatic effort is expected to be unleashed to persuade Moscow that NATO enlargement is not a threat and that Russia should sign a charter of cooperation with NATO next year.

Concerning China, Clinton has vowed to seek improved relations following last year's diplomatic crisis over the decision to grant a visa to Taiwan's President Lee Teng-hui to visit the United States.

The decision was seen by China as an attempt by the United States to elevate its relationship with Taiwan, which currently is limited to trade and cultural contacts.

Beijing considers the island to be a renegade province and established relations with the United States in 1979 with the understanding that it was the sole legitimate government for China.

Secretary of State Warren Christopher is scheduled to make a key visit to Beijing\* next week to prepare regular summits with the Chinese leadership.

A summit between Clinton and his Chinese counterpart Jiang Zemin may be announced after Christopher's visit November 18 to 21, a senior State Department official said Tuesday.

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# China's water project to tame Yellow River

By SCOTT HILUS

**W**HAT do you do with a river that rises 10 cm (four inches) a year and already looms periodically over cities that sit under the shadow of the dikes that hold it in?

China believes the answer, at least for now, is its multi-billion dollar Xiaolangdi dam project, in the central province of Henan.

Through the centuries, deposits of silt have raised the bed of the Yellow River, so high that its waters now look down upon many cities and towns along its banks.

"In the past, hundreds of years the dikes have been raised many times so that the river is higher than the surrounding area in many places," said Wang Xianru, deputy director of the Yellow River Water and Hydropower Development Corp.

Beijing spends \$1.2 billion each decade on shoring up the banks to keep at bay the threat that could claim tens of millions of lives should the river burst its dikes.

Some 4,000 villages were wiped out and untold millions of peasants drowned in 1938 when nationalist leader Chiang Kai-Shek ordered the dikes blown up to try to halt advancing Japanese invaders.

At the core of the \$4.17 billion project near Henan's capital Zhengzhou is a 154-meter (500-ft) rock and earth-filled dam laced with a complex web of 16 tunnels that also thread through the river's left bank.

The tunnels are intended to regulate the river's huge silt load and erratic water flow.

"Electricity generation is only a lesser priority of the Xiaolangdi project, with flood control being first," said Wang, whose company is in charge of the project.

Engineers spent 30 years designing the dam, which will be the largest of its kind in China. It is far more intricate than its much bigger, more expensive and highly publicized cousin at the three Gorges on the Yangtze River.

"The project has several characteristics, one of which is its complexity," Wang said, gesturing to the 14.5-meterwide (47-ft) tunnels that burrow more than one km (3,300 ft) through a hill on the left bank of the river.

"The rock conditions here are not very good, so it is very difficult to proceed with the job," he said.

A vast 12.5 billion-cubic-meter (441 billion-cubic-ft) reservoir behind the dam is to serve as a catch basin for silt and will be capable of holding 7.5 billion cubic meters (265 billion cubic ft) of sediment before it finally fills up after about 30 years.

Wang said he hoped the temporary halt in the flow of silt would buy time to come up with a more permanent solution. "At that time, our children will think of something to do," he said.

The reservoir would also allow dam operators to regulate the Yellow River's notoriously fitful flow, which fluctuated between a dawdling 1,500 cubic meters

(53 cubic ft) per second and a raging 16,000 cubic meters (565,000 cubic ft) per second, Wang said. ...

Although water levels are now at record lows, the river has claimed tens of millions of lives over the centuries, earning it the moniker "China's sorrow."

The World Bank is helping to bankroll Xiaolangdi because the project was deemed too risky to attract private investment, said Pieter Bottelier, chief of the World Bank's China mission.

The project would use more than \$1,109 billion in foreign funds, with \$1 billion of that coming from a World Bank loan and the remainder from foreign commercial credits, Wang said.

Six 300-megawatt generators would go on line between 1999 and 2001 to help slake central China's growing demand for energy, said Wang.

Wang's company has already signed a \$55.8 million contract with German firm J.M. Voith AG for the turbines and will issue tenders in October for more than \$44 million worth of auxiliary equipment such as a computers control system.

Another \$110 million will go towards resettling more than 200,000 people whose homes will be flooded when the river is blocked on October 31 this year, one month before the Yangtze is diverted for the Three Gorges Dam.

The World Bank's Bottelier said irrigation fees collected from villages and cities downstream would pay back 70 percent of the project cost although government water pricing would have to be changed. - (Reuters)

# Can China guarantee HK's

# sovereignty?

STEVEN MUFSON

**T**HE end of Britain's reign over Hong Kong will erase the last symbol of China's humiliation at the hands of Western powers a century and a half ago. However, the July 1 return of this city to Chinese control will force Beijing leaders to choose between two conflicting goals.

On the one hand, China's leaders are eager to demonstrate that Beijing can run a modern, sophisticated city, and that Hong Kong can remain as stable and prosperous under Chinese administration as it has been under British rule. To achieve that would require a hands-off approach, letting Hong Kong be Hong Kong.

On the other hand, China is eager to assert its authority over a territory whose

open expression and recent experience with democracy could prompt Communist Party mouthpiece, *Hollands* for political liberalization in the rest of China. In doing so, China might have to take a more heavy-handed approach that could alter the very nature of this unusual enclave on the southern tip of the mainland.

How China reconciles these two conflicting goals carries huge stakes, not only for Hong Kong, but for all of China and its leadership, particularly Jiang Zemin, the president and Communist Party chief, who will preside at the transfer ceremony and make a major speech. In less than three months, Jiang will face a Communist Party congress - the first since 1992 - where he hopes to consolidate his leadership position following the death of his mentor, the late successor leader Deng Xiaoping. Any claims that come up in Hong Kong will make it trickier for Jiang to rally

the party around him and could provide fodder for his political foes.

Deng bequeathed this dilemma to the Chinese leadership. When he struck a deal in December 1984 with then-British Prime Minister Margaret Thatcher for the return of Hong Kong, he promised to maintain a system of "one country, two systems," to preserve Hong Kong's capitalist system and adhere to a mutually agreed Basic Law for at least 50 years.

It was a formula he called "a product of dialectical Marxism and historical materialism." Thatcher called it an "ingenious idea." But Deng never spelled out how China would exercise its authority in the territory.

How the two systems would co-exist was not any clearer after a speech by Foreign Minister Qian Qichen was

recently in the Chinese central government's policies will not infringe upon the interests of Hong Kong," Qian said. "We also hope things will not emerge in Hong Kong that will infringe upon Hong Kong's interests or the national interest."

The reasons for a hands-off policy toward Hong Kong are simple. This city of 6.3 million people has provided more than half of the foreign investment in China. With tremendous pressure to create more than 130 million jobs during the current five-year plan, China's leaders can ill afford to kill the Hong Kong goose and lose its golden eggs.

"As China continues to reform, to build its economy and construct a modern society, Hong Kong will serve a key

role in bridging us with the world market," Qian said. "Therefore the sustained prosperity of Hong Kong is in the interest of China."

But while Beijing's leaders want to welcome Hong Kong back into the fold, they also want to keep it a city apart. And those reasons are linked to the nature of Chinese politics and dominance of the Communist Party.

China is worried about the possible spread of Hong Kong's nascent democracy, feisty newspapers and often sharp criticism of Chinese leaders - all considered normal here but impermissible on most parts of the mainland.

Normally, in China those who question the Communist Party's monopoly on power land in jail. And while US politicians regard public debate as a sign of democracy's strength, Chinese leaders treat public debate as a sign of weakness. Chinese leaders have promised to protect free speech residents are like to wonder: If here. On the other hand, they have warned that they won't let Hong Kong be a base for "subversion."

In his speech Qian urged Hong Kong democrats to stop criticizing Beijing. "We do not ask them to approve of China's socialist system," Qian said. "We only ask them to love the motherland, (and) to love Hong Kong."

It remains to be seen whether China will tolerate the degree of freedom to which Hong Kong has become accustomed. How will the change affect, for instance, sales and promotion of a book of the prison letters of Chinese dissident Wei Jingsheng, currently serving a 14-year sentence in a Chinese jail?

Jiang's handpicked chief executive Hong Kong, shipping magnate Chee-hwa, has set forth laws to roll back British initiatives and impose tighter limits on civil liberties.

The laws, which the new Beijing picked provisional legislature will see as an effort to insure

China that Tung is prepared to prevent the spread of Hong Kong's relatively open system of spreading dissent and prevent Hong Kong's influence on China could be as great as

But keeping a political wall around Hong Kong will not be easy. Hong Kong's influence on China could be as great as

In Guangdong province most people can watch Hong Kong television, including reports of people's taking to streets, debating in the legislature; complaining openly at schools or in public

Those in Guangdong stick to their pledge to protect free speech residents are like to wonder: If here. On the other hand, they have warned that they won't let Hong Kong be a base for "subversion."

Guangdong people will not be only ones closely watching developments in Hong Kong. Problems here could wreck Jiang's efforts to persuade Taiwan to return to the Chinese fold under a "one-country, two-systems" formula similar to the one being used here

That in turn could undermine Jiang's authority and create an opening for Chinese military leaders who favor a more aggressive, military option for winning back Taiwan, a self-governing island that currently serves a 14-year sentence in a Chinese jail. *(Washington Post)*

# China waiting in the wings for G-8 berth



**T**HE US concentrated all its efforts to draw attention to its economic status in the run-up to the G-8 Summit which was held at Denver in Colorado. It used its influential mass media to promote its economic might.

In fact, the American officials seized the opportunity to sell its image to the world's big industrial powers to convince the entire world that the America now is different from the one in 1993 when the G-7 met in Tokyo. In Tokyo's summit, the US was bitterly criticised for its huge deficit in the balance of payment. In addition, it was reeling under a general economic chaos.

Several American economists addressed the newsmen gathered for the G-8 Summit focusing on the strength of America's economy. They highlighted the lower inflation and unemployment besides the tremendous rise recorded by the US in industrial production. They made it a point to convey to its European partners the economic difficulties they are facing as well as the economic recession they are saddled with. The European Community has already admitted that Britain and France are suffering from an acute economic recession. Canada's position is also no better as it is being threatened by the unprecedented unemployment problem.

Interestingly, Japan is also faced with a falling exports, thanks to the surge in the value of yen against the US dollar. Of course, Russia is placed the worst compared with the rest of the G-8 countries. In fact, Russia was admitted to the "rich club" just for political reasons.

America's self-promotion is manifest in the statement made by one of its senior officials, "We are going to this summit as the strongest industrial economy in the world". It suggests an indirect threat to its partners that they have to submit to whatever demands it makes.

The time is significant with a lot of thorny political issues which are directly linked to its strategy like the Mid-east issue, US stand on Iran, Latin America and the civil wars shattering the African continent.

Although the summit is purely economic in nature, the US succeeded in making the subject of economy with politics. The summit, however, poses a vital question about the position of China in this group, especially after Russia has

managed to jump onto the bandwagon. Nobody can deny the fact that China has emerged as an international power backed by a huge nuclear arsenal.

The US very well knows China's economic strength. Several political experts are of the opinion that the exclusion of China would be a big mistake.

It is worth mentioning what, Richard Hass, a senior official in the administration of the former president Bush and currently the director of the foreign political department at Brooklyn Institute said, "There is no definite set of norms regarding the classification of G-7 or G-8 and as to who should attend the summit".

The Group has not included China and India, the most populous nations in the world which are making big strides in economic growth.

Richard also added that though the existence of the Group is useful in some issues it doesn't serve the purpose in many of their issues.

Another official noted that since the American officials did not vehemently consider the prospects of China's joining the Group, the administration wanted Russia to join the group. Ironically, China is offered the status of the most favoured nation by US against the reluctance shown by the American Congress.

The acceptance of Russia as a member in the Group was a result of a deal struck between Washington and Moscow at their meeting in Helsinki where Moscow agreed to the expansion of Nato.

But the case of China is different because of the tense relations it is having with the US due to the huge Chinese trade surplus and the issue of human rights. Despite the US reservations, China still counts on the prospects of joining the Group. Regardless of the American stand, Japan and the East Asian countries do not

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**China's present economic stature will prompt the US and other big industrial powers to run after it in order to bring it to the fold of G-8 so that they can dodge the competition from a 'superpower' in the making.**

# Is China a threat to the West?

By BRIAN WILLIAMS

**S**O, is China a threat to the West? In a sudden rash of think-tank discussions, articles and books, the question is being posed because of fears that Beijing's imminent takeover of Hong Kong might give China the wealth to quickly flesh out its economy and military power.

Looking into the next 20 years, most strategic analysts say "no" to a Soviet-era Cold War military confrontation emerging in either the short or the medium term.

Frankly, the idea of yellow hordes swarming across the United States and Europe is ludicrous and racist, a senior western diplomat said.

But a more subtle threat is possible in rising competition between a Chinese agenda and a western agenda for world influence in economic and social affairs.

Historically, China has not gone to war beyond the borders of what it regards as its ancestral lands, roughly the frontiers that now contain the communist nation.

But, as shown with Hong Kong, China is determined to reclaim pieces of the empire that have fallen off.

In China's view, the past 200 years of lost territories have been simply an aberration.

"The Chinese view of empire differs markedly from our view," the western diplomat said. "We in the West accept the idea of the rise and fall of empires. For example, no one expects the Roman empire to come back any time soon."

China's view of empire, even though communists are in power, is that its empire has always existed and always will exist. There will be ups and downs but the whole remains the same.

The West should expect no let up in China's pressure to bring Taiwan - once part of the empire - eventually back under its wing, either by force or in a Hong Kong-type arrangement.

China is prepared to go to war over the issue, but it is unlikely to have the military capability for many years to mount a serious threat to Taiwan.

Even if the United States and other western nations did not step in to directly defend Taiwan, Chinese forces would suffer more than a bloody nose in any battle over the island.

"China is about 20 or 30 years behind the West in technology of warships and

fighters, and (its large) numbers of troops alone do not mean anything," said Naotoshi Sakonjo, research associate at Japan's research institute for peace and security.

"Ninety percent of China's 4,000 warplanes were designed in the 1950s or are derivatives of them," Sakonjo said.

"The fact that China recently bought modern SU-27s from Russia is like admitting it failed to develop its own aircraft technology."

Sakonjo said China's navy was similarly outdated. As an example, its sole

## Most of China's 54 conventional submarines must surface before firing anti-ship missiles, when submarines of most other navies can fire missiles while submerged.

ballistic missile-firing submarine is not operational because of basic design faults.

Most of China's 54 conventional submarines must surface before firing anti-ship missiles, when submarines of most other navies can fire missiles while submerged.

China lacks a single aircraft carrier, a flaw vividly shown up in the 1996 Taiwan missile crisis when two US carriers sent to the area were enough to quiet Chinese saber-rattling.

Even if rumors are true that China plans to either buy or build a carrier, going by Japan's pre-World War II experience, it would take 15 years just to build up the expertise to operate a carrier group, let alone use it as a potent fighting force.

Apart from Taiwan, the other flash points that could draw the West into a China confrontation all revolve around Japan, sometimes referred to as the US aircraft carrier in Asia.

The US-Japan security arrangement - a mini-NATO - is regarded as key to maintain a counterweight to Chinese military power in Asia.

Once-insignificant pieces of the Chinese empire, notably the Spratly Islands off the Philippines, also lie on sea lanes that carry Middle East oil to Japan.

As Chinese industry demands more oil, there could be competition for Middle East energy between Tokyo and Beijing.

If energy competition breaks out, Chi-

na is not likely to look kindly on ships sailing through its waters to Japan.

The possibility of an economic threat from China comes down basically to the unthinkable: image a Chinese Coca Cola.

If China maintains its present economic growth rates, to the point where domestic needs are satisfied and the only growth is by expanding overseas, a different type of battle is joined.

Backed by a massive domestic market, the economies of scale in foreign sales are enormous - in production, marketing

and brand awareness.

With the creation of domestic wealth comes the capital to fuel foreign investment in a wave similar to Japan's economic push overseas in the 1980s.

A China able to challenge the West in either direct foreign aid or investment because of its new found wealth is likely to be as attractive a business partner as the West in developing nations with rich natural resources.

From economic might, it is but a step to social challenge. China becomes the most powerful standard-bearer for the rights of so-called Asian values, a mood already sweeping the region and looked at with suspicion by some in the West.

In essence, western notions of the supremacy of the rights of the individual against Confucian concepts of accepting destiny rather than the individual creating his own destiny.

China's voice in international debates about pollution, the environment, freedom of information and other social issues is backed not just by a moral view but by economic might able to influence the opinions of others in international forums.

"Take Antarctica, where China at present has little interest or influence. What is going to happen down the road if Beijing decides mining should start there," said a diplomat from one of the original signatories of the Antarctic treaty." (Reuters)

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# Chinese headache after

## HK handover

By H. ASHER BOLANDE *24/6/97*

CHINA's propaganda blitz on the return of Hong Kong could leave Beijing with a major headache, in the form of tens of thousands of mainlanders banging on the door to their long-idealized El Dorado.

After Hong Kong becomes a part of China on July 1, the territory's border will be at least as restrictive to ordinary Chinese citizens as it was when British soldiers manned the other side. But that fact may end up being lost on millions of poorly ed-

**For decades, Hong Kong has had a grip on the imagination of mainland Chinese, representing a glittering – but forbidden – worldly paradise of wealth and freedom on their doorstep.**

ucated peasants, and Beijing is not taking any chances.

According to Hong Kong media reports, authorities have mobilized 40,000 military and public security officers for a 24-hour border patrol in Shenzhen, the expansive Chinese economic zone adjacent to the territory.

The force is due to remain in place after the handover period to prevent people from entering the Special Administrative Region, as Hong Kong will be called after July 1.

Overall security in the border area has already been tightened and the number of people allowed to visit Shenzhen from other areas in China cut back, the reports said.

The daily quota allowed into Sha Tau Kok – a border town in the eastern part of the zone famous for its split-down-the-middle "Chung Ying" (Sino-British) street – has been slashed to 2,000 to 3,000 from 10,000 in the past, they said.

Such precautions demonstrate concern in Beijing that some will view the Hong Kong handover as an opportunity to improve their lot through migration.

For decades, Hong Kong has had a grip on the imagination of mainland Chinese, representing a glittering – but forbidden – worldly paradise of wealth and freedom on their doorstep. Tempted by visions of a better life, a steady stream of thousands each year has risked savings and even lives attempting illegal migration into the British territory.

The propaganda push in the run-up to the handover may have reinforced, rather than ended, this kind of sentiment.

In its patriotic zeal, state media hype on Hong Kong's "return to the motherland" has focused more on the attractiveness of Beijing's new prize and liberation from foreign humiliation.

China Central Television has begun its news broadcasts each evening since January, for example, with a "handover countdown" segment introducing the Chinese people to Hong Kong today.

As the July 1 has grown closer, content has focused more on legal aspects of the handover and less on Hong Kong's glamour, power and wealth.

But when the predominant and oft-repeated message is, "Hong Kong is ours now," the nuances of handover policy may not reach everyone.

People from relatively backward areas of nearby southwestern China, for example, would have the strongest attraction to Hong Kong but poorer access to facts on the post-handover order.

The Public Security Bureau (PSB) of Guangdong province became concerned enough about misinformation-fuelled migration that it launched a publicity campaign on border-travel rules in April.

Border checks will remain as they are, as will strict limits on inland applicants allowed to travel to Hong Kong, provincial PSB Vice Director Wang Yingang told a specially called press conference in Guangzhou.

One of the most important deterrents Hong Kong has against future economic migration could be Shenzhen itself.

High-speed development in the last 17 years has turned the special zone into one of China's most wealthy and modern cities – by the standards of most of the country's rural migrants.

China's "floating population" – migrant workers in the countryside – is estimated at 130 million and will grow to 200 million by the end of the century, according to official figures.

Refugees from China – mainly arrived during the 1950s and 1960s – account for the vast majority of Hong Kong's population of 6.2 million. As last year, more than 60 percent of the territory's population was born outside of Hong Kong.

Average incomes in territory exceed those in China by 16 to 20 times. (AFP)

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# Russia, China ink \$20b trade accord

BEIJING (AFP) - Russian Prime Minister Viktor Chernomyrdin and his Chinese counterpart Li Peng formalized a mechanism for regular meetings Friday and witnessed five accords aimed at pushing bilateral trade to \$20 billion by the turn of the century.

In a late afternoon ceremony at the Great Hall of the People, the two premiers toasted swiftly-warming relations and then witnessed the signing of an accord on boosting trade cooperation.

They also witnessed an accord on energy cooperation between Siberia and northern China, an agreement on maintaining the Russian consulate in Hong Kong, an agreement on using Russian rolling stock on Chinese Railways and an accord on cultural cooperation.

“Although our bilateral trade is not so

big at the moment, I am confident it will increase to \$20 billion by the end of the century because we have; lots of possibilities for cooperation, . especially,?, ip gas, oil and electricity,” Li said after; the signing.

Chernomyrdin echoed Li’s optimism about future trade and called for greater cooperation in defense, transportation and space cooperation.’

“We have a very serious talks to, increase our economic cooperation, but it can be achieved as our two countries are very big and their potentials are huge, especially in the defense, transport and cosmic industries,” he said.

According to Chinese and Russian sources, the energy accord comprised two general government-level agreements.

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Xiao Qiang says his group's office in Hong Kong and, in a bid to demise to expose Chinese officials in Hong Kong.

"We do not believe we are violating any state security. However, if the Chinese government uses their power to interpret it that way, we at least will demonstrate what they interpret as endangering state security." Even government allies have criticized the restrictions. Maria Tam Wai-chu, a member of the provisional legislature, called the prohibition of foreign ties "too vague". She said that the Hong Kong regulation was actually less well-defined than its mainland parallel, which "only prohibits linkage with those who would affect and undermine integrity of territories".

Margaret Ng, a member of Hong Kong's current legislature, said that the new laws run against the climate of political freedom in Hong Kong and will undermine years of growth of the colony's private associations and groups. "Given that political means are now the inevitable and necessary means to achieve almost any purpose," she said, "almost any organization would be engaging in 'political' activities".

She said that the meaning of the new laws was unmistakable, that China was no longer willing to accept Hong Kong as a staging ground for critical voices and dissent.

"The clear message is activities against China will be banned," she said. "What is not clear is what activities will be considered as being anti-China." Because they are part of the so-called "subversion law", the restrictions are an issue of national security. Both Tung Chee-hwa and his supporters have begun using the phrases "national security", "territorial integrity" and "sovereignty" in their arguments for restrictions. Last year, China eliminated the crime of "counterrevolution" in favor of a new catch-all charge of "threatening national security". Depending on how such terms are interpreted, even groups with official U.N. status like Amnesty International or Human Rights Watch may become "threats to national security".

Robin Muir, the director of Human Rights Watch's Hong Kong office, said that the laws will be used as they are in China, as expedient ways to legitimize autocratic rule. But he said that his group will also stay. "We're legal, we're registered, and we are certainly not going to be approaching the incoming government for legal arrangements. If they want to suggest otherwise we will see who has the stronger case." Indeed, some local groups have already found their cases decided. The Hong Kong Alliance in Support of the Patriotic Democratic Movement in China, for example, has been labeled "subversive" by the Beijing government. (DPA)

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nce the 1989 Tiananmen Square protests, human rights groups have been largely silent about the new laws and the implications for Hong Kong as a free information society. The Hong Kong government has already proposed legislation to restrict the rights of the press and the media. The new laws are largely silent about the implications for Hong Kong as a free information society. The Hong Kong government has already proposed legislation to restrict the rights of the press and the media.

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ARAB NEWS  
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Riyadh Daily  
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(AFP) - China has over-  
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# China still groans despite gains

BY LISA MINDER

**D**ESPITE China's continued reliance on a crude set of instruments to control its economy, 1996 was an extremely good year, Chinese officials and Western economists claim.

During economic meetings held in Beijing in early December, Chinese officials vowed to continue with the tight money policy credited with slowing runaway growth and bringing inflation down to its lowest level in three years.

China achieved notable results in the fight against inflation, with price rises slowing to an average 6.5 percent, down from 14.8 percent in 1995.

The government plans to push inflation even lower in 1997.

"It exceeded expectations," World Bank China representative Pieter Bottelier said of China's economic performance for 1996.

China's "shared fear and pride of bringing down inflation" seems to be the best guarantee that the central bank will continue to act as such rather than as a fiscal agency, he added.

Production costs are coming down on the mainland because of the drop in inflation, the yuan has remained stable and the savings and investment rates are high.

It is a far cry from a few years ago, when growth galloped along unchecked and inflation soared to an all-time high of 21.7 percent in 1994. Gross domestic product growth was among the world's highest at 12.5 percent in 1994 and 10.2 percent in 1995. At the end of December, the Statistics Office put the 1996 rate at 9.7 percent. Despite all the optimism, however, Western economists warn that China still has a long way to go before it solves a number of problems

thwarting economic development.

China's macro-economic controls have little effect on the system of "guanxi" which enables individuals or firms to circumvent regulations via connections.

In light of the rampant use of this ancient form of networking, "one wonders that the authorities have any control at all," said one Western economist who requested anonymity.

**It is a far cry from a few years ago, when growth galloped along unchecked and inflation soared to an all-time high of 21.7 percent in 1994. Gross domestic product growth was among the world's highest at 12.5 percent in 1994 and 10.2 per cent in 1995. At the end the December, the Statistics Office put the 1996 rate at 9.7 percent. Despite all the optimism, however, Western economists warn that China still has a long way to go before it solves a number of problems thwarting economic development.**

prosperous firms or go bankrupt.

These market-driven changes in the state sector have led to tens of thousands of employees being thrown out of work.

The central government has yet to announce a solution to the current social welfare system that has failed to provide for the population of 1.2 billion which includes an estimated 12.5 million unemployed and some 120 million senior citizens.

And in 1996 Beijing doubled the cost of heating, telephone and public transportation to the dismay of urban residents whose average annual income reached only 3,893 yuan (469 dollars).

In December central government planners said a minimum wage would be introduced along with a wage protection scheme to defuse mounting pressure of a huge income gap headed by a very small but highly visible slice of the urban population that has benefited from economic reforms.

Where China shines is in its progress on infrastructure projects after years of delay in investment, Bottelier said.

Foreign trade volume is expected to reach \$288 billion in 1996, representing a 3 percent rise over the same period last year.

Exports are predicted to reach \$151.5 billion while imports will likely hit \$136.5 billion by year's end, showing a 3.5 percent increase from last year.

Development of the nation's energy sector has faltered, most notably in the oil fields of the Tarim Basin in northwestern Xinjiang. It has proven a disappointment for foreign investors who are pulling out in droves.

The nation's growing demand for energy have resulted in a higher dependency on inefficient oil and environmentally unfriendly coal, prompting the World Bank recommendation to import more natural gas in future.

"China needs to think its overall energy policy," Bottelier said. (DPA)

China also continues to face the burden of its vast, ailing state sector which reported a net loss of \$361 million in the first quarter.

Some 43 percent of the estimated 100,000 state-owned firms are chronic money-losers, while another 30 per cent have reported losses due to poor management and production of goods nobody wants to buy.

In select cases Beijing has agreed to grant loans to firms in desperate need in order to stave off debt and pay workers' wages but the majority of money-losers are being urged to merge with more



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The plan to downplay Chou's death, however. In April 1976, at traditional Qing Ming festival, enormous crowds gathered in Tiananmen Square to lay wreaths and flowers to the departed leader. The death quickly turned into a demonstration to send a message to the Gang of Four, to clear out the "counter-revolutionaries" in what is now known as the "June 4th incident". The anger over the Tiananmen Square protests led to the September 9 and 10 purges.

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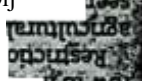
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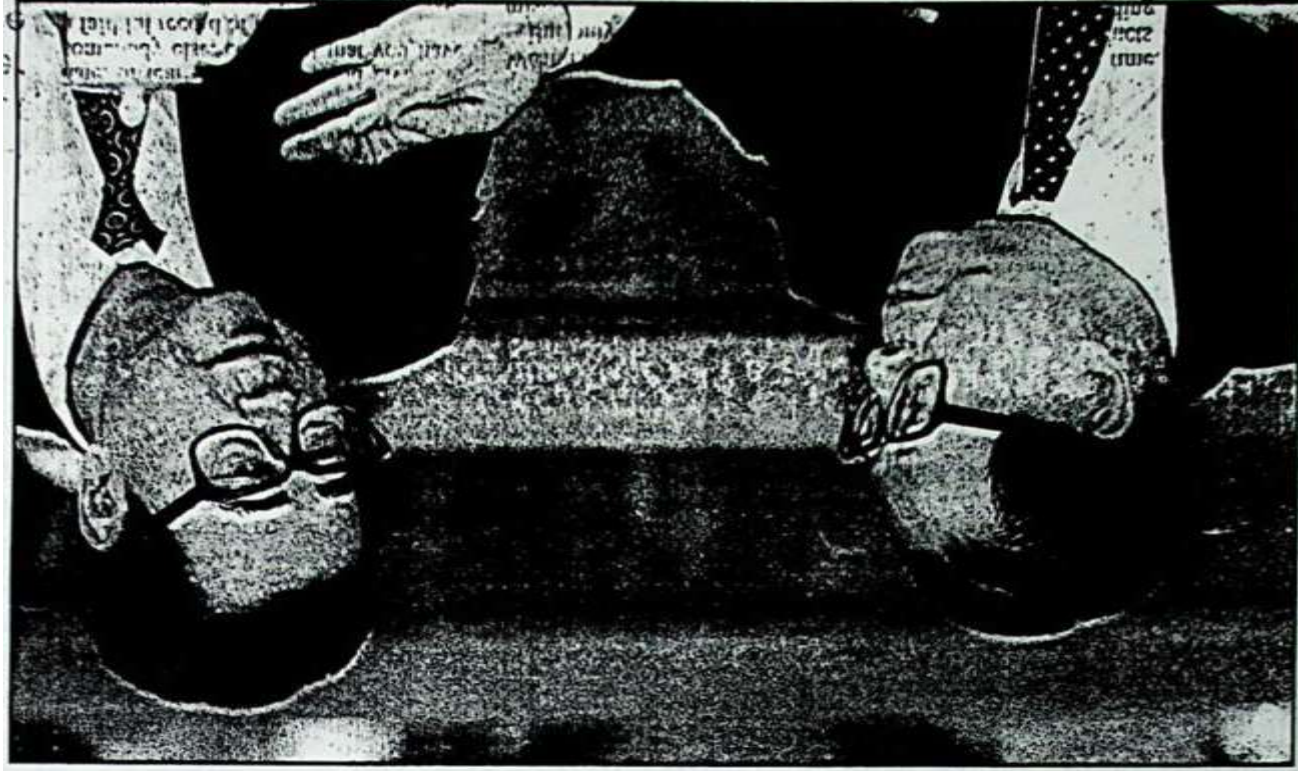
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# China budget camouflages real spending AN 4/3/97 on military

By Gilles Campion  
Beijing

**C**HINA'S defense budget for 1997, up 12.7 percent on last year, represents only the tip of the iceberg of the true amount spent on the world's largest army, Western experts say.

In past years the budget for the three-million strong People's Liberation Army (PLA) has risen 13 to 14 percent annually and spending for 1997 has been officially set at 80.57 billion yuan (9.7 billion dollars). "But the figures don't represent the real running costs of the army," said a Western defense specialist. "Notably, they don't take into account funds earmarked for military research and development in other ministries and technical corporations."

According to the London-based International Institute of Strategic Studies (IISS), real military spending by China is four times higher than the announced budget.

The Chinese government also wants to limit apparent military spending to ease fears in Asia about the emergence of China as a regional military superpower, analysts said.

Japan was quick to respond to Beijing's defense budget announcement. "It is quite a big increase," Naoaki Murata, vice director-general of Japan's Defense Agency, said Monday. "we need to closely watch Chinese military strength, including their nuclear force and the modernization of their naval and air forces."

The PLA has access to massive funds from its industrial empire, which includes more than 20,000 businesses ranging from transport to coal mines to real estate, hotels, restaurants and nightclubs. The army also owns farms which help feed the soldiers but are not included in budget calculations. "The Finance Ministry each year applies an increase close to the rate of inflation so that the army's spending power remains constant," another analyst said. "But it is only the tip of the iceberg, the rest is extremely difficult to piece together."

Several state corporations, which are equal in rank to government ministries, work for both civilian and military purposes, but the amount of funds they are allocated for arms research and development is not known. For example, Aviation Industries of China develops equipment for the air force, Northern Industrial Corp. for the army, while China Aerospace Corp. and China National Nuclear Corp. work on

According to an IISS report entitled "Military Balance 1996/97," China has the capability to deploy rapidly high-quality ground forces but its naval capacity "remains limited" and its air force still lacks the ability to refuel in flight. But in recent years, China has accelerated its military modernization and development as a "strategic partner" with Russia, underlined by both Russian President Boris Yeltsin and Chinese President Jiang Zemin.

After buying Russian-made SU-27 jet fighters, as well as receiving permission to construct them, China now wants to acquire Russian S-300 anti-missile missiles. The Chinese army is also poised to buy four surveillance planes equipped with advanced airborne warning and control systems (AWACS) from Britain's Geomacroni for 400 million dollars. "In the past, China was never a major market for Western arms industries, because it was content to buy a small number of arms and try to copy them," said a representative of an arms maker. "Today, China is on its way to becoming a rich country, which risks leading to new behavior and therefore new needs." "For the Chinese leaders, the question is not where to find the money, but to define the priorities for their purchases," he said. (AFP)

ARAB NEWS

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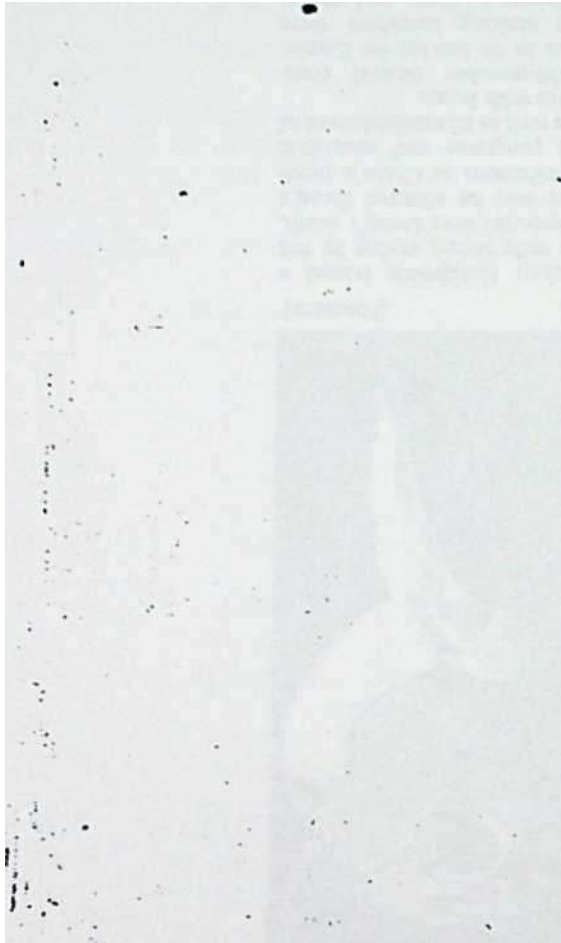
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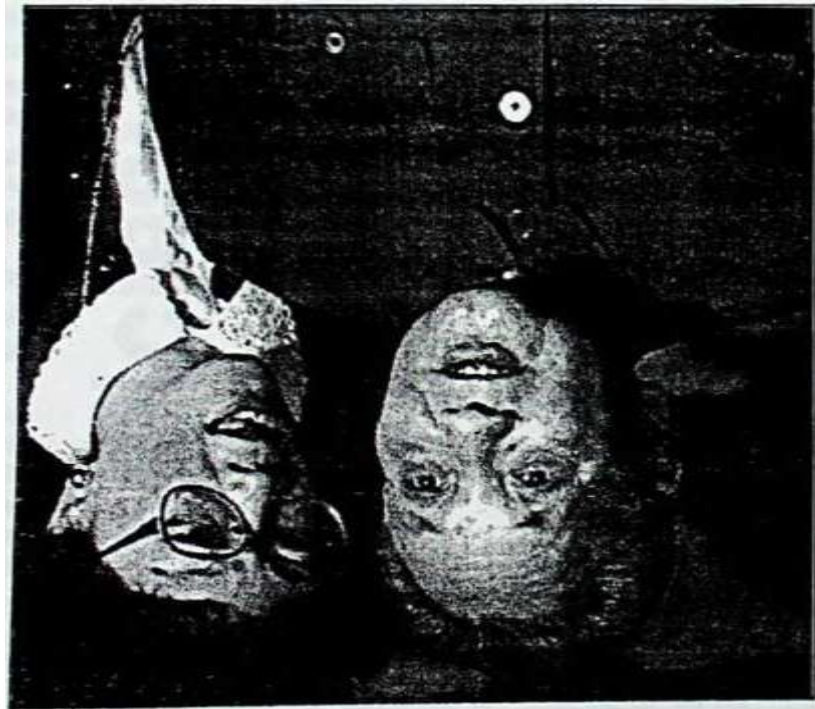
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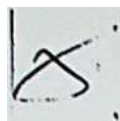
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Islamabad confident Jiang's New Delhi trip won't harm China ties

# Chinese president begins 4-day visit

; By Tarloq Butt

Saudi Gazette Correspondent

ISLAMABAD, Nov. 30

CHINESE President Jiang Zemin, who arrives here tomorrow on his first ever four-day state visit to Pakistan on President Farooq Leghari's invitation, will discuss the whole gamut of bilateral relations with Pakistani leaders.

During his visit, three agreements between Pakistan and China will be signed. These relate to cooperation on protection of environment, continuation of Pakistan's consulate general in Hong Kong when it returns to Chinese sovereignty next year and opening of Pakistan's consulate office in Shanghai.

Zemin is not a stranger to Pakistan. In the seventies, he toured Pakistan at the head of a Chinese team during the construction of giant heavy mechanical complex (HMC), Taxila, with the Chinese cooperation.

On December 2, the Chinese president will address the Pakistan Senate (Upper House of parliament). On his request, his dinner has been arranged with personnel of the HMC with whom he had worked.

Besides bilateral, regional and international issues will also be discussed during Zemin's talks with Pakistani leaders.

Pakistan and China have immense cooperation in the economic and defence fields. They have often been subjected to international propaganda for having cooperation in the nuclear and missiles regimes, which both have been vehemently denying.

A nuclear reactor for electricity generation is being built with the Chinese cooperation near Dera Ghazi Khan, which will be covered by the International Atomic Energy Agency safeguards.

The two countries are also engaged in, building a main battle tank (MBT), Al-Khalid, and some of its prototypes have already been prepared.

During Zemin's visit, progress on the existing bilateral agreements in different fields will also be reviewed.

AFP adds: Islamabad is confident a new thaw in relations between arch-rival New Delhi and Beijing will not undermine its own warm ties with China, officials here said on the eve of a visit by Chinese President Jiang Zemin.

The spokesman said Islamabad did not believe Jiang would make any "arrangement" with India which undermined Pakistan's interests.

He added that China had a "principled position" on Kashmir, which has been the

cause of two of the three wars between India and Pakistan and is a major source of continuing distrust.

The spokesman, Khalid Saleem, said China advocated resolution of the dispute by peaceful negotiation.

"There is complete understanding between China and Pakistan and their relations are at a level where the two countries trust each other," he said.

Saleem said an accord struck between China and India to reduce troop and armament deployments on their common border did not mean the territorial dispute between the two Asian giants, which led to a war in 1962, had been permanently settled. China's new international policy was to give priority to economic development and put "political disputes on the back burner," he added.

\$6m grant: Jiang will announce a Chinese aid grant of \$6 million.

The Chinese leader's trip was scheduled before the November 5 dismissal of prime minister Benazir Bhutto and her government by President Farooq Ahmed Leghari.

Jiang will be accompanied by Vice-Premier and Foreign Minister Qian Qichen and other senior government officials.

In addition to bilateral defence cooper

ation, which includes the supply of Chinese fighter jets and tanks, China and Pakistan have made consistent efforts to develop trade links.

There has been a gradual increase in trade in recent years, with total volume expected to reach more than \$1 billion this year, from \$585 million in 1990.

In the first nine months of this year, China exported machinery, electronic goods, chemicals and medicine worth \$430 million to Pakistan.

China's imports from Pakistan included cotton, rice, leather and textile products worth \$260 million.

More than 50 Chinese companies, mainly engaged in road, energy and irrigation projects, have set up offices in Pakistan.

China is building a 300 megawatt nuclear power plant in the Punjab province town of Chashma, to be commissioned in 1998, while a Chinese-built 750 megawatt thermal power plant is operating in Punjab and a coal-fired 150 megawatt thermal plant is operating in Sindh.

China has also agreed to overland trade through its territory between Pakistan and the newly independent Central Asian republics, in a quadrilateral arrangement including Kazakhstan and Kyrgyzstan.

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# China moots plan close ties with S.

ISLAMABAD (Agencies) - Chinese President Jiang Zemin proposed a five-point plan to improve ties with South Asian countries on Monday, saying they should agree to shelve difficult issues for the time being.

"We are ready to join the South Asian countries in building a friendly and good-neighborly relationship that is long-term, stable and oriented towards the 21st century," he said in a speech to Pakistan's Senate (upper house).

Jiang proposed that China and South Asian countries broaden exchanges and deepen traditional friendship, respect each other, promote mutual benefit and common development, properly handle existing disputes and work together towards a better future.

He assured the South Asian countries that "China will never seek hegemony for itself" and added: "China stands ready to live harmoniously with the South Asian countries on the basis of the five principles of peaceful coexistence."

"We should look at the differences or disputes from a long-term perspective," he said.

"If certain issues cannot be resolved for the time being, they may be shelved temporarily so that they will not affect the normal state-to-state relations."

At the same time, Jiang and his Pakistani counterpart Farooq Ahmed Leghari have pledged to forge a comprehensive partnership between their two giant nations, officials said Monday. President Jiang, who held two hours of talks with President Leghari soon after his return from India on Sunday, as

assured Pakistan of China's continued cooperation in the peaceful use of nuclear technology under international safeguards, they said.

The two countries signed seven agreements on Sunday to promote economic and trade cooperation, combat drug trafficking and protect the environment. The agreements also covered the establishment of a Pakistani consulate in Shanghai and the continuation of Islamabad's consulate in Hong Kong.

China and Pakistan have "closely coordinated" with each other in international affairs and the "tree of our political, economic, cultural, scientific and technological cooperation has borne rich fruit," Jiang said.

Officials quoted Leghari as saying that the two countries had laid the basis for the development of a "comprehensive bilateral partnership" in the coming century.

"The Chinese people are ready to work unremittingly together with the Pakistani people for ... peace and development in Asia and the rest of the world," Jiang said.

Welcoming China as a major economic power, Leghari said "we respected and support China's independent and peaceful foreign policy."

Referring to Hong Kong's return to Chinese rule next summer, Leghari said Pakistan had no doubt that under the pragmatic policy of 'One China, Two Systems' "it will not be too long before Taiwan returns to the bosom of China."

He vowed strong Pakistani support for measures taken by China "to resist external influence in its internal affairs under any pretext."

# india, China agree to reduce troops along their border

NEW DELHI, Nov. 29 (AP) — India and China agreed today to reduce troops along their disputed borders, but failed to devise a timetable or finalize the number of soldiers each side should maintain.

The agreement, signed on the second day of the three-day visit by President Jiang Zemin, aimed at transforming the border into a "band of friendship," said Shen Guofang, the Chinese Foreign Ministry spokesman. The reduction of troops would depend on the actual conditions of peace on the border, Shen said. "I don't think there is need for much troops in the area," he said through an interpreter.

The troop reduction was part of a wider agreement on confidence building measures to forestall another war between the two largest armies in Asia over their territorial claims. The two sides also agreed not to launch military attacks against each other and not to cross the cease-fire line into territory controlled by the other. i

India and China fought a bitter 21-day war in 1962, which many Indians saw as a humiliating defeat for their army.

The military and cooperation agreements were signed by the foreign ministers after 90 minutes of talks led by Jiang and Indian Prime Minister H.D. Deve Gowda. It is the first visit to India by a Chinese head of state, and brings together the leaders of one-third of the world's population.

During the talks, Gowda expressed concern at the flow of advanced weapons to Pakistan, India's archenemy, which New Delhi says is being helped by China to develop a nuclear capability.

Although Gowda did not specifically blame China for arming Pakistan, Shen, the

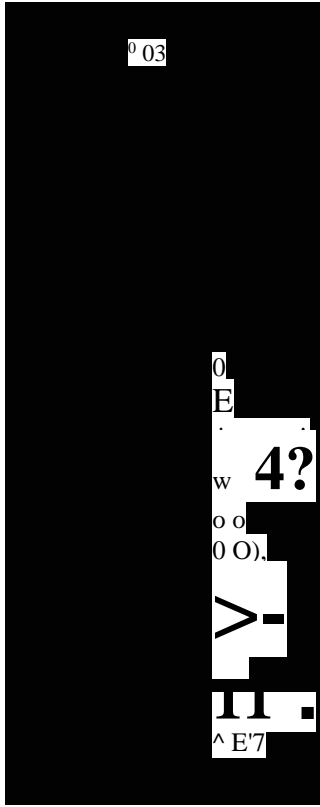
Chinese spokesman, said: "China did not and will not transfer nuclear weapon technology to any country." "I reiterate the Chinese government is responsible toward (its) weapons transfer. China has not, does not and will not transfer or sell nuclear technology or nuclear weapons to any region or country.

"It is not in the interest of China to sell advanced weapons to its immediate neighbors," Shen said, rejecting India's previous allegations that Beijing has supplied nuclear-capable M-11 missiles to Pakistan.

However, he acknowledged that China was helping Pakistan to develop peaceful uses for nuclear energy.

In another accord, China agreed to let India keep a diplomatic mission in Hong Kong after China takes over the territory in 1997. The consulate is now accredited by Britain. Two other agreements strengthened cooperation in curbing narcotics traffic and improved shipping. A fifth agreement on providing guarantees for investments in each others' countries could not be signed because differences were not resolved, Shen said. With both sides trying to bring their developing countries into the global economy, the talks between Jiang and Gowda were aimed at improving cooperation and leaving behind the tensions that remain from the unresolved border war.

"Though we still have some outstanding problems left over from history, I can say that our common interests far outweigh our differences," Jiang said in a speech during a dinner hosted by Indian President Shanker Dayal Sharma. "Both of us need a peaceful neighbor," replied Sharma in his dinner speech.



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ers and the fast-moving new world o  
ternational sales.  
"In our industry, we're the Coke,  
there's no Pepsi," Hu Sanxing, de  
general manager at Erdos, boa  
We're now the most powerful voic  
the industry. Everyone else wat  
what we do before they make a mov  
Erdos began in a small factory at  
edge of the Gobi desert 15 years ago  
up by a handful of provincial offi  
who thought they saw a way to  
hard currency.  
They had little idea, Hu chuckled, tha  
a booming domestic Chinese market  
would help turn Erdos into a sprawling  
conglomerate with annual sales tha  
topped \$100 million for the first time in  
1996 - two months before the year end-  
ed.  
Nor did they figure on learning about  
high finance and going public. Erdos  
raised \$52 million by selling 110 million

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doing sales all over China," said Wang  
Jieping, who heads Erdos' sales opera-  
tions in Shanghai. "We want to do a  
rapid expansion, and we plan to add 100  
to 120 new stores, including three in  
North America."  
While Erdos was only allowed to start  
exporting sweaters tagged with its own  
brand two years ago, it wants eventually  
to make the Erdos brand known around  
the world.

A company motto is emblazoned in  
gold-colored Chinese characters on a  
wall by the factory gate: "Erdos Sweate-  
rs Are Keeping the Whole World  
Warm."

With new year approaching, Erdos re-  
cently completed its annual shipment of  
more than 400,000 sweaters to the Uni-  
ted States, where they are sold with la-  
bels of Lands' End, Macy's and J. Crew.  
"If you see a Land's End sweater that  
says 'Made in China,' it's ours," said Hu,  
brushing his forefinger against the baby  
blue cashmere sweater he wore under a  
suit jacket. "Everyone loves cashmere,  
so of course demand can only go up."

It took three years of regular visits by  
Land's End quality control experts be-  
fore the American retailer was satisfied  
with Erdos' quality. "They've got it  
now," said Duffy of DZ Trading.  
"They're like an oasis in the desert that  
has grown up." Controlling access to  
the supply of raw cashmere, Duffy said,  
is probably Erdos' biggest advantage. By  
knowing the cashmere merchants who  
roam the countryside to buy raw cash-  
mere from herders, Erdos buyers are  
able to buy what they want, and leave  
the leftovers for their rivals.

"We know the territory, we know  
most of the agents," said Hu, smiling tri-  
umphantly. "We can take what we  
want."

The premier area for cashmere goats,  
according to Hu, is about 150 miles west  
of Dongsheg, where Erdos headquar-  
ters is situated. The goats are combed all  
year, though they shed heavily in the  
spring. (New York Times)

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3,000  
them n  
for higher-paying work as restaurant or  
hotel workers in a larger city. The stan-  
dard salary at Erdos is about \$45 a  
month.

Did his pitch work? "I'm not sure,"  
said Li. But he said there is no shortage  
of willing workers to replace those who  
leave.

Erdos' concept of public disclosure  
also seems to lag behind that of other  
listed Chinese companies. Repeated re-  
quests for sales and profits figures, all  
contained in a 1995 annual report, were  
put off for days before another party of-  
ficial, Wu Jiru, delivered the bad news:  
"The man in charge of all that stock  
stuff is not here. We don't know when  
he's coming back."

Perhaps lazy, perhaps reflexively se-  
cretive, the Communist Party cadres at  
Erdos can nevertheless read the num-  
bers, and the numbers are going up.  
When you do get a hold of the report,  
it shows that of \$93 million in sales in  
1995, about \$46 million or nearly 50  
percent came from domestic sales  
within China, up sharply from only 5  
percent in 1990. Despite the ever-  
present danger of price fluctuations in  
raw cashmere, Erdos is projecting a sol-  
id increase in both sales, to \$110 million  
this year and \$127 million next year, and  
in profit, to \$24 million in 1996 and \$29  
million in 1997.

Not long ago, few Chinese consumers  
had even heard of cashmere, a name that  
the British used for the fine goat's hair  
found in Kashmir, a mountainous territo-  
ry wedged between India and Pakistan,  
and along a narrow swath of Asia that

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# India, China to sign military, trade pacts ^during Jiang's visit

NEW DELHI, Nov. 26 (AFP)

CHINA and India will sign agreements to cool military tensions and boost trade during Chinese President Jiang Zemin's historic visit, officials said today.

/> AOpfTrrr Foreign Secretary Salman Haider said  
^L India and China would also discuss issues  
/\ b which have clouded ties between world's  
two most populous countries during Ji-  
ang's three-day visit beginning on Thurs-  
day.

"It is going to be important and substantive," Haider said of the first visit to India by a Chinese president.

India and China fought a bitter war over their disputed 128,000-square-kilometre border in 1962.

Haider said the two sides would sign agreements on "confidence-building measures in the military field," on the maintenance of an Indian consul in Hong Kong after its takeover by China in July and a pact to curb drug trafficking.

"Reduction of troops on the borders appear to be on the cards," the foreign secretary said.

In the economic field, an agreement on bilateral investment protection and another on shipping was likely to be signed, he said.

"This visit is seen as a long-term effort to evolve relations without suspicions, "

and to make Sino-Indian frontier a border of peace," he said.

Haider said the two sides would discuss the supply of military hardware by China to Pakistan, which has fought three wars with India since 1947.

"We will also hold talks on the implementation of the 1993 Sino-Indian agreement on the maintenance of peace and tranquillity at the border, and discuss Sikkim."

China acknowledges the Himalayan territory of Sikkim as an independent territory, which became one of India's 25 states in 1975.

Jiang's delegation head a delegation including Qian Qichen, Chinese vice-premier and foreign minister, Wu Yi, minister for foreign trade, and civil affairs minister Doje Cering. Gyaincain Norbu, chairman of the Tibetan autonomous region government, would also accompany the Chinese premier to India.

Sino-Indian ties improved in 1988 when then-Indian prime minister Rajiv Gandhi paid a visit to Beijing. Chinese Premier Li Peng visited India two years later.

Bilateral trade between the two Asian giants have grown from \$300 million four years ago to \$1 billion in the current year-

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# Chinese leaders focus attention on nation's poorest

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By IAN JOHNSON

**T**HE drive from wealth to poverty is short but beautiful. South of the booming provincial capital of Guiyang in China is a landscape of sheer cliffs, gorges, limestone caverns and sinkholes. Pyramid-shaped mountains crowd tiny farms; farmers harvest slate and stunted crops. Southern China's Guizhou province was never cut out for prosperity. It is a mountainous plateau, for hundreds of years the last refuge of tribes defeated by Chinese armies and the poorest of China's poor who were otherwise without land.

It will also be a difficult test for China's announced program of eradicating poverty within four years. For the government itself is partly responsible for the conditions here. Decades of misguided economic policies ignored China's rural poor, while recent economic reforms have cut money for education and health.

The result is that people such as Zhang Jingzhen have little chance of escaping poverty by the target year of 2000. The 50-year-old farmer lives in a village where education is so costly that few can afford it and where the only growth comes in the size of the government bureaucracy.

"The harvest never lasts through the year," says Zhang, sitting on a tiny stool next to a barrel of corn. "It lasts through the winter but in the spring we run out. Then it gets difficult."

Helping the 100 million Chinese absolute poverty such as Zhang has become a priority for China's leaders. As they replace a strategy of no-holds-barred economic growth with cautious communist virtues of social equality and discipline, their ability to feed and clothe the destitute has become a key test of legitimacy.

While leaders used to show their priorities by visiting the boom towns along China's southern coast, they are now as likely to visit impoverished areas such as southern Guizhou or

the country's barren Northwest. They deliver blankets, bags of rice and promise before television cameras that the central government will end the locals' misery.

International experts applaud China's commitment to end poverty. They note that over the past 15 years 100 million have been lifted out of absolute poverty and that China remains one of the few countries where leaders focus national attention on the nation's poorest.

But they also point out that China's successes are not all they seem.

One factor is that China sets the poverty line so low that even people who officially escape poverty remain desperately poor.

China claims to have 65 million living in poverty, defined as an income of 60 cents per day per person. The true number, however, is thought to be closer to 100 million because China's statistics exclude poor people living outside officially designated poor areas.

And at the more realistic international standard of \$1 a day, the number of poor in China jumps to 350 million, or a quarter of the population. This would give China the same percentage of poor as India.

Early on in China's economic reforms, rural China benefited from a boom; it was when most poor farmers escaped poverty, as communes were disbanded and prices freed.

Since the mid-1980s, however, reforms have benefited the cities far more than the countryside. Huge areas of the country are cut off from this prosperity, meaning China cannot count on even a booming national economy to help farmers such as Zhang.

China's anti-poverty programs mean they have relatively little money - \$1.5 billion a year - and ignore fundamentals. "in centrally planned projects. One of the favored programs, for example, is the resettlement of hundreds of thousands of mountain dwellers in the northwestern Ningxia province. But small-scale loans to farmers - one of the

most effective means of raising incomes - are just beginning to catch on, and only at the prodding of the World Bank and United Nations.

"It's hard to connect trends in poverty reduction with the plans. I don't think it's affected the overall incidence of poverty. It's much more broad economic trends" that help, says Carl Riskin of Columbia University, a leading researcher on poverty in China.

Southern Guizhou demonstrates that a major cause of poverty is the government itself.

"Reforms" have reduced the contributions from the central government, but the number of local bureaucrats seems to

increase every year. The result: Many counties in Guizhou are unable to meet their payrolls, let alone undertake projects to ease the region's poverty.

Local governments have responded to the central government cuts by raising user fees, such as tuition. Schooling, which was free under the old system, now costs parents \$15 per child per semester - a staggering amount in a region where the per capita income is \$40 a year.

For Zhang, the result has been bankruptcy. The costs of putting two sons through high school has left him living in squalor and in debt for an amount equivalent to a full year's income.

His wooden shack with dirt floors is overrun by mice, who hop in and out of barrels of corn. Windows are an unaffordable luxury, as is running water or a television.

The cause of his poverty is literally written on the walls. His children are diligent students but for lack of paper they have scrawled Chinese and English words over the wooden boards, leaving his walls looking like a work of modern art.

"The children wanted to warn," Zhang says. "But we had to go into debt to pay for them." - (The Baltimore Sun),

ber of students is dropping dramatically. Girls are especially hurt as parents choose to spend their limited money on education of sons. Daihua, which once boasted a high school, closed it for lack of money and students.

"The people here don't even get enough to eat" the teacher said. "How can they be expected to go to school?"

Waiving tuition is out of the question because the government in Daihua has to spend all its money - and then some - on bureaucrats' salaries.

According to government statistics, Daihua spent the equivalent of \$46,000 on bureaucrats' salaries, but received just \$40,000 in taxes. The balance was made up by the county government. That left Daihua with no money for poverty programs.

For the county government, the burden of bureaucrats' salaries means that it has to "borrow" money from other programs, such as agricultural development. That has held down the number of agricultural extension agents. Plans exist to help. Daihua village plant an orchard, but no money is available to carry it out!

Officials in Guizhou are also notoriously inefficient, with one Chinese sociologist in Beijing complaining of a "Guizhou mentality," which he equated with despair and dependence on subsidies.

When the government Nanfang Zhoumou newspaper investigated the work habits of Daihua officials, it found that few officials bothered to show up for work.

Indeed, on a recent weekday the county offices remained closed all afternoon; the one bureaucrat who could be found smelled heavily of alcohol and said he had just come back from a "meeting" in another village. "Sorry we haven't prepared a suitable greeting," the village chief said, plopping himself down in a villager's living room.

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# Individualism, personal freedom

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## replace collectivism in China

By KEITH B. RICHBURG

A 34-year-old woman who works for a foreign company recalls her parents' reaction when she told them she wanted a divorce. Her father thought she was being rash and would eventually reconcile with her husband. Her mother tried to intervene - becoming upset, angry, even phoning the woman's husband with advice on how to patch up the marriage.

"My mother really liked my ex-husband, and she thought divorce would not be a credit to the family," the woman said. "It's more difficult for old people to accept this."

She got divorced anyway, after five years of marriage. By choosing to follow her heart instead of family advice and tradition, she reflects the modern, more educated, more affluent face of a new generation of Chinese who are rapidly embracing old ideas and dogma and embracing concepts once considered alien - such as the idea that a marriage might be for less than eternity.

"Why stay married if you're not in love?" the woman said. "Ten or 20 years ago, people stayed together even if they were miserable. They sacrificed for the marriage."

She is not unusual these days. Statistics show that divorce - once largely unheard of in China or kept as a dark family secret - is on the rise; 10 of every 1,000 couples in Beijing divorce, and statisticians expect one in every five new marriages to end in divorce. The divorce rate in Beijing is officially put at 1 percent, and most divorces involve the 30-to-39 age group.

The numbers are still tiny by Western standards, particularly compared with the

United States, where nearly half of all marriages are projected to end in divorce. But China is taking the rising divorce rate seriously, not only because of the social consequences - such as the increase in single-parent families and the added burden on congested urban housing - but because of what is widely seen here as a breakdown of traditional values.

"The society is developing, and a lot of the ethics the society was founded on are also changing," said Zhu Jingwen, who works at the Beijing Matchmaking Center, a computerized service that helps unmarried people, including many divorcees, find new partners.

One of the biggest changes is that divorce - once a source of shame, particularly for the extended family - is now commonly accepted. "I would say there's no stigma anymore whatsoever," said a 33-year-old divorced man who runs his own business here. "It's almost become a status thing among some classes, like the yuppies, the urban professional classes."

"It's not a sensitive topic anymore, especially in the (Beijing) metropolitan area among young people," said Chen Yiyun, a sociology professor who runs a family support center with help from the Ford Foundation. "They talk about divorce like they talk about food."

Researchers and divorced people cite several factors - economic, social and psychological - to explain why so many more marriages in China are breaking down.

A major reason, they say, is economics; in the past, before Deng Xiaoping opened China's doors to foreign investment and launched an era of prosperity, this was a desperately poor country, and everyday survival was a struggle for most people. (Washington Post)

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# China, Russia seek

## to expand trade

BEIJING (AFP) - China and Russia hope to expand bilateral trade to \$20 billion by 2000, Chinese Premier Li Peng said Thursday.

At a meeting with Alexei Bolshakov, first deputy prime minister of Russia, Li said bilateral relations had bright prospects and great potential, the Xinhua news agency reported.

"The building of a strategic partnership between China and Russia is our correct and historical option," he added.

Bolshakov, who arrived Monday on a six-day visit, said Li's upcoming visit to Moscow would be the official start of a mechanism for regular meetings between the two countries' prime ministers, the official news agency reported.

"Strengthened cooperation is in the interests of the two countries and their people," he said.

Li is expected to sign several inter-governmental agreements in Moscow at the end of this month, and discuss cooperation in defense, transport and energy, Bolshakov said earlier.

Li Peng is due to visit Moscow in late December to make preparations for a presidential summit next April.

Bolshakov Wednesday signed a protocol on military cooperation after talks with General Liu Huaqing, deputy chair

man of the Chinese central military commission, and visits to defense facilities in Beijing.

Russia, currently China's main arms supplier, has confirmed the delivery of 22 Sukhoi Su-27 fighter planes to Beijing, out of an eventual total of 72.

Bolshakov's delegation and Chinese officials have meanwhile finalized an agreement on Chinese production of Sp-27s under license, and their technical servicing.

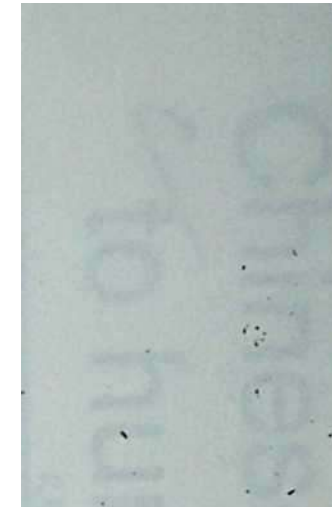
Russia is also manufacturing an AW ACS early warning plane for China, the Beriev A-50 "Mainstay."

Sources close to Bolshakov's delegation, have said Russian and Chinese energy officials are expected to sign an agreement later this month on building gas and oil pipelines running from eastern Siberia to China.

Plans have been drawn up to lay a gas pipeline from the Irkutsk region to China's coast, via Mongolia, and it may be extended to South Korea.

Work has already started on an oil pipeline from eastern Siberia to China. Eastern Siberian oil reserves are estimated to exceed 1.5 billion tons.

If the projects are implemented without delay, the gas pipeline could be commissioned in 2003-2004, and the oil pipeline in 2005.



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# Chinese peer over border to hungry North Korea

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US experts have estimated Pyongyang needs around one million tons of foodstuffs to feed its people, while aid pledged in recent weeks by the United States, Japan, South Korea and other nations will amount to only around 80,000 tons. Aid officials struggling to prevent famine says hungry North Koreans are being forced to eat roots for the first time since the 1950-53 civil war against the South.

By MURE DICKIE

**F**OR Chinese officials anxious to know that is going on in reclusive North Korea, the answer is to go chimney-spotting.

North Korean cadres may be tight-lipped on the state of their hungry nation even with socialist comrades, but officials in this northeastern Chinese border prefecture say the chimneys tell a tale of idled factories and a shattered economy.

"They won't talk about whether the factories are running or not, but we look at the chimneys," one trade official told Reuters in an interview. "There's no

Tough controls by North Korean officials limit the amount of food the Chinese Koreans can take to their kin and the number of times a year they can make the trip, residents say.

Pyongyang desperately needed to import more food, but was hamstrung by a lack of foreign funds and slumping border barter trade, Chinese trade officials said.

"They have no money for imports," said Huang Denan of the Yanbian Foreign Trade and Economic Cooperation Bureau.

Although flour was exempt from grain export restrictions, Yanbian had exported just 2,000 tons worth around \$600,000 in the first five months of 1996, Huang said in an interview.

The quiet of the Tumen Bridge border is itself eloquent testimony to the fall in the value of Sino-Korean trade.

One truck ferries small groups of visitors and their luggage — food and drink prominent among them — across the narrow bridge to the strictly-controlled communist nation.

Chinese and South Korean tourists climb to a viewing platform on the tiled border gate and peer through binoculars at the green slopes and sleepy-looking border settlement on the far side of the river.

Only occasionally is the peace broken by the throat roar of Russian-made Kamaz lorries and Chinese trucks laden with flour rolling across the border un-

der the gaze of a portrait of late North Korean leader Kim Il-Sung. "It's coarse flour this," said one driver, waving dismissively at his load of more than 30 tons of wheat flour as he waited for permission to cross the bridge.

"Good enough if you're hungry," retorted a fellow driver in the six truck convoy, which took a day to move 120 tons of flour four km between Chinese and Korean depots.

The truck drivers say they make the trip almost every day, but trades said the amounts of flour being shipped were far too small even to dent demand in North Korea.

US experts have estimated Pyongyang needs around one million tons of foodstuffs to feed its people, while aid pledged in recent weeks by the United States, Japan, South Korea and other nations will amount to only around 80,000 tons.

Aid officials struggling to prevent famine says hungry North Koreans are being forced to eat roots for the first time since the 1950-53 civil war against the South.

Dietary problems could lead to outbreaks of measles and diarrhoea among children, while the old were increasing their vulnerability to disease by giving their meager rations to the young. Geoff Dennis, representative to North Korea of the International Federation of the Red Cross and Red Crescent Societies, said last month.

"We are convinced things are getting serious," said a Yanbian trader with strong trading links to Pyongyang.

Business visitors, usually pampered by the North Korean cadres, were being given old rice to eat and even official drivers were admitting to chronic hunger, he said.

The Yanbian officials and ethnic Koreans said they had seen no sign of unrest or political discontent among North Koreans near the Chinese border, despite their hardships.

Many Koreans still be gyang propaganda that were better than elsewhere while others were simply too to say anything, they said.

"No one dares complain," nic-Korean restaurant owner who speak out disappear in the

# Trip US official ends China vfeit

1/ 1 0

BEIJING (R) - US National Security Adviser Anthony Lake on Wednesday wrapped up a landmark trip to China that put aside months of cross-Pacific bickering and laid the groundwork for the first exchange of state visits since 1989.

Western diplomats had said the clearest measure of whether Lake's trip would be a success in warming troubled ties would lie in whether he emerged with progress toward the long-delayed exchange of presidential visits.

At a breakfast meeting on Wednesday, Lake told US reporters that he expected his trip could lay the groundwork for such state visits.

"Because of our recent progress, I would expect that there would be an exchange of state visits," he said. "We are glad that the progress we have made allowed that discussion to take place."

Lake had been due to hold a day of meetings in Shanghai but instead would leave Beijing on Wednesday for Bangkok, a day earlier than originally scheduled, the US embassy said.

"Due to weather restrictions affecting United States air force aircraft operations and current weather conditions in Shanghai, his (Lake's) aircraft cannot land today in Shanghai as scheduled," an embassy statement said.

Lake had been expected to meet

Shanghai Mayor Xu Kuangdi and Wang Daohan, chairman of the Association for Relations Across the Taiwan Straits that handles troubled ties with rival Taiwan in the absence of official relations, it said.

China's top leaders, including its military officers extended an unusually warm welcome to Lake in meeting on Tuesday from which both sides emerged trying to paint a positive of the future of Sino-US relations.

Officials with Lake, the most senior US visitor to China since 1994, said cordial talks with Chinese President Jiang Zemin, Premier Li Peng and other leaders had boosted prospects for bringing new stability to volatile Sino-US ties.

Lake also met Defense Minister Chi Haotian and Foreign Minister Qian Qichen.

The White House said on Tuesday US President Bill Clinton and Chinese President Jiang Zemin may make reciprocal state visits, but not this year. The last US president to visit China was George Bush in early 1989.

White House spokesman Mike McCurry told reporters Lake's visit to Beijing this week was expected to lay the groundwork for such exchanges.

"We ought to find ways to make routine high-level meetings between the PRC and the United States, including

conceivably the exchange of state visits by President Clinton and President Jiang Zemin," McCurry said.

After months of disputes over Taiwan, trade, copyright piracy and other diplomatic stumbling blocks, Chinese leaders greeted Lake with praise for US policy toward Beijing.

"We were received very well," a US official traveling with Lake said late on Tuesday.

In an upbeat report on Lake's visit, Chinese state television on Tuesday quoted Jiang as telling Lake that China paid close attention to relations with the United States.

"If you believe something sincerely, it will come true," Jiang quoted a Chinese proverb as saying, adding that this showed that, if both sides were sincere and stuck by their commitments, then relations could improve and develop.

Lake's discussions ranged across such thorny issues as human rights, trade imbalances, US access to Chinese markets and the Washington-Tokyo security pact, US officials said.

While the trip builds on the momentum of recent Sino-US progress on copyright piracy, non-proliferation and trade, Beijing-based diplomats have suggested it was unlikely to end the hot-cold cycle of relations between the two Pacific powers.



# China, US tone down differences

By GILES HEWITT

CHINA and the United States played down their differences after talks between US National Security Adviser Anthony Lake and Chinese leaders that touched on sensitive issues including Taiwan and human rights.

The talks, which a senior US official travelling with Lako described as "positive, without being naive or euphoric," marked the resumption of top-level dialogue following a series of damaging trade and diplomatic disputes.

Both stressed the need for further dialogue, having agreed in principle on a China visit by Vice President Al Gore or his successor later this year or in early 1997.

During talks with President Jiang Zemin, both sides also agreed that reciprocal head-of-state visits over the next few years "would be useful," the official said.

Gore has been the subject of a long-standing invitation from Premier Li Peng to visit China and co-chair a regular forum on sustainable development.

Following a full day of talks with his Chinese counterpart Liu Huaqiu the day before, Lake — the most senior US official to visit China since Defense Secretary William Perry in October 1994 — met last Tuesday with Foreign Minister Qian Qichen, Li and Defense Minister Chi Haotian, as well as Jiang.

The talks included trade issues such as market access and China's bid to enter the World Trade Organization, human rights and regional issues such as North Korea and the US-Japan relationship.

For the Chinese side, Qian said Lake's visit had helped promote understanding and shown that the two sides could get along if they "respect each other and seek common ground, while maintaining differences."



ZEMIN: Favours heads of state visits

"Both sides expressed the need for an intensified dialogue to anticipate problems and decide how to manage them and con-

tain any damage," the US official said.

Washington has twice this year come within a hair's breadth of imposing massive sanctions on Beijing over missile sales to Pakistan and copyright piracy.

The US official indicated that Beijing now had a better understanding of the importance of the anti-China lobby in Congress, and warned against complacency in the face of an overwhelming vote in Congress last month supporting the renewal

**During Tuesday's talks, Lake made it clear that Washington required more progress on market access, especially to China's service sector, and reiterated concerns over the US trade deficit with China. He also sought to soothe Chinese concerns over the US-Japan alliance, stressing that the continued American military presence in the Asia-Pacific region was aimed at no single particular country.**

of China's most favored nation (MFN) trade status.

"China could be misled if it misread the Congress vote... which in no way meant the Congress was satisfied with China's performance," he said.

During Tuesday's talks, Lake made it clear that Washington required more progress on market access, especially to China's service sector, and reiterated concerns over the US trade deficit with China.

He also sought to soothe Chinese concerns over the US-Japan alliance, stressing that the continued American military presence in the Asia-Pacific region was aimed at no single particular country.

"The Chinese expressed concern that some forces in Japan were pressing for remilitarization and we pointed out that our presence in Japan inhibits those tendencies," the US official said.

On North Korea, Lake "encouraged" the Chinese government to prod Pyongyang into accepting proposed four-way talks — involving North and South Korea, China and the United States — aimed at reducing tension on the peninsula.

"We both agreed that it was unrealistic for the North to expect to deal with the United States directly," the official said.

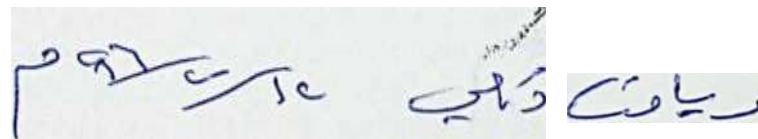
Lake also pressed Beijing to accept the text that came out of recent talks in Geneva aimed at concluding a nuclear Comprehensive Test Ban Treaty "before the end of the year.

The question of human rights was raised at nearly every one of Lake's meetings where it was pushed by the US side "on a general level, with concrete illustrations," the officials said.

The Chinese leaders reaffirmed that Taiwan remained the most sensitive issue in the Sino-US relationship, while Lake agreed that Taipei and Beijing should sort out their differences alone, as long as they did so peacefully.

Lake is to meet China's top Taiwan policy official, Wang Daohan, in Shanghai on Wednesday.

The United States incensed Beijing by sending two aircraft carriers to the Taiwan Strait in March as China's war games — aimed at frightening Taiwanese voters away from pro-independence ideas—got under way. (AFP)



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# /Art works from Mao's China make a comeback

At) 1+7S/16  
By JORGE SVARTZMAN

**W**ORKS of art from Mao Ze-dong's China are making a comeback here ahead of the 20th anniversary of the death of the man known here as the "Great Helmsman."

Some of the few operas permitted by Mao's wife, Jiang Qing, during the 1966-76 Cultural Revolution are being restaged, with box offices flooded with orders for tickets.

And last Friday, the *People's Daily* said a new 850-page book is being published containing facsimiles of the 24 *Chronicals* on which Mao had made notes.

The 24 *Chronicals* is a compilation of Chinese literature containing the accounts of court historians under 24 dynasties of the heyday and decline of the emperors of the preceding one.

"Mao was a great reader," the official communist party paper said on its front page, saying his notes were made be-

tween 1952 and his death in 1976.

Also included in the emerging 'retro-revolutionary' genre is a choreographed version of the *The Girl with White Hair* — one of only eight operas authorized by Mao's wife, a one-time actress, during the Cultural Revolution. The revival

tionary fervor behind them once and for all "have felt their hearts beat like before" the paper said.

Meanwhile, those too young to remember the epoch "have been surprised by the emotions they felt" at the misfortunes of the girl in the opera who loses

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The Mao revival takes place ahead of the 20th anniversary of his death, which occurred on September 9, 1976.

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has been a big hit in Beijing, following hot on the heels of *Red Women's Detachment*.

Both young and old have been touched by this particular line of 1960s and 1970s revivalism, according to China Culture News.

People who lived through the period and who thought they had put revolu-

tionary fervor behind them once and for all her normal coloring through a landowner's treachery, the paper said.

Beijingers will also soon be able to see a new version of *Songs of the Long March* with several choirs, based on the epic journey of Mao's followers in the 1930s. Box offices have already been inundated with calls.

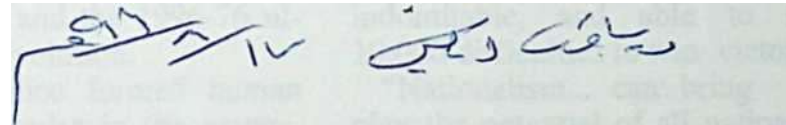
The 1934-6 Long March will also be

remembered on the screen, in a production recalling the virtues of Mao the "visional", who fought communist apparatchiks to lead his peasant army across more than 12,000 kilometers in order to break the stranglehold of the rival Kuo-mintang.

The actor playing the "Great Helmsman", Tang Guoqiang, has come from the Army studios. He has had to go on a crash diet to make himself look like the haggard Mao of the 30s, grown thin through war, the *Cinema Weekly* said.

Mao's feats will also be celebrated in a book which recounts his life with He Zizheng, his second wife whom he married before Jiang, and who accompanied him during the legendary crossing of 11 Chinese provinces, announced the *Authors' Digest*, which is to serialize parts of the work in its forthcoming editions.

The Mao revival takes place ahead of the 20th anniversary of his death, which occurred on September 9, 1976.





# 7 China trumpets patriotic tune on 47th N-Day

BEIJING (R) - The People's Republic of China on Tuesday celebrated the 47th anniversary of its founding with its propaganda machine stirring up nationalist passion.

Thousands of people thronged Tiananmen Square in central Beijing to attend a flag-raising ceremony at dawn. A band played the national anthem and a flag-bearing, bayonet-carrying honor guard marched out of Tiananmen - the gate of heavenly peace.

October 1 is among the most important holidays in the Chinese calendar, marking the anniversary of the day in 1949 when revolutionary leader Mao Zedong stood on the gate of heavenly peace overlooking the square and proclaimed the birth of the communist state. • "Patriotism and cooperation should be advocated," said a national day commentary in the official *China Daily* newspaper.

In recent months, nationalism has become the ruling communist party's most effective ideological weapon, after almost two decades of market reforms have sapped revolutionary fervor to leave an ideological vacuum.

"These are the moral stimulants that have helped our nation survive numerous natural and man-made disasters over the centuries," the commentary said.

Modern man-made disasters include the great leap forward campaign launched by Mao in 1958 in which 28 million people starved to death in a famine after farmers heeded Mao's call to abandon their fields and make steel in backyard furnaces, and the 1996-76 ultra-leftist cultural revolution.

On Tuesday, police formed human walls to maintain order in the square, where a portrait of Sun Yat-Sen, who overthrew China's last imperial dynasty in 1911, was set up.

The portrait was flanked by two huge traditional Chinese lanterns to mark the forthcoming return of the British colony of Hong Kong to Chinese rule in mid-1997.

Many onlookers had camped out overnight at the 40-hectare (100-acre) square, the world's largest public plaza, where the army brutally crushed student demonstrations for more democracy in June 1989 with heavy loss of life.

In a front-page editorial, the *People's Daily*, mouthpiece of the communist party, said nationalism would make the people selfless and create a China "able to stand on its own feet, strong, firm and indomitable, and able to surmount 10,000 difficulties to win victory."

"Nationalism... can bring into full play the potential of all nationalities, is the most effective way of cementing the strength of all nationalities... to create great undertakings that will shake heav-

en and earth," the editorial said.

Underscoring Chinese sovereignty over the restive Himalayan region of Tibet, the *People's Daily* splashetj^vCis-front page a color photograph of the Tibetan boy anointed by Beijing as the reincarnation of the 10th Panchen Lama. The boy was handing a traditional Tibetan white silk scarf to Premier Li Peng.

The 10th Panchen Lama died in 1989 and Tibet's exiled leader, the Dalai Lama, enraged Beijing by naming a rival "soul boy" as the reincarnation of the Himalayan region's second monk.

In a sign that Beijing appeared ^eager to put behind it the row with Japari over a group of disputed islands in the east China Sea, the *China Daily* ran a front-page photograph of two Japanese "friends" joining Chinese students in Tokyo to celebrate national day by hanging a national flag.



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# ^Deng's reforms becoming unpopular

BEIJING, Sept. 18»(AFP/DPA)

CHINA'S economic reforms are becoming less popular with many people who want to keep the "iron rice bowl" system, according to a poll released today by the Workers' *Daily*.

"People still support the reforms but the satisfaction rate about the results has been in constant decline for several years," said the All-China Federation of Trade Union's newspaper.

It identified four main groups of people now turning against changes set under way by paramount leader Deng Xiaoping.

One section expressed disappointment at the growing income disparity created by the reforms since they started in the 1970s.

The second group complained salaries for the leaders of ailing state firms now making mass lay-offs. "There are some loss making enterprises with directors whose pockets are not making any losses," said the daily.

A third section is fed up with delays in separating the powers of managers and political cadres within companies. This is one of the major problems facing the reforms in the 1990s, according to many people.

The fourth group has never got used to the new socialist market economy and wants a return to the old ways with a new "iron rice bowl" guarantee of work and food. Reforms must be changed to meet the "needs of the masses" to again win over the public.

The Workers' *Daily* said the changes should not just concentrate on material aspects and should create a clear division between "officials and the people whose job it is to put in place the market system." The survey was carried out on 2,000 people by the newspaper which has this year published a series of articles criticising the loss of purchasing power for workers under Deng's reforms.

Li *dissatisfied*: Chinese Prime Minister

Li Peng, at a session of the State Council, has painted a dark picture of the country's old planned-economy structures, according to a report today by the news agency Xinhua.-

He described the country's general economic development as being favourable, though there were "still quite a few problems" because the country had failed to adapt old structures to new market- economy requirements.

"Economic efficiency in enterprises has declined, and some state-owned enterprises have had greater difficulties in both production and management," Xinhua quoted Li as saying.

"The readjustment of product mix has not been able to meet market needs and total profit in industrial enterprises has gone down.

Money-losing enterprises have continued to lose money and the number of those that halted production has kept increasing" he said.

# Mao still invokes awe in China

By Benjamin Kang Lim

## Beijing

While mere mortals make do with clothes, Buddha must be clad in gold, according to a Chinese saying.

Visitors to the Shaoshan Mao Family Restaurant in Beijing could hardly miss the life-size bust of Mao Zedong sprayed with gold paint on an altar adorned with artificial flowers facing the front door.

Twenty years after his death, the great helmsman, who in 1958 launched the catastrophic great leap forward campaign that starved 28 million people to death in a man-made famine, is still revered by millions in China.

"I believe in Mao Zedong... Many of us bow (before the statue) every day," Li Jun, manager of the Mao Restaurant, said in an interview.

Until a recent ban by Beijing authorities to curb superstition, the restaurant would cook Mao's favorite dishes every day and place before the statue.

Despite unleashing the 1966-76 ultra-leftist Cultural Revolution that plunged China into turmoil, Mao is still respectfully referred to by millions in China simply as "chairman" of the Communist Party.

Mao fever subsided in the first few years after his death on Sept. 9, 1976, but has revived in recent years.

Pictures of Mao still are bought by many Chinese peasants. They hang from the rear view mirrors of many vehicles as an amulet against accidents and adorn the walls of many homes.

Farmers in Jingbian county in the northern province of Shaanxi spent 100,000 yuan

(\$12,000) of their own money to build a memorial to Mao. The average income of Jingbian county residents was 650 yuan (\$78) each in 1995.

A huge portrait of Mao gazes over Tiananmen Square in central Beijing, where Mao declared the founding of the republic on Oct. 1, 1949. Long queues are a frequent sight outside the mausoleum, where Mao's embalmed body lies in a crystal coffin.

An average of one million people flock to Shaoshan village in the central Chinese province of Hunan each year for a glimpse of the place where he was born.

"Personally, I'm an admirer of Mao Zedong," said Chen Zhcnxing, a historian at a private think-tank.

"I...think he's a leader of the people, speaks for the people and does things for the people," Chen told Reuters.

To many, Mao symbolizes a golden age of Chinese communism, a period of idealism and crime-free streets in the years after Mao's ragtag Red Army defeated Chiang Kai-shek's corrupt Nationalists and swept to power in 1949.

Superstition and other centuries-old scourges were also virtually eliminated. But Mao was not infallible.

Mao presided over three decades of social chaos and ruled with a combination of personality cult and political terror.

During the Cultural Revolution, schools were closed and radical Red Guards went on a rampage, destroying temples, Buddhist statues and works of arts, and trashing anything that smacked of tradition.

Thousands of people were hounded to death in rounds of "class struggle" that Mao said would cleanse China of "rightists" and

"counterrevolutionaries." "The ordinary Chinese think Mao Zedong committed a lot of mistakes, especially during the Cultural Revolution when he brought China to the brink of collapse," said Xu Youyu, of the Philosophy Institute of the Chinese Academy of Social Sciences.

"But with the gap between the rich and the poor widening in recent years, the people are seeking social justice...And Mao stood for justice," Xu said.

The official assessment of Mao is that he committed "mistakes" in his later life but that these are outweighed by his "contributions" in leading the revolution to success.

Mao's death gave rise to market reforms, which after almost two decades have eroded Communist puritanism and debunked almost all of what Mao stood for.

In China's rush to get rich, many businessmen — who would have been purged and struggled against during the Cultural Revolution — have cashed in on Mao's legacy.

More than 40 Mao restaurants have mushroomed across Beijing, something that would have made the chairman — a devoted Marxist — turn in his grave.

The Shaoshan Mao Family Restaurant boasts cooks from Mao's birthplace, and the waitresses speak with Mao's unmistakable Hunan accent.

Pop music singing the praises of Mao blares from loudspeakers. Chinese calligraphy of poems by Mao and blown-up black and white historical pictures of him hang from the walls.

Little Red Books containing quotable quotes by Mao are on display in a glass encasement. Customers are given souvenir



Twenty years after his death, the great helmsman, who in 1958 launched the catastrophic great leap forward campaign that starved 28 million people to death, is still revered by millions in China.

lapel pins bearing his profile.

The restaurant's best seller Mao's favorite dish. Mao was said to have once said: "(Give me) a bowl of this dish a day and (I) will defeat Chiang Kai-shek in three years." He became depressed after learning of the famine created by his great leap forward campaign, in which he urged farmers to abandon their fields to make steel in their backyards.

Mao then reportedly abstained from his favorite dish for years, apparently to atone for his blunder. (R)

# Surplus labor — China's biggest headache

By MARK O'NEILL

**H** E Xingyi runs what is supposed to be a model state factory — but he cannot fire anyone or list the shares the firm sold in 1993 to stay afloat.

He Xingyi's task is part of a nationwide campaign to hone tens of thousands of lumbering state enterprises into svelte profit makers. It is a road untrodden and beset with obstacles.

"If I had 1,000 fewer workers, the factory would run the same, but I dare not do anything," he

said in an interview at his plant, which employs 6,700 in Chengdu, capital of southwestern Sichuan province.

"That is my biggest problem. China will need 20 years to solve the problem of surplus labor in our state factories."

Among China's ailing state sector, He's Hongguang (red light) industrial co. is a star. It makes bulbs and picture tubes for televisions that it sells to Japan, the United States and southeast Asia as well as on the domestic market.

In 1995, it posted sales of 1.13 billion yuan (\$136 million), up from 880 million in 1994, on output of two million tubes, up from 1.8 million. Its workers in 1995 earned 13,000 yuan, about double the average in Chengdu.

All this good news does not solve He's two biggest headaches — capital and labor — that are the two major obstacles to reforming China's state sector, a key state objective in 1996.

"Our most serious problem is the idea of egalitarianism. Workers expect jobs

not only for themselves but for their children," he said.

"We Chinese managers have to spend many, many times more of our time on personnel issues than our counterparts in the west where a job is just a job."

Workers in China's state factories have been taught to believe that, as "masters" of the communist state, they are entitled to a job for life, as well as housing, education, a pension and medical care from their work-unit.

In turn, factory bosses are told that it

**Workers in China's state factories have been taught to believe that, as "masters" of the communist state, they are entitled to a job for life, as well as housing, education, a pension and medical care from their work-unit.**

is virtually impossible to dismiss a worker in the interests of "preserving social stability," because of limited job alternatives and an inadequate state social welfare unit.

But He and other such bosses must compete with thousands of non-state firms set up in 17 years of reform that do not operate under the same constraints — they hire mostly contract workers and offer them nothing except a wage.

He's labor surplus is common among thousands of state companies in Sichuan that have on average one-third too many workers and a debt-equity ratio of 75 percent, said Han Rui, deputy director of the province's economic trade commission.

The most popular solution is to turn state firms into shareholding companies, he said.

That is exactly what He's firm did in 1993 to solve its cash problem — but things have not worked out quite as hoped.

By the early 1990s the factory's debt had reached one billion yuan, against assets of 1.2 billion. To raise money, it issued shares, 200 million of them at one yuan each, 36 million to companies and the rest to individuals, mostly the workers.

The cash injection solved the company's credit problem and persuaded banks to lend money again.

The workers bought the shares, an average of 5,000 yuan each, believing they would soon be listed at a higher price.

They traded them actively, before Beijing ruled at the end of 1993 that such trading was illegal and imposed a ban, leaving shareholders with just a dividend. That leaves He, who himself bought

27,000 shares, with two options — listing the shares or returning to the previous status as a wholly owned state company, eligible to receive some privileges now denied it.

"We managers would like to go back to our former status but cannot. We would need unanimous agreement," he said. "If only a few shareholders opposed, that would become a social problem."

So he is pursuing the other option, a listing in China or overseas. Efforts to obtain a keenly sought listing in China have failed so far, he said.

The firm talked to a Japanese securities firm about a listing in Tokyo — a first for a Chinese firm and costing an estimated 35 million yuan in fees.

That is impossible in the short term because a drop in 1996 sales after an overhaul of equipment means performance would not meet the targets necessary for a listing. — (R)

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## **Beijing stamps out/ private post office**

BEIJING, Aug. 27 (R) — Beijing authorities have shut down a private company that went into competition with the post office without government permission, officials said today. They said that a small private company had been delivering parcels in a suburb of the city since June. "The agency opened without business licenses or any other official certificates," an official of the Daxing district post office. The officials said that company had not set up its own delivery network but it had collected express mail parcels and relayed them through the official post office.

# 'Strategic reasons' seen behind China's refusal of overseas listing

By Josephine Ma  
*South China Morning Post*

LANZHOU, Aug. 27

CHINA will not allow Jinchuan Non-ferrous Metals Co, the third largest nickel supplier in the world, to be listed overseas because of "strategic" reasons.

Gansu province Vice-Governor Guo Kun said the local government had applied to the China Securities Regulatory Commission (CSRC) for the company to be included in the fourth batch of overseas listings.

The application was turned down because the state did not want to put the country's largest nickel supplier in the hands of public shareholders, he said.

Guo said Gansu's application on behalf of Jinchuan was the only one it made for the fourth batch of overseas listings.

Jinchuan meets more than 95 percent of the country's demand for nickel, which is necessary for steel refineries.

It is the world's third largest supplier after Canada and Australia. It produces 40,000 tonnes of nickel and 20,000 tonnes of copper a year. The company is a wholly owned subsidiary of China National Non-ferrous Metal Corp.

Last year, it made a profit of 400 million

yuan (about HK\$372 million) on a turnover of three billion yuan.

While it has reported spectacular profits in the past decade, the company is facing mounting pressure from imports.

A company official said the company planned to reduce the price of nickel from about 74,000 yuan a tonne to 70,000 yuan to counter foreign competition.

It previously had cut the price from about 80,000 yuan a tonne.

Nickel is quoted at about US\$6,000 a tonne on the London Metal Exchange.

The official said the company was considering controlling output of the metal for the rest of the year to stabilise the price. He said C. government had no plans to control imports.

The company's profit target this year is 460 million yuan, of which about half is expected from nickel.

The official said the company planned to invest more than a billion yuan to expand production capacity to 60,000 tonnes a year by 2000.

"If we have a shortage of raw material, we may import from western Xinjiang and Shanxi." in the future."

As with most state enterprises, Jinchuan has the problem of looking after retired workers.

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# China urges Taiwan to allow direct links

tion between offensive and defensive weapons, he said.  
"Some leaders of the Taiwan authorities have been making more and more efforts ... To create or try to create two Chinas or one China and one Taiwan," he added.  
Meanwhile, the official Xinhua news agency slammed Taipei for turning down China's latest offer on direct links between the island and the mainland, and blocking efforts towards reunification.  
"The Taiwan authorities have continu-

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hardly general. There are still many parts of this big country which have been untouched by the new prosperity.

The success stories thus far are concentrated in a relatively small number of provinces, where the local authorities have gone out of their way to encourage the entrepreneurial genius that has traditionally characterized the Chinese. The commercial achievements of cities like Shanghai have aroused both suspicion and some resentment in Beijing. Throughout its history China has suffered from periods when local warlords challenged the central power. From the point of view of the Communist leadership in Beijing, the success of Shanghai and the other economic areas can be seen to represent the emergence of economic warlords, with considerable financial power and the support of a population that is eager to continue to enjoy ever-growing living standards.

The communist ideology is now increasingly merely a method of imposing some sort of unifying fabric upon the far-flung parts of this large country. The party and the army are the only way of maintaining a central power that can hold China together. There are no hereditary emperors nor are there likely to be in the foreseeable future.

Beijing has already demonstrated that it is communist in name only. The repression of Tiananmen Square may have seemed like the same type of ideological butchery as took place in Hungary in 1956 and Czechoslovakia in 1967, but it was in fact merely the same tough reaction to dissidents that has always been a part of Chinese rule.

China's biggest danger, both economically and politically, is the loss of the central power. The most liberated Chinese businessman probably recognizes the need for the continuation of the Communist gerontocracy that holds his country together.

Much of the specious Marxist dogma has gone. The old street committees and the excesses of the Maoist Red Guards are generally a thing of the past. He can live with the odd arbitrary edict, provided he is given the political and economic stability to carry on with his business.

With \$100 billion of foreign reserves, he knows for instance that the yuan is set to remain a stable currency in which he can have confidence.

Were China to respond to the age-old pressures and break up, this time into rival economic zones, life would become very different and much more dangerous. And this would also affect foreign investors. And if China were destabilized, it would also undermine the rest of Asia and the economic miracle that is currently under way.





# China warns US against arms sale to Taiwan

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.BEIJING (AFP) - China urged Taiwan Tuesday to allow direct shipping links with the mainland and denounced Washington for encouraging Taipei's defiance by sanctioning arms sales to the island.

US weapons sales to Taiwan have affected the "stability of the Taiwan Strait" and seriously violated agreements between Beijing and Washington, a Chinese foreign ministry spokesman said.

He warned of "future damage" to roller coaster Sino-US relations unless Washington refused Taiwan's request to purchase 1,300 Stinger missiles and 74 launchers, which went before the US Congress Friday.

"The US sale of such a large quantity of advanced weapons to Taiwan amounts to support for the instigation of separatists in Taiwan to do what they want, and constitutes an obstacle for the reunification of China," spokesman Shen Guofang said.

A Sino-US agreement in 1982 bound Washington to stop its long term policy of arming Taiwan and made no distinction between offensive and defensive weapons, he said.

"Some leaders of the Taiwan authorities have been making more and more efforts... to create or try to create two Chinas or one China and one Taiwan," he added.

Meanwhile, the official Xinhua news

agency slammed Taipei for turning down China's latest offer on direct links between the island and the mainland, and blocking efforts towards reunification.

"The Taiwan authorities have continually put many obstacles in the path of the 'three direct exchanges'... which clearly lay bare their attempt to create 'two Chinas' or 'one China and one Taiwan'," the commentary said.

"This will do no good to Taiwan's long-term interests or to peaceful reunification," it added.

Last week, China promulgated a 15-point regulation on cross-Strait shipping, which is currently forbidden by Taiwan.

The regulation gave control of the routes to Beijing and was cold-shouldered by the Taipei government, which then further annoyed China by sending its vice president, Lien Chan to the Ukraine.

Kiev has diplomatic ties with Beijing, and not with Taipei.

China's last major effort to forge a reconciliation with Taiwan was the eight-point proposal put forward in January 1995 by President Jiang Zemin, which was also ignored by Taiwan.

The two sides split in 1949 after a bloody civil war, and Beijing has become increasingly enraged by Taiwan's efforts to increase its international standing and gain a seat at the United Na

tions.

Last year, diplomatic relations with, the United States plummeted after Washington allowed Taiwanese President Lee Teng-hui to make a 'private' visit to New York state.

Meanwhile, Taiwan Tuesday began a rare, large-scale exercise to practice dealing with radiation leaks at the island's three nuclear power plants, a senior official said.

The two-day drill involves 1,200 people, including power plant officials, police and civilians, said Su I-hsiung, deputy director of the National Nuclear Incident Committee.

The first day of the exercise was staged indoors at the Third Nuclear Power Plant in Pingtung, southern Taiwan, with Taiwan Power Company and plant officials and workers taking part, Susaid.

Wednesday's drill will simulate conditions when reactors and other facilities are damaged, Su said, adding there would be a mass evacuation of plant employees and nearby residents.

Police will use helicopters to fake people to nearby shelters, while an emergency command center will direct officials, he said.

The drill was prompted by China's staging of six military exercises, including four missile tests, near the island between July 1995 and March this year to intimidate Taiwan.

\*

# China warns Japan against testing it over

BEIJING, Aug. 30 (AFP)

CHINA warned Japan today that it was playing with fire by testing out Beijing's commitment to defending disputed islands in the East China Sea.

A front-page commentary in the official Communist Party newspaper, the People's Daily, strongly condemned recent remarks by Japanese Foreign Minister Yukihiko Ikeda that the Diaoyu Islands - claimed by China and Taiwan - were an indisputable part of the Japanese territory.

Ikeda's remarks and recent incursions by Japanese rightists in the islands "clearly show that Japan is looking to occupy Chinese territory in the Diaoyu chain," the commentary said.

"Japan wants to show off its current strength and sound out China's determination to defend its territory," it said,

giving a clear warning that Beijing would not stand idly by in the face of further provocation.

"Any idea, by any country, that China and its 1.2 billion people will give up an inch of land, is just wishful thinking."

While China values its friendly relations with Japan, it will never compromise over the sovereignty of the Diaoyu islands or any other territory, the newspaper said, reiterating Beijing's stance that the issue of sovereignty should be shelved so as not to complicate bilateral ties.

The Chinese authorities were infuriated by Ikeda's remarks in Hong Kong on Wednesday, which they saw as putting Tokyo's official seal of approval on the actions of right-wing groups which planted a flag and a war memorial on one of the Diaoyu islands earlier this month.

Chinese Foreign Ministry spokesman Shen Guofang yesterday laid all the blame for the current dispute at the feet of the Japanese government and what he described as its warped sense of history.

"The Japanese government should have a sober-minded perspective on this issue, otherwise Sino-Japanese relations will be severely affected and Japan's international image also harmed," Shen said.

Demonstrators in Hong Kong, angered by Ikeda's comments on Japan's claim to the Diaoyu islands, burned an imperial flag outside the Japanese consulate in the territory.

The Diaoyu islands, located 102 nautical miles north-east of Taiwan and 240 nautical miles from Okinawa, are believed to contain rich oil and natural gas reserves.



# Taiwan dismisses Chinese..... objections to missile sale

TAIPEI (Agencies) - Taiwan on Sunday dismissed China's stem objections to the sale of 1,299 US-made Stinger missiles to the island, saying the deal should present no problems.

"These (the Stingers) are ordinary defensive weapons... there should be no problem in the deal," a military spokesman quoted the island's defense minister, Chiang Chung-ling, as saying.

Rejecting a demand by China, the US defense department notified Congress on Friday of plans to sell Stinger missiles, launchers and other equipment to Taiwan.

"The sale of this equipment will not affect the basic military balance in the region," the Pentagon told Congress. \*

The Pentagon said Taiwan wanted to buy 1,299 Stinger missiles, 74 guided missile launchers, 74 flight trainer Stinger missiles, 96 humvee vehicles and 500 rounds of .50 caliber ammunition for an estimated \$420 million.

Taiwan newspapers quoted Jason Hu,

Taiwan's representative in the United States, as saying the sale was "within our expectation."

China had demanded on August 15 that the sale be canceled, saying the United States had made a "solemn commitment to China on the question of selling weapons to Taiwan."

China, which has regarded Taiwan as a renegade province after a civil war split them in 1949, strongly objects to military links between Taiwan and foreign countries.

China threatens to recover Taiwan by force if it declares independence. Taiwan says it wants reunification instead of independence, but only after China becomes democratic.

Earlier this year, Beijing carried out a series of war games in waters off Taiwan intended to intimidate voters in the run-up to Taiwan's first-ever presidential election.

In another development, Taiwan said on Sunday it would welcome a soften

ing in China's stance towards the island following a report that Chinese President Jiang Zemin, warned against using strong-arm tactics against Taiwan.

Hong Kong's *South China Morning Post* newspaper, quoting an unidentified China source, said on Saturday that Jiang said such strong-arm tactics would destabilize the return of Hong Kong to Chinese rule in mid-1997.

Beijing had decided instead to continue the "economic United front" policy to put pressure on Taiwan, the report said.

"If they really made such an adjustment, I think we should see it from a positive point of view," Taiwan's Vice Foreign Minister Chen Chien-jen told state-funded television on Sunday.

"But we do not know what made them do the adjustment. We have no way of finding out whether it is based on their internal consideration or other reasons," Chen said. "We should take time to observe (further development)."

HSU LEAVES FOR SA VISIT .

Meanwhile, Taiwan's Vice Premier - Hsu Li-teh was to leave for South Africa late Sunday on an eight-day visit to cement ties with Pretoria, as diplomatic tensions with China, rise over the island's international profile.

Hsu's visit follows Vice President Lien Chan's trip to the Ukraine, a move that strongly provoked China, but was described by the press as swift retaliation after Niger switched diplomatic recognition to Beijing. •

Hsu's South African trip was seen by analysts here as a new round in the diplomatic battle between the two rivals, although Hsu had repeatedly refuted press reports that he was to secure Taiwan's formal relations with Pretoria - the largest of its 30 diplomatic allies.!,:.

"The trip has long been planned. I was invited to visit there a year ago," Hsu told reporters here, apparently to play down a potential crisis if Pretoria establishes formal relations with China ••

# China slams America for blocking entry into WTO

BEIJING (AFP) - A top Chinese trade official has slammed the United States for "unreasonable" demands that block China's entry to the World Trade Organization, saying US inflexibility is likely to scupper the next talks in November.

"I don't foresee any decision at the meeting - probably none," Li Zhong-zhou, a Ministry of Foreign Trade and Economic Cooperation (Moftec) official, was quoted as saying Sunday in the *China Daily*.

"Nor are we convinced the United States will soon turn flexible in its demands on the conditions for China's entry to the organization," Li said, criticizing Washington for its "unreasonable demands."

"The United States and some other developed countries also want to force

China to accept discriminatory clauses on trade protection, dumping, balance of payments beyond WTO requirements," Li added.

China has insisted it 'retains developing country status, the taain stumbling block which has so far Held up negotiations and sank talks at the first meeting on China's accession in Geneva in March.

The next round of talks in November will come a month after a visit to the United States by China's Moftec minister, Wu Yi.

Industrialized countries like the United States, Japan and membeis of the European Union insist that developing nation status, which gives states longer to bring tariffs in line with iiteraational norms, cannot be applied uniformly to China, which could become one of the

biggest trading nations.

China's import tariffs are still an average 11 percent higher than those in other developing nations.

But Beijing's insistence omdeveloping nation status centers on fears that the atP olition of tariffs in ten sectors^ including toys, paper products and farming ma- chinery, will cripple its export growth. !'

"These clauses, if accepted, threaten to curtail China's exjxtgrcwth - and without rising exports. Chun cannot afford to increase its imports," Li said.

"China is the world's largest emerging market and its trade partners will suffer if its domestic economy plunged into serious imbalance. This would make toiling for WTO entry senseless."

In a related developmeil, Li said Wu's visit to the US next month is Most Favored Nation trading(MFN) status.

# China fears dissidents/ more than criminals'<sup>7</sup>

MANILA (R) - The detention of veteran dissident Wang Donghai showed China's determination to crush any vestige of dissent during the current profound transitions in the nation's leadership, a human rights activist said on Saturday.

Xiao Qiang, executive director of the New York-based group Human Rights in China, said Wang's arrest on Friday appeared to be part of the national "strike hard" campaign that has imprisoned thousands and sent hundreds to their death.

Although supposedly aimed at criminals, dozens of human rights activists have been detained in the campaign, which is meant to strengthen the communist party's grip on power as senior leader Deng Xiaoping nears death, Xiao said in an interview.

"China is going through this power transition period. The authorities are apparently extremely afraid of any political and social discontent," said Xiao, in Manila to attend an Amnesty International conference on human rights in China.

He said one of Wang's apparent of

fenses was to write a public letter in May suggesting that a free press and an independent judicial system were vital if the government really meant to stamp out rampant corruption.

Xiao said crushing legitimate dissent was only making the problem worse and one day China would pay a high price.

"Those issues are not going to go away by repression. You only make things more hidden but potentially more explosive," he said.

Wang was arrested in the east China city of Hangzhou by security officers who told the dissident's family he would be sent to a study class - a euphemism for coercive ideological reform.

Wang, 45, was sentenced last month to one year's "re-education by labor" but was released because of ill-health.

Xiao said conditions in the labor camp were so brutal they drove another activist sentenced with Wang to attempt suicide.

Police beat Wang and his colleague, Chen Longde, and encouraged other camp inmates to attack them as well, Xiao said.

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# The day Chinese leader Mao died



ao Zedong, the great leader of rev\*  
utionaries around the world.

Z) By Peter Griffiths  
London

"You had better go home and listen to the radio...There will be an important announcement at three o'clock."

This whispered advice from a friend's normally severe and uncommunicative interpreter gave me the first hint that Mao Zedong, the great leader of revolutionaries around the world, could be dead.

But, as I cycled furiously back to the Reuters office through the streets of Beijing on Sept. 9 20 years ago, there was another possibility. Tension between China and the Soviet Union was at an all-time high. There had been clashes on the Ussuri River frontier between the two Communist empires.

Wind blew trails of dust across strangely deserted avenues that Thursday. A few people dressed in baggy-blue Mao suits, the favored uniform of the era, scuttled along.

There were more police than usual around, huddled on corners and looking even more hostile than usual behind their reflective sunglasses.

Clearly the word had gone out. Something momentous was about to happen.

In the Reuters apartment-cum-office in a foreigners-only block, my interpreter — a watchdog assigned to every foreign correspondent regardless of his linguistic abilities — was looking suitably severe.

"What have you heard — is it Mao or is it war?" "I don't know — there will be a very big announcement," he replied.

Just before three o'clock there was nothing on Beijing Radio but somber, martial music.

I fired up our huge, juddering, old Shangliai-brand telex machine, and opened a line to Hong Kong, ready to send two messages — either "China declares war on Soviet Union — official" or "Mao dead — official".

At precisely three o'clock the radio began to intone—"all of the people...The state...The leadership...The dictatorship of the proletariat..." Eventually, after what seemed like minutes, the meat of it couched in traditional euphemisms — great leader Chairman Mao, his venerable reverence "ta-lao-rcn-jia", had passed away.

I screwed up the war with Soviet Union message and turned to the interpreter for confirmation. "So Mao died today — right?" My only answer was a wail of anguish as he buried his head in his hands.

I fed the message into the telex, telling the world the father of modern China was dead. There was no designated heir to the leadership of a quarter of mankind. The 800 million Chinese were about to become spectators in a vicious power struggle which had in fact already begun.

I turned the radio volume down but the set refused to respond. The sound seemed to be echoing from everywhere.

It was. The announcer's voice was booming out right across the capital from the loudspeakers sited on every building.

The "great helmsman", he intoned, had "passed away because of the worsening of his illness and despite all treatment, although meticulous medical care was given to him in every way after he fell ill..." The next few hours are ingrained in my memory. It was clear that many people, while fearing what was to come, must have been euphoric at the passing of a dictator who reigned over ignorance, and kept control by getting people to hate each other.

There was no need for a state security force in a society where everyone was a spy and sycophancy had been raised to a fine art.

Out on the streets hordes of people in Mao-suits were indulging in an orgy of literally-correct weeping.

In Tiananmen Square, the huge portrait of Mao still hung on the ochre walls of the Forbidden City. But flags were already at half-mast and no one was without a black armband. They had appeared within minutes and must have been prepared in advance.

How much of the sorrow was genuine I could not tell. Weeping rose to a crescendo whenever a rare "big nose", a foreigner, appeared. In a state where self-censorship means survival, was this just another programmed act in programmed lives? The "internationale", the international Communist song composed in France a century earlier, boomed out from the omnipresent loudspeakers and the air became thick with the scent of cypress as people in the hutungs (courtyards) wove wreaths. I went back to my typewriter to try to get the balance right.

Less than a month after Mao's death, Madame Mao, the deeply unloved and unlovable Jiang Qing, along with three other members of her Shanghai Mafia — the gang of four — were arrested. The reaction to that news was unambiguous. I witnessed spontaneous mass delight.

It was the culmination of perhaps the most dramatic year in China's modern history. On Jan. 8, Premier Zhou Enlai died. The passing of the face of sanity and moderation caused an outflowing of grief. He had curbed Mao's excesses and many Chinese believe he was responsible for ending the madness of the Cultural Revolution.

Then the dying Mao — or the clique which spoke with his authority — vilified and purged China's current elder statesman, Deng Xiaoping, regarded as Zhou's protégé.

Throughout China people risked their lives to protest. The unrest reached new heights at the April Qing Ming (tomb sweeping) Festival. Hundreds of thousands flooded into Tiananmen Square, put up huge wreaths, wall posters and poems, praising Deng and, by allusion, -attacking Madame Mao and her "devils".

The Maoists decided to crack down. Chi the night of April 5 club-wielding police and troops waded into the crowds. Fighting broke out the security police headquarters were set ablaze, official cars went up in flames. It was the first large-scale challenge to Mao since the Communist takeover of China in 1949.

One of the few foreigners to penetrate central Beijing that night I was among thousands arrested. Frog-marched by security men to a cell within the walls of the Forbidden City, I was subjected to a long and bizarre interrogation.

Released shortly before dawn, I emerged into a silent cold and deserted Tiananmen Square, where shapeless women street cleaners hosed down the last traces of the previous night's riot. They could not erase the stink of burning, hanging in the cold morning air. (R)

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# Beijing urged to stop isolating Taiwan<sup>s</sup>

TAIPEI (CNA) - Foreign Minister John Chang on Friday urged Beijing to stop suppressing and isolating Taiwan in the international community and to honor its leader's promise that "Chinese should not fight Chinese."

Chang made the appeal while reporting on the country's external relations at the opening session of the fourth plenum of the ruling Kuomintang's 14th Central Committee.

Noting that the greatest obstacle to Taiwan's diplomatic efforts is Beijing's complete denial of the ROC's international status, Chang said Beijing need not be so sensitive toward Taiwan's pragmatic diplomacy.

"Our pragmatic diplomacy will by no means hinder development of relations across the Taiwan Strait," Chang asserted, adding that Taiwan is committed to promoting cross-strait rapprochement while expanding its diplomatic frontiers.

Chang stressed that only when Taiwan international status is secure can cross-strait ties improve. "So we hope Beijing will honor its promise that Chinese should not fight Chinese by stopping its efforts to block our presence in the world arena."

With its economic clout and sincerity to cooperate with other countries on a reciprocal basis, Chang said, Taiwan has managed to set up 96 representative offices in 64 countries without diplo

matic ties. Most of these offices enjoy diplomatic privileges and are authorized to handle consular affairs.

Meanwhile, 42 of those countries have set up 46 representative offices in Taiwan. In addition, Taiwan reached agreement with Belarus on the exchange of representative offices in July and Russia has decided to open a representative office in Taipei soon.

Chang further said Vice Premier Hsu Li-tch has headed a delegation of senior officials and business executives to visit South Africa on August 25 to consolidate bilateral ties.

Taiwan has signed 27 cooperative agreements with South Africa, the biggest of Taiwan's diplomatic allies. Taiwan will also assist South Africa in vocational training, small-farm development, retired servicemen job placement, land reform training, and small- and medium-sized enterprise development.

Chang said Hsu's mission will discuss technical details about the programs during the upcoming visit.

Over past decades, Chang said, Taiwan has offered economic aid and technical assistance to many other developing countries. "We have done so out of good will and with an aim to boost world prosperity."

On future plans, Chang said Taiwan will seek to win more international recognition by "reaching out" into the world community. "We'll cement ties

with our diplomatic partners in addition to developing substantive relations with countries that recognize Beijing," Chang said. "We'll also seek to take part in as many international organizations as possible."

Meanwhile, Taiwanese government hopes that issues involving Taiwan and Hong Kong after 1997 would be solved, through consultation with mainland China, a top official of the Mainland Affairs Council (MAC) said Saturday.

William Li, MAC director of the Department of Hong Kong & Macao Affairs, told a press conference that because of mainland China's delay of talking on the issue concerning both sides of the Taiwan Strait, the government has mapped out plans to deal with such issues as Taiwan organizations in Hong Kong, and air links between Taiwan and Hong Kong after 1997, and protection of the interests of Taiwanese doing business in the mainland.

Li said that government policy toward Hong Kong and Macao is part of its mainland policy, and that the basic principles of the policy have been "equality, security and dignity."

Toward these principles, the MAC is coordinating with the ministry of transportation and communications, the ministry of economic affairs, and the ministry of foreign affairs to work out contingencies.



# China plans to curb/air mishaps

BEIJING (R) - China, recently voted "We cannot let... (aviation) develop-

one of the most dangerous countries in the world to fly after, is putting the brakes on its bleeding," Shen said. "Development and safety of the civil aviation industry to focus on safety should be balanced."

China's civil aviation sector has expanded rapidly in the past 15 years, with the general administration of civil aviation growing by an annual average of 20.6

percent between 1980 and 1995. It was forecast to grow by an average of 14 percent annually over the next five years.

of China, said the nation's airlines needed to expand to meet demand, but that safety concerns had to limit the pace of growth.

"We cannot allow airlines to develop blindly," Shen said.

For China's aviation industry, 1992 through 1994 were years of living dangerously. "There were nine crashes in 1992 and 10 in 1993... the speed of development was too fast... the safety situation in 1992 and 1993 was very, very bad," he said in a recent interview.

The international airline passengers association cited China in 1994 as one of the most dangerous places in the world to fly after five crashes and 10 hijackings to Taiwan in 1993. A string of accidents over four months in 1992 killed 276 people.

In June 1994, 160 people were killed in China's worst reported air mishap when a Soviet-built Tupolev crashed on a domestic flight from Xian, whom to the famed Qin Dynasty (221-206 BC) terracotta warriors.

About 2,400 new pilots have been trained in the past four years, but that is still not enough.

New safety rules were put in place last year that ban airlines from taking delivery of new planes for three years after a crash.

Regulators also will not approve an airline's application to buy new planes if the average number of hours its planes are used daily is below the national average, and if less than half the seats are sold.

The number of flying hours of each

plane cannot exceed 100 a month or 1,000 a year.

China has seen some results from its safety efforts. Its airlines have gone 25 consecutive months without a crash.

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ADB, China to hold  
conference on Mekong

MANILA (AFP) — Ministers of six countries will meet in Kunming, in China's Yunnan province, for a conference on economic integration of the greater Mekong sub-region, the Asian Development Bank (ADB) said here Monday. The conference, to be held from August 28 to 30, will bring together representatives from Burma, Cambodia, Laos, Thailand, Vietnam and China to discuss plans for integrating the economies of countries connected by the Mekong River. The ADB and the Chinese government are organizing the conference, which will be attended by observers from the Association of Southeast Asian Nations and the Japanese and Australian governments, the ADB said in a statement issued by its Manila headquarters.

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# China

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## plant built at a cost of \$2b

BEIJING, Aug 26 (AFP)

CHINA's largest coal-fired power plant was inaugurated today in the booming southern province of Guangdong, an official with the key equipment provider, GEC-Alsthom, said.

Principal foreign supplier of energy production equipment in China, and has helped build numerous coal-fired plants, as well as two 1,000-megawatt nuclear generators at Daya Bay, opposite Hong Kong. Coal is China's main energy source.

Financing was indirectly provided by subsidiaries of the plant's two operators, Guangdong Guanghope Power Co Ltd (a joint venture managed by the provincial authorities) and Hopewell Energy Ltd of Hong Kong.

The operating contract is under a build, operate, transfer (BOT) arrangement, under which all the plant's assets will be transferred to the Chinese side after 20 years.

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# China denies aiding missile plant

BEIJING (R) — China on Monday denied a US newspaper report linking it to the construction of a missile plant in Pakistan.

Asked to comment on a *Washington Post* report that China had supplied blueprints and equipment for the plant, a foreign ministry spokeswoman said: “The US newspaper report is entirely groundless.”

In Islamabad, a foreign ministry spokesman said the allegations are “totally baseless and misleading.”

“These reports are being published for the express purpose of maligning Pakistan and China and to deflect international attention away from India’s vigorous pursuit of nuclear weapons and ballistic missiles,” he said in a telephone interview.

The *Washington Post* reported Sunday that US intelligence officials had concluded that Pakistan was secretly build

ing a medium-range missile factory in a suburb of the northern city of Rawalpindi, near Islamabad.

The newspaper said that the development raised the prospect of a new Sino-US dispute over arms proliferation.

The partially completed plant was expected to be capable of producing most of the major components of a missile modeled on the Chinese designed M-11 in a year or two. \*

Some US officials believed the factory would produce precise duplicates of the missile, according to the *Washington Post*.

A White House spokesman said he could not confirm the story but said the United States took such reports seriously.

“We do not believe it is in the best interests of the United States or of any other country to supply Pakistan with the capacity to manufacture or deploy weap

ons of mass destruction,” the spokesman said.

Vice President Al Gore said the United States was closely monitoring Chinese technology exports, but he refused to say whether Pakistan was using Chinese-supplied equipment to build a missile factory.

“I’m not going to comment on the intelligence reports,” Gore said on ABC’s *This Week with David Brinkley*. “We have an active ongoing dialogue with the Chinese on this very point.”

China meanwhile demanded Monday that the United States cancel plans to sell it Stinger missiles, launchers and other weapons to Taiwan to prevent “new damage” to Sino-US relations.

“We ask the US side... to cancel plans to sell missiles to Taiwan to prevent creating new damage to Sino-US relations,” a foreign ministry spokesman said.

# China Gets Into the Swing of Pops

## Conductor Cai Jindong Has Become a Courier of American Music to His Homeland

By MAGGIE FARLEY  
TOIRSSSTMT»!UT«

**B**EIJING — Not far from the Great Hall of the People, where he once performed revolutionary songs for the wife of Mao Tse-tung, Cai Jindong is teaching a Beijing orchestra what it means

to swing.

"Bah bam bam 'bao!' Dah dah di 'di'!" he exclaims from the conductor's podium, punctuating the beat with his baton — and his hips. The amused brass section's smiles slide into puckers, as they raise their horns to their lips and replicate the rhythm.

"They're great; they're excited and ready to learn," says the spirited Chinese-born conductor with Abe Lincoln whiskers, who has brought — for the first time — American pops to China. "But the rhythm is new to them. They know the notes, but I've got to make them 'feel' it."

Sometimes, he says, the best way to show them.

Becoming a courier of American music to China is the culmination of Cai's own adventure. He grew up during the chaotic Cultural Revolution, a decade of political tumult from 1966 to 1976, when China closed itself off from the outside world, and all things Western were forbidden.

He practiced on a violin his father bought for \$3, and learned to compose and conduct with a small orchestra.

The only non-Chinese music the group was allowed to play was technical exercises. "We weren't playing Beethoven sonatas," Cai says. "Just revolutionary songs for propaganda purposes."

After China reopened, he won a spot in 1986 at the prestigious New England Conservatory of Music in Boston, became a protege of Leonard Bernstein at the Tanglewood Music Center, then was an assistant conductor of the Cincinnati Symphony.

He now teaches conducting at UC Berkeley and has recorded a CD celebrating black American composers.

Ten years after he left China, Cai, 39, returned recently with a sampling of some of America's best-known pops pieces. In a series

of three concerts that span the birth of jazz, Broadway show tunes and modern themes, Cai hopes to help fill one niche of the musical gap leftover from the Cultural Revolution. "There are selections from three generations to give the audience a basic vision of American music," he says, (flipping open a sheaf of scores. He arranged the program to show the develop-



Mimi Kuo / For The Los Angeles Times

Cai Jindong on introducing genre: 'Chinese music has melody, but it doesn't have rhythm.... This is a new adventure for them.'

ment of Broadway musicals but has a few personal favorites. There are selections from "Oklahoma!" ("Chinese love country music," he says), "Porgy and Bess" ("to show the influence of black American composers") and "West Side Story" ("the best musical of all time"), written by his mentor, Bernstein.

Another program will feature songs from Hollywood, starting with music that Charlie Chaplin

wrote for his film "Modern Times," and ranging to the themes from "Star Wars," "E.T." and "Jurassic Park." "I know some of the songs from movies," says violinist Zhu Rui Biao, 23, "and to play them is beautiful and very exciting." He hums his favorite part from "The Theme From E.T.," in which the violins create an astral harmony. "I don't think that sound has ever come out of our instruments before," Jicays.

Getting China into the music was not as hard as getting the music into China. The government has a quota on cultural imports to keep foreign movies and recordings from overwhelming Chinese productions. Only a dozen new American films are allowed into theaters each year, and TV programs are limited — there's even a ceiling on U.S.-made cartoons.

So when Cai proposed his concert series with a purely American program, officials insisted he make it more international. Only after he convinced them that "The Sound of Music" was a European classic and the "Theme From James Bond" was a British creation did he receive approval.

He points to the song "New York, New York" on the program. "There wasn't much I could do about that one," he says with a laugh. Nor did he tell the authorities he was planning a double encore of "Yankee Doodle Dandy" and "Stars and Stripes Forever."

But despite official efforts to control it, interest in foreign music is increasing. Middle-aged couples gather in paries to practice ballroom steps to tunes from a boombox — causing teenagers to complain about the old folks' loud music.

Karaoke bars are packed. And as the effects of China's one-child policy kick in, the demand for music lessons for spoiled "little emperors" is skyrocketing. It is this interest that brings hundreds of music fans to the concert hall a few hours after the rehearsal to listen to Beijing's first pops concert. Tickets cost almost \$15 — a significant price considering the musicians themselves make slightly more than \$60 a month.

The orchestra is somewhat ragged, but Cai's performance may be worth the ticket price. Like a lightning rod, he seems to suck electricity from the atmosphere and zap it to the orchestra with a flick of the baton. He is intense, then playful, jumping in the air to signal the bass drum to boom.

The audience is enthusiastic, clapping along, murmuring in recognition of John Williams' "Star Wars." "As a conductor, my instrument is the orchestra, just like a pianist's instrument is the piano," Cai says. "A pianist manages 10 fingers on the keyboard, making the different notes come together, deciding when to play loudly or softly."

"I manage 100 instruments — strings, woodwinds, brass and percussion. My job is to bring them together," he says with a smile, "and Jo play with style."

# Taiwan-China rivalry sizzles

By JEFFREY PARKER 25/8/96 R2

**C**HINA and Taiwan are grappling for the upper hand in their longtime rivalry, olive branch in one first and cudgel in the other, as Hong Kong's looming return to Chinese rule roils the political balance.

Since Monday, the China's 47-year-old war of nerves has flared on three far-flung fronts - impoverished Niger in Africa, the former Soviet Republic of Ukraine and the political front lines of Beijing, Taipei and Hong Kong.

China made the first move, trumpeting on Monday that Ni-  
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That trimmed to just 30 the states recognizing Taiwan's exiled Republic of China instead of Beijing's Communist People's Republic of China.

Taiwan countered on Tuesday as Vice President Lien Chan, who had vanished on a secret diplomatic journey, surfaced in Kiev, sparking howls of protest from Beijing.

China strives to isolate Taiwan as a renegade province not qualified for sovereignty ties and scores even friendly countries that give political quarter to the island's leaders.

Taiwan's ruling Nationalist Party newspaper, the *Central Daily News*, said Lien scored two diplomatic coups - a meeting with President Leonid Kuchma and a deal to exchange unofficial representative offices with Ukraine.

Cash-flush Taiwan has pushed since the Soviet breakup to win friends in Russia, Belarus, Ukraine and other former Soviet republics, appealing to their hunger for investment as well as their anti-communist sentiment.

On the home front, China has halted the military bluster it had wielded against Taiwan since mid-1995 and adopted a softer approach, seeking to woo Taiwan back to the fold with visions of direct sea and air links with the island.

On Thursday, China called for a resumption of quasi-official political talks that it froze in June 1995 to punish Taiwan for sending President Lee Teng-hui on a private US visit.

Analysis said Beijing appeared to be stepping up pressure on Taiwan so as to extract the most political leverage out of Hong Kong's July 1, 1997, handover by Britain to China.

Taiwan depends heavily on Hong Kong for access to China's markets, where thousands of Taiwan firms have invested more than US\$20 billion despite Taiwan's ban on direct investment.

China hopes Taiwan's business circles will persuade Taipei to accept Beijing's terms for direct shipping links now for fear that China will force a harder bargain once Hong Kong is under its control, analysts said.

Taiwan hopes to protect itself by limiting its reliance on China's huge market, a model actively promoted by President Lee and other senior officials.

"The most important thing for Taiwan to do is to try to diversify our export market through upgrading our technological capability and to adopt proper regulatory guidelines over direct investment toward China," said economic analyst Chung Chin.

Taipei has yet to act on China's direct shipping scheme and gave a non-committal response on new talks, saying Taiwan had never ruled them out and that negotiations were "the most important thing right now."

Taiwan analysts, noting that earlier calls for talks had come to nothing, suspected Beijing was trying harder to put Taiwan on the defensive and win points with the west than to find a way to sit down with the Taiwanese.

Chiou Chao-lin, an expert on US-China-Taiwan relations at Taiwan's Academia Sinica, said it would be difficult for Taipei to accept China's terms for direct shipping and other contacts.

"China is hoping to halt US arms sales to Taiwan by posing a smiling face to Taiwan," Chiou said.

"These offers (of talks and shipping links) are to show Washington that China has the sincerity to talk to Taiwan. The problem is Taiwan cannot accept its conditions," she said.

"In the end it will be Taiwan, not China, who does not want to talk." (Reuters)

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By JEFFREY PARKER 25/8/96 *21*

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"In the end it will be Taiwan, not China, who does not want to talk." (*Reuters*)

# Pentagon rejects

# Chinese bid

# to block arms sale to

# Taiwan

WASHINGTON (R) — Rejecting a demand by China, the US defense department notified Congress on Friday of plans to sell Stinger missiles, launchers and other weapons to Taiwan.

“The sale of this equipment will not affect the basic military balance in the region,” the Pentagon told Congress.

China had demanded on August 15 that the sale be cancelled, saying the United States had made a “solemn commitment to China on the question of selling weapons to Taiwan.”

“We demand the US side... cancel plans to sell missiles to Taiwan to prevent creating new damage to Sino-US relations,” a Chinese foreign ministry spokesman said then.

But US officials said the weapons were defensive and so were permitted by agreements with China.

The Pentagon said Taiwan wanted to buy 1,299 Stinger missiles, 74 guided missile launchers, 74 flight trainer Stinger missiles, 96 Humvee vehicles

and 500 rounds of .50 caliber ammunition for an estimated \$420 million.

The notification made no mention of China’s demand that the sale be cancelled, but US officials said it was the sale to which China referred.

The principal contractors are the Hughes Missile Systems Co., Boeing Missile and Space Systems Co. and AM General.

Such sales must be made through the Defense Department, not directly by contractors, and Congress must be notified in case it wants to veto the sale.

Meanwhile in Hong Kong, Chinese President Jian Zemin has warned against using strong-arm tactics against Taiwan as they would destabilize Hong Kong’s 1997 return to Chinese rule, a newspaper reported on Saturday.

Beijing had decided instead to continue the “Economic United Front” policy to put pressure on Taiwan, the *South China Morning Post* reported, quoting unidentified China sources.

Jiang was quoted by Chinese sources as saying that a new flare-up in the Taiwan Strait would be “prejudicial to Hong Kong’s peaceful transition to the motherland,” it reported.

The British colony reverts to China at midnight on June 30, 1997.

Relations between China and Taiwan took a tumble last week over Taiwan Vice-President Lien Chan’s secret mission to Ukraine, which recognizes Beijing.

On Thursday, Taipei and Beijing each called for a resumption of talks broken off more than a year ago, although China’s anger over Lien’s secret Kiev visit is widely seen to have dampened hopes for any breakthrough.

Beijing regards Taiwan as a renegade province not entitled to foreign ties and has scorned even allies whom it sees as giving political quarters to the island’s leaders.

However, Jiang, in discussions in Beijing, had reiterated the need to stay away from “over-hasty” and excessive-

ly aggressive measures, the newspaper reported.

Following his remarks, the Chinese politburo had ruled out war games and other forms of “missile diplomacy” in the foreseeable future, the newspaper said.

To promote the “economic united front,” Beijing last week issued rules governing shipping links with Taiwan.

Taiwan has banned direct air, shipping and mail links with the mainland since its nationalist government fled to the island in 1949 at the end of the civil war.

In Taipei, the mass circulation *China Times* newspaper said on Saturday that Vice-President Lien Chan for the first time had confirmed he met Ukrainian President Leonid Kuchma in a secretive Kiev visit this week. “Vice-president and Premier. Lien Chan at last night’s dinner with, diplomats confirmed for the first time that he met Ukrainian President Kuchma,” the newspaper reported.



# ‘Canberra: China foreign policy too assertive’ <sup>4</sup>

CANBERRA, Aug. 24 (R) — Australia's conservative government has criticized China's increasingly assertive foreign policy and territorial claims, warning Beijing could endanger much-needed foreign investment.

Australian Defense Minister Ian McLachlan, in an interview published today in the national daily *The Australian*, said China had become "a bit jumpy" since the end of the Cold War. McLachlan said Beijing's strident stance over territorial claims in the South China Sea and Taiwan

raised concerns about the regional strategic outlook.

"There is no doubt that China has felt much more assertive, has been much more assertive, since the end of the Cold War," the Australian quoted McLachlan as saying. "And the best example, of course, is Taiwan. "So it is a bit disappointing that the Chinese ... are making lots of noises that they hadn't really made hitherto." McLachlan said China's growing assertiveness risked scaring off foreign investment.

"I would have thought that... the danger

for them is that investment will start to drop off if people start to worry about it," he said. "You know, all these little claims, the boundaries claims, the Taiwan thing, can't encourage people to invest in China." McLachlan said China had taken a tough line with Australia over several issues.

"You know, we have had some aggression from (Canberra-based) Chinese diplomats," he said. His comments came as Australian Foreign Minister Alexander Downer was in Beijing, trying to smooth relations after recent disagreements.

## China satellite fails

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BEIJING (AFP) — A Chinese telecommunications satellite, launched Sunday, has failed to enter its pre-set orbit, the official Xinhua news agency reported Monday. Asked if the launch was considered a failure, the spokesman said: "I cannot say. There may be a formal statement issued later." China had said it would use to long march three rocket to launch a communications satellite purchased from Hughes space and communications of the United States, part of Hughes Electronics Corp. GMH. N. the companies are all part of the General Motors GM. N. part.

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here is good potential for  
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including agriculture, tele-  
communications, transport, energy and  
frastructure development in China.  
Australia, meanwhile, has become the  
biggest recipient of Chinese overseas in-  
vestment.

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# HK politician plans boycott of Chinese effort to scrap democracy

SINGAPORE, Aug. 20 (AP) — A top Hong Kong politician said today she will boycott Chinese efforts to replace the British colony's fledgling democratic system with appointed legislators after it returns to Chinese rule next July.

Christine Loh, a member of Hong Kong's elected Legislative Council, said she would not sit on a 400-member panel named by Beijing to pick a new leader or seek a seat in an appointed provisional legislature.

China hasn't indicated whether Loh or other democratic leaders would be given seats in the selection committee, but it has been trying to win support from Hong Kong business leaders and others for its plans.

They include disbanding the Legislative Council, which Beijing contends was elected under rules that violate the Sino-British agreement on guaranteeing Hong Kong's legal and social systems after the takeover.

Loh, addressing the Foreign Correspondents' Association of Singapore, said

"I intend to compete with the provisional legislature," she said. "I can still go and knock on doors and remind people I plan to run in 1998."

Loh didn't say whether China had ruled on her request to travel to Beijing to meet with officials in charge of Hong Kong affairs.

She was granted a 90-minute meeting in July with officials of China's official Xinhua News Agency, which represents Beijing in Hong Kong.

Loh said supporters want her to ask for a seat on the committee to pick Hong Kong's leaders or in the legislature to defend their ideals.

But "somev didn't vvisiona undem...

...true to its word and holds an election in 1998, I think I can stay out until then," she said.

Loh suggested that China could smooth over some of its differences with Hong Kong democrats by inviting all 60 members of the Legislative Council to join the appointed legislature.

"That would be a win-win situation," she said.

China hasn't named its choice to replace British colonial Gov. Chris Patten, but Loh said indications are increasing that Beijing has picked shipping magnate C.H. Tung.

"People are assuming that C.H. Tung has come to some agreement with China, that he is willing to be chief executive and that he is acceptable to Beijing," she said.

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# *Deng turns 92 tomorrow*

BEIJING, Aug. 20 (AFP)

DENG Xiaoping, the man who pulled China into the modern world, turns 92 on Thursday and takes a step closer to realising his last dream, the return of Hong Kong to Chinese sovereignty.

But the event he is determined to witness - the July 1, 1997 handover of Hong Kong - also signifies the growing interdependence of China with the rest of the world and indicates the era of one-man rule in the middle kingdom is drawing to a close. "Hong Kong's handover will concretise the growing economic independence of southern China, and is another nail in the coffin of highly personalised and centralized rule from Beijing," said a Western diplomat in Beijing.

"Deng may live to witness the handover, but it is part of the process that ensures there will not be another Deng or Mao Zedong in China."

Since Deng launched China's massive economic reforms in the early 1980s,

the rise of the private sector and increased reliance on foreign investment have slowly shifted power away from the Communist Party.

As David Goodman and Gerald Segal indicate in "China Without Deng," the reforms are too entrenched to reverse and power can only devolve further from the centre.



"Deng has unleashed such compelling forces of reform that no successor can manage the process in the ways once exercised by the Communist Party," they say.

"What we have in China is the crumbling remains of an authoritarian system ruled primarily by personality and smoke and mirrors."

"When I was young, we followed every word of chairman Mao," said Li Aiguo, a secondary school teacher. "But Deng Xiaoping's reforms have changed all that," she said, reminiscing over a photograph of the diminutive Deng at the 1978 congress where he consolidated his power.

# China arms sales won't worsen ties

## with the US

By Jane McCartney

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China has transformed its of US rubbish - es and medical pap er - into an issue of nat and last week toppanly rubbish US charges th s merchants and murd gged into the United ment of guns in US his can't see the Chinese people the US wants t see them letting this incident disrupt ties, one Western diplomat. t's embarrassing for them," he said of the announcement. last week that

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China maintains a tight net of secrecy over its enormous arms industry. It has shrugged off charges that it sold Silkworm missiles to Iran in the Iran-Iraq war, nuclear technology to Pakistan and lighter weapons to just about anyone who can pay.

Analysts said they did not expect the weapons case to have wider ramifications, even though it comes at a time when relations are troubled by human rights disputes, a looming trade war over copyright piracy - and the rubbish scandal.

"I think the United States realises there are more important issues in ties and they won't let what looks like a fairly straight forward smuggling case to have a wider impact," said another analyst.

China, too, doesn't want to see the temperature in ties plunge again after last year when ties chilled over Taiwan.

Possibly anticipating the US announcement last week that officials had in March seized 2,000 Chinese AK-47 fully automatic machine-guns and 4,000 ammunition magazines with a street value of more than \$4 million, China turned up the heat on the garbage issue.

Chinese officials and media have whipped up a nationalist campaign over the garbage, using emotional language to vilify a recent flurry of imports of illegal US rubbish found mostly in shipments of waste paper.

"The United States says it is the country in the world that pays most attention to human rights.... Why do they formulate policies that are harmful to others and advantageous to themselves?" the Beijing Evening News said on Sunday.

"Why do they tolerate ... and support their enterprises transferring polluted materials to poison the peoples of other countries?"

The rubbish issue touches a sensitive nerve in China, which still smarts from the foreign invasions of the 19th century.

It is also a timely tool for Beijing to brandish in the face of US attacks on its protection of copyrights and human rights record. - Rtr

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Saudi Gazette  
5-27-1991

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## India's exports to China increase

BEIJING (AFP) — Trade between Asian giants India and China moved closer to a balance in the first half of 1996, with Indian export to China soaring 83-3 percent over the same period last year. While Indian exports to China rose to \$308 million, Chinese ex-

ports in the other direction fell by 7.9 percent to \$334 million, according to figures from the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) published in the *China Daily* on Sunday. Total bilateral trade volume climbed 15.4 percent year on

year in line with burgeoning trade between the two Asian giants, which has risen from \$200 million in 1990 to \$1895 million in 1994 and \$1.16 billion in 1995.

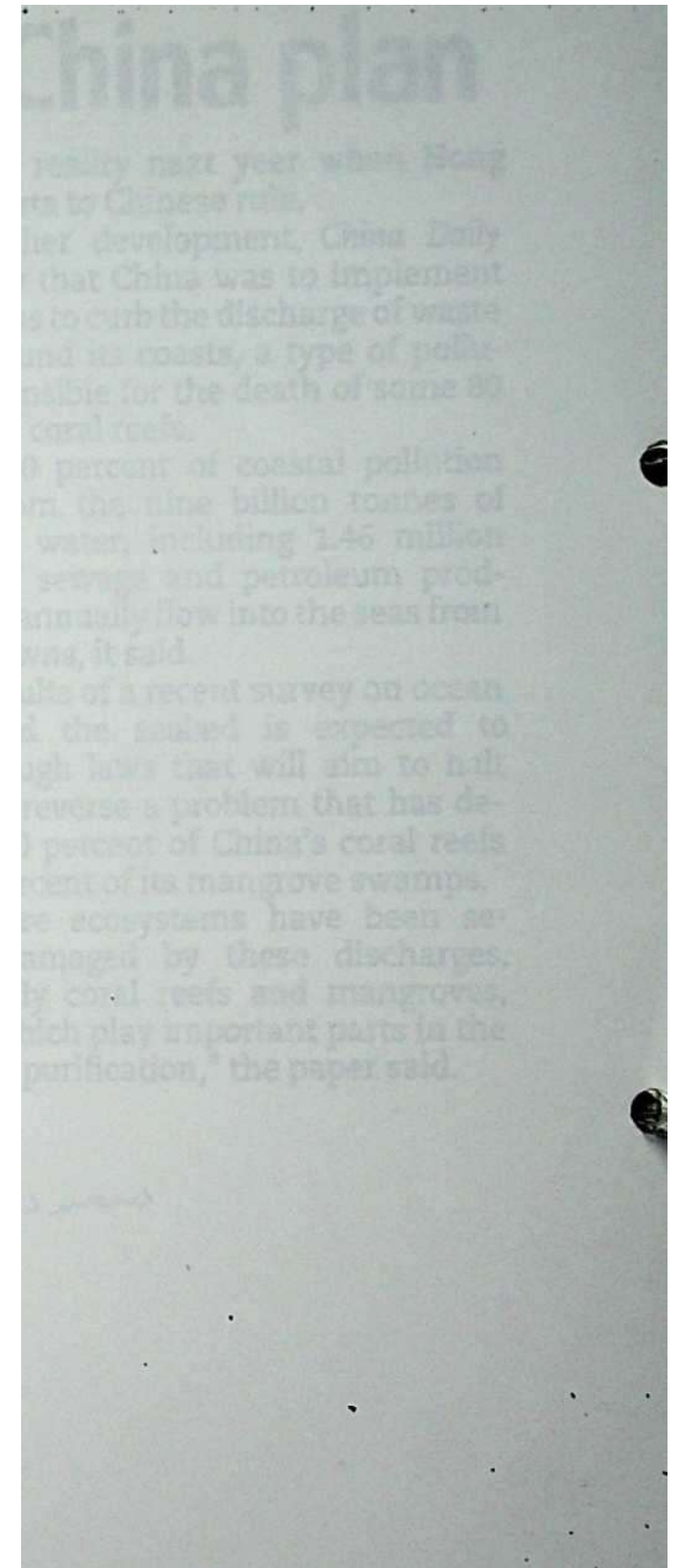
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## Japan to rovamp / China aid policy 1/

TOKYO (AH\*) - Japan plans In revamp its policy on economic aid Co China, shilling low-interest official loans from lust-growing coastal regions Co underdeveloped Inland areas, a newspaper report said Sunday. The government will semi a large lact-timling team to Hewing nest year to map out ucw aid guidelines, taking into account CIHUUON rapid economic growth, serious environmental problems ami noticeable military buildup, the Niliou Ivei/ui Sliinibun said. The move will mark a significant change in Japan's aid policy, which has chauncld low-interest yen loans to in <dects in < liina's coastal aieas but gi ants-in-uid to impoverished inland areas, the newspaper said.

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# Taiwan rejects, but shippers hail China plan

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TAIPEI, Aug. 20 (DPA)

TAIWAN rejected China's plan for direct shipping across the Taiwan Strait today, but shipping companies welcomed it.

"Shipping should be a purely economic business, but communist China has mixed political content," the cabinet's mainland affairs council said.

China today unveiled guidelines for direct shipping from its two ports — Xiamen and Fuzhou — to Taiwan.

It welcomed Taiwan shipping firms and Taiwan-mainland joint venture companies registering with China's transport ministry for direct shipping. Taiwan's two biggest container shipping firms welcomed China's announcement.

"We have asked our agent in Shanghai to register with mainland authorities, and plan to launch direct shipping within two months," Yangming Marine Transport Corp spokesman Tsai Ming-hsu said.

Currently Yangming ships dock at Hong Kong or the South Korean port of Pusan when sailing between mainland

China and Taiwan, to avoid breaking Taipei's ban on direct shipping.

Evergreen Marine Corp said it was gathering information on China's rules for direct shipping. "It is good news. We hope the mainland can expand the two direct shipping points to all harbours," spokesman Chao Chien-hsing said.

Yangming already has a dozen agents and has built three container ports in the mainland. Beijing has called for direct sea, air and postal links with Taiwan since 1979 to pave the way for Chinese unification. Taipei rejected it for national security reasons.

"We proposed offshore direct sea link with the mainland last May.

It took Beijing so long to respond," the mainland affairs council said.

Taipei suggested letting transshipment cargo cross the Taiwan Strait. Beijing called this a trick to delay direct shipping. Shipping analysts believe it is only a matter of time before Taiwan accepts direct sea and air links because that will

become a reality next year when Hong Kong reverts to Chinese rule.

In another development, *China Daily* said today that China was to implement tough plans to curb the discharge of waste water around its coasts, a type of pollution responsible for the death of some 80 percent of coral reefs.

Some 80 percent of coastal pollution comes from the nine billion tonnes of untreated water, including 1.46 million tonnes of sewage and petroleum products, that annually flow into the seas from coastal towns, it said.

The results of a recent survey on ocean water and the seabed is expected to spawn tough laws that will aim to halt and then reverse a problem that has destroyed 80 percent of China's coral reefs and 70 percent of its mangrove swamps.

"Offshore ecosystems have been seriously damaged by these discharges, particularly coral reefs and mangroves, both of which play important parts in the sea's self-purification," the paper said.

# Family loses influence as Deng turns 92

By Herbert Kremp & Die Welt  
The German Newspaper News Service

BERLIN, Aug. 23

DESCRIBING his companion and rival Deng Xiaoping as a strongman and traitor, in 1976 the aged Mao Zedong gave the Gang of Four, led by his wife, permission to topple the pupil of Zhou Enlai and deputy prime minister and send him into



*Deng: dynasty declines*

exile. Admittedly, this controversial permission was never definitively set down in writing. Now Deng has reached his 92nd birthday and things have grown quiet around him. Something strange is happening. Whilst Deng continues to head the circle of veterans which doles out power (in other words jobs) behind the scenes, his clan, the once powerful family, is falling into the abyss.

China Aktuell, the well-informed journal published by the Institute of Asian Studies in Hamburg, reports that Deng's daughter and lip reader Deng Rong, who has published a cheeky biography of her father, has been ordered to keep quiet. Her husband, He Ping, president of the military corporation Ploy Technologies, faces trial on a charge of illegal weapons exports. One of the sons, Deng Zhifang, president of the Shougang Concord Grand industrial group, is suspected of corruption. And Deng's half brother, Deng Xian-gun, had to resign from his influential post in the armed forces' political headquarters. The Deng family is losing its shin'e. It is on the decline. Who in China can make something like that happen? Deng is the country's great reformer. Later, when history is written, he will compete with Mao Zedong, the world parti

san. Major biographers like American Harrison E. Salisbury regard him - alongside and after Mao - as "the new Emperor".

This is appropriate inasmuch as Deng succeeded in furnishing his decisive period in office from 1977 with a maxim which in the monarchist era would have been engraved on the shell of a tortoise, the symbol of longevity. This maxim, "socialist market economy" has constitutional rank. Deng is the inventor of populist socialism. Since he was introduced to Chinese society from the top, and since "at the top" all that exists are two handfuls of families of the red gentry, he is simultaneously the gateway to a gigantic system of corruption.

There must have been weighty political reasons to cause the Deng family to lose the ground beneath its feet whilst its head, the old master and autocrat, is still alive. What is happening in the Deng case reflects the power struggle between the veterans of the revolution, who fear for the future of their life's work, and the "third generation", represented by Jian Zemin, who is party leader, state president and president of the military commission, Prime Minister Li Peng and the president People's Congress, Qiao Shi.

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# China announces strict import regulations for durable goods

BEIJING, Aug. 23 (UPI/APP)

CHINA today issued a strict set of import regulations for foreign consumer durable goods that require the registration and marking of all imported high-technology items.

The regulations, which take effect immediately, aim to reduce rampant smuggling of foreign durables and protect China's floundering state-run industries from folding in the face of intense foreign competition.

Under the new rules, all high-technology items brought into China will be marked and recorded in a national computer database after the importer pays the required tariff.

If the goods are discovered for sale on the black market, they will be confiscated and the original owner will be fined.

The new procedure will first be applied to all imported cameras, but will be expanded at an undisclosed date to include

televisions, video recorders, computers, copiers and automobiles, according to Gan Guoping, deputy director of the state administration for industry and commerce. The regulations will "curb smuggling and the marketing of smuggled imports and create a market-environment with fair and equal competition," he said.

He explained the new procedures will begin with cameras because "rampant smuggling" of the product has "seriously affected" the domestic camera industry, which has withered from 34 to eight manufacturers over the past few years.

"Of that number only one makes a profit," Gan told the official *China Daily*.

Wang Leyi, head of the national anti-smuggling office said that the regulations also aim to safeguard the "rights and interests of legal importers."

Wang quoted incomplete official statistics as showing that tariff losses by the state from smuggled cameras were as

high a 240 million last year.

Since 1995, China has imposed heavy import tariffs on imported high-technology goods. The tariffs on portable computers and compact disc players were as high as 30 percent of the products original value, and the fee was demanded upon entry into China.

*Pudong airport:* China's state council has approved the construction of the 12-billion-yuan (\$1.4-billion) first phase of Pudong International Airport, a senior official said today.

Wu Xiangming, head of the airport construction headquarters, told a news conference that the funding would come from the central government, the Shanghai government and from foreign countries. The State Development Bank has pledged a third of the investment needed, the Shanghai government another third with foreign funding making up the last third.

سعودی عربیت . ۲۰۰۸/۰۹/۰۹

# China slashes interest rates^anew

BEIJING, Aug 22 (AFP)

CHINA today announced it would cut interest rates from tomorrow by an average 1.2 percentage points on lending and 1.5 percentage points on savings, in the second cut in less than four months.

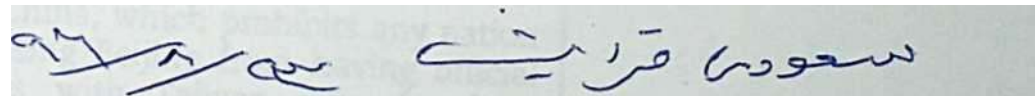
The announcement was made by the People's Bank of China (PBoC).

The previous lending rate stood at 9.72 percent for six-month loans and 10.98 percent for one-year loans, both for circulating capital.

The previous rates for savings were in a range of 2.97 percent for current deposits to 12.06 percent for five-year deposits.

The PBoC on May 1 reduced bank lending rates by an average of 0.98 percentage point and savings rates by an average of 0.75 percentage point, in the first reductions in three years.

The latest cuts, almost double those in May, are likely to be seen as indicative of a more liberal monetary policy and come as China moves to allow a gentle take off for its economic growth.

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# Kuchma ignores China outcry, meets Taiwan vice-president

TAIPEI, Aug. 21 (AFP)

UKRAINE'S President Leonid Kuchma ignored outrage from China today and met the Taiwanese Vice-President Lien Chan in the latest diplomatic skirmish between rivals Beijing and Taipei.

Kuchma and Lien "reached a certain consensus on the establishment of representative offices" during their meeting, which would boost cultural, science and technology exchanges between Ukraine and Taiwan, the United Evening News said here.

But China, which prohibits any nation recognising Beijing from having official contacts with Taiwan, was far from amused. It changed the schedule of a parliament member who was due to arrive in the Ukraine today and denounced Lien's visit as a "serious violation" of diplomatic relations between Kiev and Beijing.

- "Ukraine's agreement to accept Lien's visit has constituted a serious violation of its commitment made on the question of Taiwan," a Chinese spokesman said.

# China revives revolutionary ballet, but without spirit

By Jane Macartney  
*Beijing*

It's not easy to instill revolutionary values when your target generation regards the landlord bogeyman of Communist idealism as a reasonable businessman looking for his rightful profit.

But with the 20th anniversary of the death of China's Chairman Mao Zedong approaching and the reviving of spiritual values topping the agenda of the ruling Communist Party, propaganda officials are trying to do just that.

The latest tool is the model opera, "The White-haired Girl" — one of only eight operas that were permitted by Mao's wife, Jiang Qing, to be performed during the 10 chaotic years of the ultra-leftist Cultural Revolution.

The Shanghai Ballet Theater this month revived the 1940s propaganda tale of the trials of a peasant girl whose hair turns white after she escapes from the clutches of an evil landlord who bought her when after her father, a tenant farmer, fails to pay his rent. The Beijing revival has been a sellout. Responses more mixed.

Thirty years ago — even 20 years ago — Chinese audiences broke down in tears over scenes such as the mistreatment of the white-haired girl by the landlord's aging mother.

The tale provoked such emotion that when the story was first staged in the 1940s at Chairman's Mao Zedong's resistance base in remote western Yanan, one soldier leapt from his seat, took out his gun and tried to shoot the landlord.

Today, the appearance of the landlord raises titters.

One of the main sponsors of the revival, the China Work Committee for Nurturing the Next Generation, said its aim was to educate young people in traditional revolutionary values.

"We want to give teenagers a traditional education and enrich their cultural life," a committee official said. "The White-haired



Dancers of the Shanghai Ballet Theater leap during a performance of the revolutionary ballet "The White-haired Girl."

Girl' is a story with a historical background and political content. We want children to know what life was like in the past." The official acknowledged that the mix of traditional values in a society racing to modernize may be confusing.

"Many children ask why debtors today are not so respectful to their creditors. This is not right," he said. "We cannot use a historical story to explain a current social phenomenon." It is a muddle echoed in the audience.

Wang Lizhu, 41, was given free tickets by a friend and wanted his 12-year-old daughter to see a ballet, but not necessarily a work of revolutionary propaganda.

"As for children these days, they don't know anything about exploitation by the landlords or the oppression before Liberation," he said, referring to the official name for the 1949 communist victory.

"Some think that the white-haired girl's father must pay because he owed money to the landlord," he said. "So you can see this play can't have any political function, it's rather out of date." Ballet critic Ou Jianping agreed.

"The characters that are supposed to be ugly and vicious are no longer hateful but laughable," Ou said. "The audience laughs at them nowadays." That wasn't quite what the sponsors, or the propaganda czars who actually approved the performance, had in mind.

Spiritual civilization — Communist jargon for values — has been selected as the

watchword of party policy this year. The theme will dominate the annual party plenum next month and has held sway throughout the party-controlled media for months.

Newspaper front pages have fielded pacans to a model army officer who searches for water in the deserts of Inner Mongolia, a bureaucrat killed in a car crash after years of harsh living in remote and backward Tibet, and a party secretary who set up factories and donated a fortune to his poverty-ridden village.

Such dramas as "The White-haired Girl" ballet offer a propaganda pill more palatable to the average Chinese.

"It was very beautiful," said one middle-aged woman, who said she saw the opera many times as a child during the 1966-76 Cultural Revolution. "I felt very nostalgic for those times." Her daughter, not born until after the tumultuous movement when ideology was paramount, admitted she barely understood the storyline but enjoyed the dance.

Ballet critic Ou, was slightly disappointed.

"The ballet has lost its revolutionary spirit," he said.

"You don't feel that you are watching for workers, peasants and soldiers fighting for the revolution, but just pretty dancers.

"The strong fists of the past have been replaced by soft, graceful hands," he said. "It's just a ballet. It has lost the realistic power, the dynamism it had in the past." (R)

At Ce»

1997/5/28

# China lifts economy/ with interest rate cut

BEIJING (AFP) — China's unexpectedly deep cut in interest rates reflects the government's strong desire to boost economic growth as well as central bank confidence that inflation can be kept in check, analysts said Friday.

The central People's Bank of China (PBOC) announced Thursday that it was cutting interest rates by an average 1.2 percentage points on lending and 1.5 percentage points on savings.

The size of the cut — four points deeper than a previous reduction on May 1 — caught even Chinese analysts by surprise and underlined the government's determination to put some heat under the national economy, and especially the ailing state sector.

"The cut was higher than we expected," said Lu Deming, an economist at Shanghai's Fudan University. "

"Although the financial environment had improved considerably since the May cut, it seems the government was still concerned at the continuing problems facing state enterprises and the general downturn in retail sales," Lu said.

Among the range of interest rate cuts, rates on loans for three-to-five years were cut to 11.7 percent from 14.94 percent while the five-year deposit savings rate was reduced to 9.00 percent from

12.06 percent.

Chinese leaders are clearly hoping that the cut — the second this year — will be substantial enough to bring about a fundamental readjustment in the cash-strapped state sector, while also reactivating consumer interest, analysts said.


"It is hard to say whether there will be a third cut, but in my opinion, this is the last for this year, because the economic growth will be controlled at no more than nine percent as planned," Lu said.

The central bank's confidence in deepening the reduction in interest rates was largely founded on the country's success in bringing down inflation, which stood at 6.9 percent in the first seven months of the year, compared with 14.8 percent for the whole of 1995 and 21.7 percent in 1994.

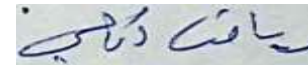
Year-on-year inflation for July stood at a four-year low of 5.8 percent.

"The inflation figures allowed the central bank to up the ante this time around, especially given the mild impact of the first round of cuts," said Lian Ping, an economics professor at East China Normal University.

Thursday's cut also carries important political overtones for a government that to a large extent views its legitimacy as resting on continued economic growth.

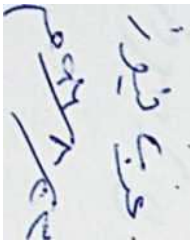


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# China's new screen giant





Riyadh Daily

8 July 1996

# China retains control over currency

**BELJING (AFP)** — Foreign exchange transactions in China will remain under strict state control in order to avoid the kind of financial crisis that struck Mexico last year, a top financial official was quoted as saying Sunday.

China implemented wide-ranging reforms July 1 aimed at making the Chinese currency convertible under the current account by the end of the year, but State Administration of Exchange Control (SAEC) deputy director Xu Bin stressed the move did not herald a similar easing of controls in the capital account.

Pointing to the Mexican crisis last year, Xu said loosening controls on capital accounts too quickly could result in large quantities of "hot money" flooding the domestic securities market.

Under newly-issued regulations, payment of foreign debt interest, dividends and remittance of foreign investment profits are handled under the current account.

Meanwhile, the remittance of foreign debt principal, hard currency capital funds of foreign-funded firms, funds for foreign investment overseas and foreign exchange guarantees come under the capital account, and still require SAEC approval.

Confusing capital and current account activities "will not only affect the process of foreign exchange reform but also do harm to the financial order and healthy development of the national economy," Xu was quoted as saying by the *China Daily*.

"Maintaining control over capital accounts can spare the nation's economy from heavy influences rendered by the flow of international capital, including misdirection of foreign investment and an increase in the foreign debt level," he said.

While restrictions on the capital account will eventually be eased, Xu stressed that conditions for such a move were not yet mature and even a long-term timetable had yet to be worked out.

In another development, the Chinese and Japanese governments could agree before August to the listing of Chinese companies on the Tokyo Stock Exchange (TSE), the Asahi Shimbun reported Sunday.

An accord would allow Chinese stocks to debut by the end of the year at the earliest, with a pharmaceutical firm and an automaker among several candidates for listing, Asahi said.

The TSE has lured fat-growing Asian companies by easing listing requirements since Western firms began to withdraw after the end of a speculative investment boom in the late 1980s.

In last February, the Malaysian holding company YTL Corp. became the first non-Japanese Asian enterprise to go public on the TSE.

Twenty-six Chinese companies have been listed on the New York and Hong Kong stock exchanges since 1993 under plans to privatize state-run enterprises and modernize corporate management under Beijing's new economic policies.

The government accord will be followed by an exchange of a memorandum between China's securities regulatory commission and the TSE as well as the Japanese finance ministry's securities bureau.

China's stock exchange differs from foreign bourses on criteria for disclosure of corporate information, the newspaper said.

So the memorandum is expected to provide for exchanges on stock exchange systems and technical cooperation in disclosure of corporate information and in operation and management of stock exchanges, Asahi added.

China is scheduled to announce as early as next month a fourth group of Chinese companies as candidates for listing overseas.

The names are expected to include candidates for the TSE and Hong Kong as well as stock exchanges in Singapore and Australia with which Chinese authorities have made accords on listing

Chinese companies since last year the newspaper said.

Meanwhile, China's plans to build 55 chemical industry conglomerates over the next five years will push the sector toward the cutting edge of international competition, according to Chemicals Industry Minister Gu Xiulian.

"I believe we can tackle the challenge from foreign chemical giants in the future since we are backed by a huge domestic market and our technical development level and production capacity will improve constantly to meet the huge demand," Gu was quoted as saying by the *China Daily* on Sunday.

The plans involve turning 55 chemical groups into major conglomerates, the top five of which will target annual sales of 10 billion yuan (\$1.2 billion) by 2000.

Of the remainder, 10 should reach annual sales of five billion yuan, and 40 should target sales of one billion yuan.

"Now, as much as 300 billion yuan worth of existing assets in the industry needs to be revitalized, so the potential is enormous once the energy is released," Gu said.

The 55 groups are to selected from a list of around 150, Gu said, adding that the pressure would be intense on those chosen to meet their targets of increasing sales volume by 15 percent annually and ensuring that 20 percent of output value was generated by new products.

"Anyone failing to meet the requirements will be ousted from the list, and others are entitled to vie for the vacancy," Gu said, arguing that cut-throat competition was necessary.

However, she also admitted that certain barriers existed to the development of major enterprise groups.

Large firms hoping to buy into smaller ones belonging to other regions or administrative areas have faced credit and taxation barriers, as well as the pressure to keep local employees regardless of efficiency.

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# Deng's shadow on China's Taiwan tactics

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By Philippe Massonnet  
*Beijing*

**C**HINA'S Communist regime, facing a minefield over who will succeed elderly patriarch Deng Xiaoping, has been obliged to close ranks over gening tough with Taiwan, analysts here say.

"At the present, yielding ground over Taiwan would be suicidal for anyone who aspires to play a leading role in post-Deng Xiaoping China," one diplomat said.

"All the pretenders to the throne know that the unity and stability of the country are fundamental if they want to perpetuate the Communist dynasty. It is for the same reason that there is total agreement at the highest level on the issue of Tibet," he added.

The People's Liberation Army (PLA) on Tuesday began new military maneuvers in the Taiwan Strait aimed at intimidating the Nationalist island ahead of Saturday's presidential election there. The week-long exercises are the third since March 8 but this time

they are closer than ever to Taiwanese territory and involve the army, navy and air force.

The determination to end hopes for formal independence by Taiwan — considered a renegade province by Beijing despite 47 years of political separation — is shared by all top civilian and military officials, analysts say.

"I think all the leaders are in agreement about these military operations," one Western diplomat said. "Firstly because they are all deeply nationalistic, but also because China has no other solution to propose to prevent Taiwan's independence, and finally because none of them wants to look weak on the issue." With the failing health of Deng, 91, China's other main leaders, headed by heir-apparent Jiang Zemin, must close ranks and be intransigent on questions of principle, observers say.

"The Chinese are convinced that they have made all the concessions they can in talking to Taiwan and will not yield more ground on the issue of

sovereignty," another diplomat said.

The government knows the Chinese are very nationalistic, and that it has widespread public support on this issue. This gives an un hoped for chance to win back some prestige tarnished by the 1989 Tiananmen Square massacre and reports of corruption, observers said.

As long as it remains just a case of saber-rattling against the Nationalist island, unity is relatively easier to maintain, analysts stressed.

"Even if there is a debate in the political bureau, or even disagreements on just what path to follow, it is fairly easy for senior leaders to agree on simple exercises, even slightly risky ones like firing missiles," a diplomat said.

"But it would be more difficult to reach a consensus on a wider scale operation like a blockade and of course an invasion, bearing in mind the possible serious consequences," he added.

How the Taiwan crisis develops now depends on the attitude of Pres

ident Lee Teng-hui, favorite to win a second term the democratic vote in Taiwan, analysts say.

"If Lee continues his trips overseas to promote Taiwan, China will feel obliged to react and will no longer be able to content itself with simple threats," a diplomat said.

Taiwan's Foreign Minister Frederik Shien has made it known that die president plans to adopt a low profile after March 23 if re-elected.

Analysts also suggest die United States will put pressure on him not to provoke China to reduce the risk of actual conflict

Winston Lord, U.S. assistant secretary of state for East Asian and Pacific Affairs, has also said the likelihood of an attack by China on Taiwan has been exaggerated, the International Herald Tribune reported Tuesday. "You've got the role of nationalism, which is playing an increasing role. And then you've got succession politics, where no leader can afford to look soft," Lord was quoted saying.

(AFP)

بریک نیوز ۱۹ / ۷ / ۱۹۹۶

# Will the US defend Taiwan if China attacks?

By William Kazer

SC  
14/3/96



**A**s the US assembles a naval task-force off Taiwan in a show of force to China, the burning question in Taipei — and may be elsewhere — is would the US defend the island in the event of attack.

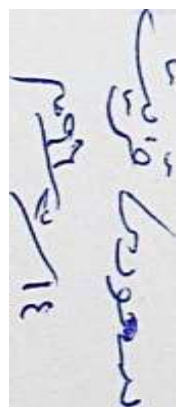
While an attack is seen as unlikely, despite China's war games and missile tests off this island, the US commitment to Taiwan is legally ambiguous. It is governed by a domestic law, not an international treaty, that does not specifically commit the world's one remaining superpower to rush in troops.

But analysts in Taiwan say that the law, combined with public opinion in a US election year, makes some form of US assistance a fair bet. "This is the first test of a law that had been put away in a corner for a very long time but it looks like it still is a living document," said Kang Ning-hsiang, a member of the government watchdog agency The Control Yuan.

When then-president Jimmy Carter switched formal diplomatic recognition to China from Taiwan in 1979, he also scrapped a mutual defence pact which called for American defence of Taiwan.

The US Congress then passed the Taiwan Relations Act — a law meant to be a framework for future unofficial relations. Besides granting the Taiwan citizens to enjoy specific rights, such as bringing suits in the US courts, it also stated broad policy goals for regional stability.

The Taiwan Relations Act maintains that the US will sell arms of a "defensive character" to Taiwan and stated that it is a policy of the United States to "maintain the capacity of the US to resist any resort to force or other forms of coercion that would jeopardise the security or the social or economic system of the people of Taiwan".



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# China ends missile tests; announces new exercise

TAIPEI (R) — China hinted that war with Taiwan was not imminent, and Taiwan's markets reacted with relief to the lowering of tension on Friday.

But China's Xinhua news agency, while announcing the end of surface-to-surface missile tests off Taiwan, announced a new round of military exercises in the sea just off the island that would go on for a week from Monday - - through and beyond Taiwan's first direct presidential elections on March 23.

Rhetoric on both sides of the Taiwan Strait between the island and the giant communist-run mainland remained strident.

Taiwan's foreign minister signaled that the island might solicit the very foreign policy which has infuriated China but added that Taipei would not give up its bid for a United Nations seat.

Frederick Chien said Taiwan President Lee Teng-Hui may pursue only those foreign trips in the foreseeable future which reciprocate visits by foreign leaders to Taiwan. Lee has infuriated Beijing with his attempts to raise the island's profile.

The Taiwan dollar ended at a month's high against the US dollar after heavy

foreign exchange trading, and the stock market rose smartly for the third day in a row on belief that tension was abating.

Dealers said they were encouraged by US officials' statements that China's war of words and show of force did not appear to be the prelude to an attack.

"In public and private conversations, the United States has been assured that the Chinese do not intend to take any military action against Taiwan," Navy Captain Mike Doubleday, a Pentagon spokesman, told reporters in Washington.

In Beijing Chinese Premier Li Peng, in a hint that war was not imminent, called for faster economic development of Fujian province opposite Taiwan.

China launched missile tests near two Taiwanese ports on March 8 and live-fire exercises last Tuesday in the strait as part of warnings to the island not to seek independence.

Travelers from Fujian province in the past week have reported airfields swarming with warplanes, airports shut for big chunks of the day, and passengers ordered to cover up the windows when planes take off, all because of the anti-Taiwan war games.

Because of the tensions, the United

States is assembling off Taiwan its largest fleet in Asia since the end of the Vietnam war in 1975. There are two aircraft carriers and three nuclear-powered submarines in the two battle groups.

Meanwhile, China's propaganda offensive against Taiwan's President Lee, who is accused by Beijing of covertly seeking independence instead of the stated goal of reunification, showed no signs of relenting.

Xinhua news agency said reforms introduced by Lee were "fake democracy" that would bring disaster to the island's 21 million people.

For this part, Lee stuck to a line of defiance on Friday.

"Even if communist China fires 10 or 20 missiles, we are still not afraid," he told farmers at a campaign rally.

Lee, expected to win the March 23 election, denies he pays mere lip service to a pledge of reunifying the Nationalist-ruled island with the communist mainland.

Taiwan's Foreign Minister Chien told Reuters that China intend to show it would not be "pushed around" but it had miscalculated because its tactics had only antagonized world leaders.

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## ^Taiwan ready for war but 'balance of power' may change in favour of China

TAIPEI March 13 (AFP)

CHINA would be lucky to win a war against Taiwan if it decided to launch an attack right now, but the balance of power may change in its favour in the next few years, military experts here say.

Tension in the Taiwan Straits has risen rapidly over the past few days, with China's missile tests last Friday near the island and the announcement that it will carry out live-fire sea and air exercises in the Straits from yesterday until March 20 and other military exercises reportedly due later this month.

Beijing has never renounced the use of force to conquer the island, politically separated from the mainland since the end of a civil war in 1949. Chinese leaders have repeated in the last few days that China would carry out this threat if Taiwan ever declared formal independence.

With Taiwan's first fully democratic

presidential election scheduled for March 23 - a move seen by Beijing as a step towards independence - Taipei has warned the mainland that its armed forces would hit back if attacked.

Beijing has nuclear weapons on its side while its Army is the largest in the world with three million men, while Taiwan only has 376,000 soldiers.

But the Taiwanese Army has hundreds of sophisticated short-range missiles as well as a fleet better equipped to resist an attack, military experts say, discounting any use of its nuclear arsenal by China.

"The People's Liberation Army (PLA) could succeed in taking a few small islands controlled by Taipei, but it would be extremely difficult if not impossible for it to take control of Taiwan itself," says Yang Chih-heng, a researcher at the independent but influential Institute of National Political Research.

"However, we think that the situation is changing now as China's armed forces are in the middle of a very significant modernisation drive which could bring about a reversal of the military balance in Beijing's favour around 2000," the military expert said.

Yang says the Chinese army will from now on keep constant military pressure on the island, and anticipates several other exercises in the Taiwan Strait this year and others later.

These exercises, he said, are aimed both at intimidating the people of Taiwan to paralyse the ongoing democratic process, and to serve as training in real conditions in order to improve the PLA's operational ability.

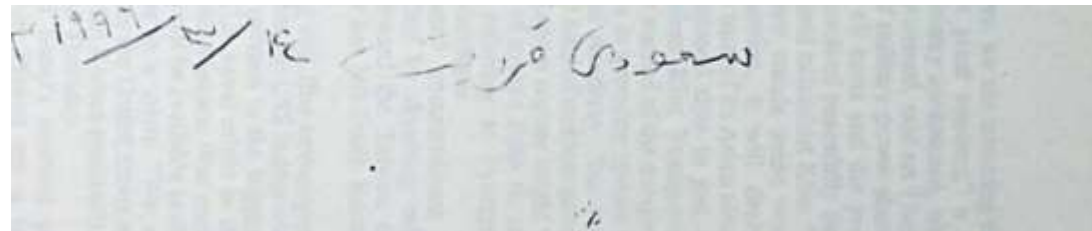
Since the disappearance of the Soviet Union and the threat it represented on its northern border, China has heavily reinforced its military strength in the south,

in the areas closest to Taiwan.

Some 600,000 men are currently amassed in the military regions opposite Taiwan, Western intelligence services say. Many of the 4,800 Chinese fighter and bomber planes are obsolete compared to the 365 fighters of the F5-A, F5-E, F-104 and IDF models that Taiwan has.

However, Beijing has received 24 Russian Sukhoi-27 fighters and others are due to be delivered under the terms of an accord with Moscow which will also enable China to start producing the powerful fighter.

China also has two large 'Kilo' class submarines, bought from Russia, which are operational in the zone. Others will soon be delivered. Across the Straits, Taiwan will take delivery starting this year of 150 US-made F-16 and 60 French Mirage 2000-5 fighters, which will allow it to retain its air superiority.



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# Beijing war games rattle South Korea

By Andrew Browne  
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"Of course, we are watching the situation with great concern," a Seoul Foreign Ministry spokesman, who declined to be named, said on Thursday.

# "China assures Philippines

MANILA, March 14 (AFP) — A senior Chinese official today assured Manila that Beijing's missile firing tests and live-fire exercises in the Taiwan Strait would not lead to war, a Philippine diplomat said.

"They said that this is not an act of war, (that) these are military exercises that have a beginning and an end," said Philippine Foreign Undersecretary Rodolfo Severino, after a four-hour private meeting here with Chinese Vice Foreign Minister Tang Jiaxuan. "They don't think, and we don't think, that there is going to be war," he said at a news briefing.

Tang, who is in Manila for annual senior level bilateral talks, called on Philippine President Fidel Ramos later today but no details of their meeting were made available.

Ramos on Wednesday called on the Taiwan Strait protagonists — China, Taiwan and the United States — to "cool it" to avoid exacerbating the situation.

Today, Tang told reporters here that China "is always cool-minded and always very reasonable and will always exercise restraint" but stressed it had the right to conduct the exercises which he described as an internal matter.

He explained that the exercises, which analysts said were aimed at intimidating Taiwan ahead of March 23 presidential elections, were not against the Taiwanese people but "against the forces pursuing independence" on the wealthy island, which Beijing considers a renegade province.

Severino said he raised the issue in the context of its impact on regional security and that "Vice Minister Tang repeated the Chinese position that these are routine military exercises that are limited. We should not feel concerned about them," he said, adding that there is "no danger

ipinos in Taiwan."

Severino said Tang also told him that other countries "should not interfere in China's domestic affairs," but did not mention the United States, which has sent warships, including the aircraft carrier USS Independence, to waters near the strait.

The Philippine official admitted granting clearance to the Independence to dock in Manila en route to the strait but said such clearances were regularly given to ships of other countries as well and were not linked with the Chinese military exercises.

On the Spratlys dispute, Severino said he raised the issue of continued Chinese occupation of Philippine-claimed Mischief Reef but that Tang also restated their position that the structures built there were merely shelters for fishermen, not military facilities.

Asked if the Chinese were pulling out, Severino said: "They did not say they were." Manila in February 1995 accused Beijing of encroaching on Mischief Reef and building permanent structures there, straining diplomatic ties.

The leftist Nuclear Free Philippines coalition today denounced the government for giving the Independence and other U.S. warships docking rights after Manila terminated U.S. military basing rights in 1992.

The coalition said in a statement such port visits "will only align us further to the revival of U.S. cold war military policy and affect the improvement of diplomatic relations with China." It claimed Washington was "dressing up China as the new threat to regional security" as a "counter-pressure for troop reduction from an American public very weary of the continuing heavy cold war expenditures and to abort the independent initiatives for multilateral systems for regional security."

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# China warns U.S. on

WASHINGTON, March 11 (Agencies) — A second U.S. aircraft carrier was steaming toward Taiwan as China warned Washington to keep off its dispute with the Nationalist island.

The dispatch of the USS Nimitz is certain to anger the Chinese authorities, who had already sharply criticized Saturday's deployment of the USS Independence.

The deployment of the U.S. aircraft carriers and several accompanying ships to waters off Taiwan came amid concern over China's maneuvers in the region.

Taiwan said the Chinese military exercises were an attempt to intimidate residents of the island in advance of the March 23 presidential election.

A Pentagon official, who asked not to be named, said that sending the aircraft carriers is "an appropriate and prudent precaution and not a terribly unusual deployment activity on our part."

But the deployment was also seen as a sign the White House is adopting a sterner tone toward Beijing. In the past, critics have claimed the U.S. administration maintained a policy of appeasement to avoid compromising bilateral economic relations.

The Chinese government announced Saturday it will carry out military maneuvers with live ammunition from tomorrow until March 20 in the center of the Taiwan Strait, closing that zone to all shipping.

Chinese Foreign Minister Qian Qichen said it was "ridiculous" to send

U.S. navy ships to the area and reiterated China's view that Taiwan is a renegade province!

The Pentagon official said, however, that the United States is "a Pacific power. We have interests in this area." The remark appeared to imply the message was also meant for the ears of other countries in the region, including Japan, which is increasingly concerned by China's policies.

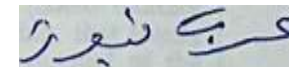
"We don't believe that there is any cover for any hostilities, but we believe it is an appropriate and prudent thing for us to do to deploy U.S. navy assets," the official said.

Qian held a news conference in Beijing today that Taiwan was attempting to legalize its separatist activities by holding presidential elec

tions. To restore peace, Taipei must return to the one-China policy, cancel the election and stop bids to rejoin the U.N., Qian asserted.

Qian warned Washington that Taiwan was not a U.S. protectorate, but he avoided outright condemnation of the U.S. naval deployment closer to the area. "These people must have forgotten that Taiwan is a part of the territory of China and is not a protectorate of die U.S.," he said.

In Taiwan, Foreign Ministry spokesman Leng Jo-shui replied: "Joining international organizations is our 21 million people's human right. Qian Qichen does not understand our people's desire to uphold their rights." China's ultimate goal was to bring Taiwan under its own administration, Leng added.



US sends another carrier □ Taiwan seeks military help from Manila TSingapore

# War of words escalates as Beijing prepares for drills

TAIPEI, March 11 (Agencies)

CHINA and Taiwan today, traded accusations and insults on the eve of Chinese military exercises set to unfold in the strategic Taiwan Strait under the watchful eye of a US naval battle group.

Chinese Foreign Minister Qian Qichen charged Taiwanese President Lee Teng-hui with exploiting the island's first democratic elections on March 23 to split Taiwan formally from the Chinese mainland, a move that Beijing warns will trigger war. He also had a sharp warning for the island, saying Taiwan — for Beijing, a rebel province that one day will return to the embrace of the "motherland" — was no US "protectorate."

In response, an angry and exasperated Lee flamed Beijing's leaders as "blockheads" for digging up old and unfounded allegations that he sought independence for Taiwan. He sneered at the air-sea exercises starting tomorrow as "more like a show" than a genuine threat.

But the government said it did not exclude a new batch of Chinese missile firings off Taiwan's coast, or even a possible attack on its outlying islands, although there was no sign of such an assault.

It then announced it was raising its alert posture for the manoeuvres and would closely monitor them. It gave no details but insisted there was no need for public alarm. China's navy and air force tomorrow are to stage a nine-day round of live ammunition drills in the narrow waterway in a box-shaped zone that lies close to two Taiwanese island bastions, Kinmen and Penghu.

Meanwhile, President Bill Clinton has ordered a second US navy aircraft carrier group to join one off the coast of Taiwan as tensions mount between China and Taiwan, the Washington Post reported today. The unnamed "administration" officials, the Post said, would announce later today that the nuclear-powered Nimitz and five or six accompanying ships will arrive from the Gulf in the waters near Taiwan a few days before the island's March 23 presidential election.

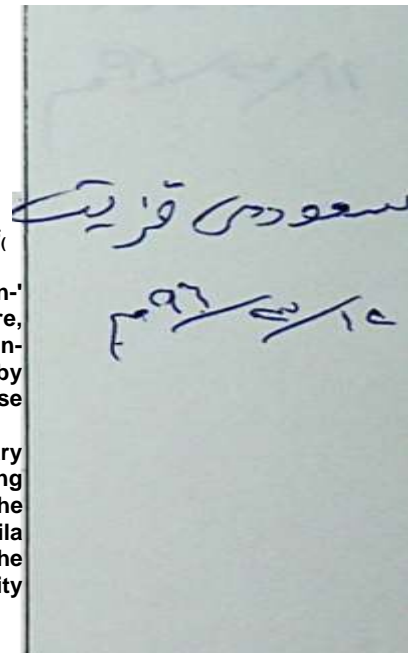
The report of the dispatch of a second carrier group, in the pre-midnight edition of today's Post, came hours after Secretary of State Warren Christopher warned China that the military exercises it is holding in Taiwan Strait are "unnecessarily risky" and "unnecessarily reck-

less." China's paramount leader Deng Xiaoping now backs the use of force to "safeguard" reunification with Taiwan, a leading Hong Kong newspaper said today quoting Beijing sources.

The Chinese-language Ming Pao daily said the 91-year-old patriarch personally has switched from believing in a "peaceful reunification policy" to "using arms to safeguard the reunification" policy with Taiwan. The sources said Deng was very concerned about tension with Taiwan and that he was being kept informed, about China's military exercises, intended; to Taiwanese opinion ahead of presidential elections on March 23.

Meanwhile, Taiwan is sounding out Indonesia, the Philippines and Singapore, about possible military cooperation including the use of airports and harbours by its warplanes and ships, a Japanese newspaper reported today.

The Yomiuri Shimbun quoted military sources in Taipei as saying that Huang Hsien-jung, commander-in-chief of the Taiwanese air force, recently visited Manila while Wu Shih-Wen, deputy chief of the general staff, had met military authority Singapore.



# War of words escalates between China, Taiwan

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TAIPEI (AFP) - China and Taiwan fired venomous new rounds Monday in their war of words on the eve of Chinese military exercises in the Taiwan Strait, set to take place under the watchful eye of a naval battle group dispatched by Washington.

Chinese Foreign Minister Qian Qichen accused Taiwanese President Lee Tenghui of exploiting the island's first democratic presidential elections on March 23 under a plot to split Taiwan formally from the Chinese mainland, a move that Beijing has always warned would trigger war.

He also had a sharp warning for Washington, saying Taiwan - for Beijing, a rebel province that one day will return to the embrace of the "motherland" - was no US "protectorate."

In response, an angry and exasperated Lee slammed Beijing's leader as "blockheads" for digging up old and unfounded allegations that he sought independence for Taiwan.

Qian sneered at the air-sea exercises, starting Tuesday in the highly strategic waterway between Taiwan and China, as "more like a show" than a genuine

threat. But, the government said it did not exclude a new batch of Chinese missile firings off Taiwan's coast, or even a possible attack on its outlying islands, although there was no sign of such an assault.

China's navy and air force on Tuesday are to stage a nine-day round of live ammunition drills in the Taiwan Strait in a box-shaped zone that lies close to two Taiwanese island fortresses, Kinmen and Penghu.

The exercises will run in parallel with week-long missile tests that began dramatically last Friday with the firing of three unarmed surface-to-surface missiles into sea zones northeast and southwest of Taiwan.

The *Washington Post* newspaper reported that US President Bill Clinton had also ordered a second aircraft carrier, the *Nimitz*, and another support group to the region.

US Secretary of State Warren Christopher said the dispatch of the *Independence* was to avoid any "miscalculation" by China.

The United States Navy in Japan on

Monday sent two naval ships to waters near Taiwan from the Yokasuka base, southwest of Tokyo, the Kyodo agency said, quoting US military officials in Tokyo.

The latest dispatch brought the number of US ships sent to the waters from the base to five, Kyodo said.

The two vessels - the destroyer *Hewitt* and the guided-missile frigate *McClusky* - will join a battle group led by *Independence* already in waters off Taiwan, it said.

Qian insisted there was no change in China's "consistent policy" of seeking peaceful reunification with Taiwan - but he reiterated that if foreign forces invaded Taiwan or the island declared independence, "we will not sit back idly, indifferent."

The threat of force was reiterated hours later by President Jiang Zemin as China's parliament, the National People's Congress, continued its annual sitting in Beijing.

Qian said, referring particularly to US criticism of the exercises as "erroneous and reckless."

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# Tension Over Taiwan

## Is There More to U.S.-China Policy Than Business Interests?

By Xiao-huang Yin

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**T**he beginning of the Chinese New Year, the Year of the Rat, has not eased tensions between Washington and Beijing. Defense Secretary William J. Perry warned that China should live up to its claim to be a responsible world power and that the United States is "not committed to engagement at any price." Although Perry's words were principally aimed at China's military threat to Taiwan, they also reflected Washington's frustration with Beijing's continuing rebuff of the administration's efforts to achieve a coordinated relationship.

Indeed, there are ever more signs of strain in U.S.-China relations. Despite its many promises, Beijing has failed to stop piracy of U.S. intellectual properties, made little progress on its human rights record

*Xiao-huang Yin is an assistant professor at Occidental College and an associate of the Fairbank Center for East Asian Research at Harvard University.*

casting doubt on the wisdom of the Clinton administration's policy of "constructive engagement," will surely give new vigor to China foes in Congress. It is against this backdrop that the White House indicates it may try other means in dealing with China. Perry expressed that intention vividly: "It takes two to tango," meaning that engagement has to be a two-way street.

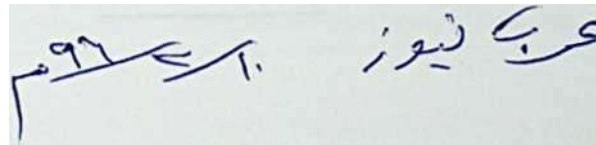
But it would be an oversimplification to claim that China doesn't have any respect for the rules of the game or that it deliberately ignores Washington's signals. Although some officials in Beijing contend that China should lean more toward Europe in its foreign policy, Chinese leaders who grapple with economic reform understand the significance of relations with the United States and are continually expanding ties with the White House. The reason for Beijing's lack of response, so far, is that in the past, paramount leaders such as Mao Tse-tung or Deng Xiaoping were able to direct dialogues with Washington, while none of today's Chinese leaders has a comparable authority to "tango."

Beijing leaders are locked in a heated power struggle to succeed the

92-year-old Deng. Any soft stand on Taiwan, human rights, trade and security issues would cost them the support of the military and jeopardize their bid for power. This struggle has reached a critical juncture. Evidence shows that one sector of the Chinese government frequently fights another, with Beijing no longer enjoying the respect of its own officials. Even Chinese sources admit that the arms sales to Pakistan are conducted by a few military officers acting on their own — a sure sign of defiance toward traditional party authorities.

If true, the real issue becomes not how to punish Beijing for its "irrational behaviors" but how to find a way to deal with a regime facing growing internal turmoil. Unfortunately, it is precisely on this question that the White House has little leverage, and therein lies its dilemma.

Punishing China by imposing economic sanctions, no matter how tempting this may appear, would harm U.S. interests and may not even work. With the world's largest population and fastest-growing economy, China represents an enormously attractive business opportunity.



# "China

Continued from Page III

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For example, Boeing estimates that China will buy as much as \$100 billion worth of commercial aircraft in the next few decades. Losing such a market would not only cut Boeing's or McDonnell Douglas' profits; it would also cost thousands of manufacturing jobs from Seattle to Los Angeles.

Sanctions against China may also hurt farmers in the Midwest. In recent years, China has become the world's largest grain importer. It alone bought 4 million tons of corn on the world market last year and may annually buy as many as 6 million tons of grain by the end of the century. Such purchases will surely help raise grain prices. Should Washington place a trade embargo on Beijing, it would only hand the China market to Western Europe and Japan, because in the post-Cold War era; ideology no longer matters; nations tend to make decisions based on their own economic needs.

Furthermore, punishing China is tricky. In today's global economy, business interests cut across national boundaries. China's economy has

been interwoven with and integrated into the world community. Most of its export-oriented businesses are joint ventures set up with overseas investors, especially from Taiwan, Hong Kong and other parts of Asia. This situation adds a new problem to any policy employing sanctions, since it would cause damage to such U.S. allies as Taiwan and South Korea. According to Tsung Chi, an expert on Taiwan, it is the China market that keeps Taiwan's foreign trade in balance and its people in jobs. In 1994, Taiwan's trade surplus with China reached \$12 billion. Without exports to China, Taiwan would have racked up a \$5-billion trade deficit that year. This is certainly a significant number for an island state.

Put another way, although China has a trade surplus with the United States, it is largely businessmen from other countries who reap the profits. Imposing economic sanctions on China is thus a two-edged weapon that may cause tensions between Washington and its friends.

That Washington is in a tug of war with itself over China is not new. Throughout American history, evangelism and trade were always the two interrelated yet conflicting parts of U.S. China policy. While missionaries worked hard to

save Chinese souls, trade merchants toiled to make profits. For better or worse, however, it was business interests that often prevailed in Washington's decisions concerning China.

Washington's "open door" policy, formulated at the turn of the century, is a case in point. Although its designers had missionary conquest on their minds, it was their objective to keep China's door open for American businessmen, and to prevent Europeans from dominating the China market, that shaped the doctrine and made it one of the few foreign policies that ever won bipartisan support. This legacy adds an element of challenge to the administration's China policy: how to keep China's market open for U.S. businesses while avoiding the impression that trade interests outweigh all other considerations.

Washington should only punish those sectors of the Chinese government that violate bilateral agreements. A policy of "comprehensive engagement" could help resolve the CHUO. Such a policy would allow the VI/W-toe. expand ties with not only the Chinese. CeMtS-ojL government but also with regional authorities, especially those in regions that have stakes in a continuing relationship with the United States.

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# Taiwan analysts say war with China unlikely

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CHINA'S missile tests off the shores of Taiwan are not seen as leading to all-out war, but Beijing may increase pressure on Taipei to start a dialogue on reunification, analysts say.

China fired three unarmed ballistic missiles into the sea near Taiwan early on Friday, kicking off a new series of tests expected to last until March 15. "The pressure lies on Taiwan to come to the negotiating table to discuss the one-China issue as well as a peaceful unification timetable," said Andrew Yang, secretary-general of the Chinese Council of Advanced Policy Studies.

Taiwan has never talked formally with China on the subject of reunification because it insists that before the two reunite China must become democratic, free and possess a

similar level of wealth to Taiwan.

But for China the issue of reuniting with the island that split away after a civil war in 1949 is imbued with ancestral pride and importance. China's President Jiang Zemin spelt out in unusually clear terms on Friday the motives behind the months of military saber-rattling and verbal assaults Beijing has directed at Taiwan.

"Our struggle will not stop for a single day so long as Taiwan authorities do not cease activities to split the motherland for a single day," the official Xinhua news agency quoted Jiang as telling deputies to the National People's Congress, or parliament.

Analysts said Beijing's criticism of Taiwan President Lee Teng-hui has been so vehement that Lee may be permanently on Beijing's black list — meaning that for as long as he is in power relations will be turbulent.

"The government has been trying to give the impression that relations with

China will improve after the election, but in reality there is little cause for optimism on this score," said a political analyst at a foreign nation's representative office in Taipei.

Taiwan's first direct presidential election is scheduled for March 23. Lee, the front-running candidate, has seen his support dwindle as China's pressure takes its toll on Taiwan's economy, but he still holds a commanding lead. "The tension will continue to a greater or lesser extent until Taiwan can satisfy China that it is not trying to become independent," he added. Implacably opposed, the two sides seem on a collision course that gives rise to fears of war.

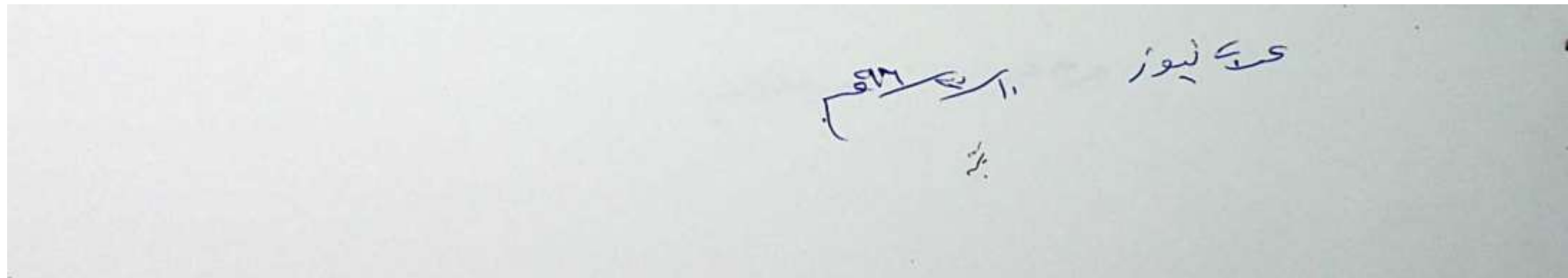
But analysts said although China could conceivably make a grab for a small, outlying Taiwan-controlled island, the likelihood of an all-out war was extremely remote.

"An all-out invasion is still inconceivable," said Yang. "However,

there is a remote possibility that China will take over a small remote offshore island, but this kind of consideration is being studied by our military analysts as well," he added.

Yang and other analysts say China lacks the military equipment to pull off a successful invasion of Taiwan. Its landing craft are too few and too feeble to launch an invasion across the 220 km (137-mile) Taiwan Strait. In addition, China has to consider the pulverizing effect that a war with Taiwan would have on its own economy and that of Hong Kong, which it regains from British control next year.

Chinese military sources in Beijing said that many military leaders, remembering the debacle they suffered at the hands of Vietnam when they attempted a brief punitive push in 1979, are wary of starting a war they may not be able to win. "Beijing should rein in its horse before the cliff," commented one Taiwan official this week. (R)



# Clinton, Hashimoto Should Play Bridge, Not Poker, in Dealing with Beijing, Taipei

Clinton, Tokyo must be led to play their trump economic leverage — China in line.

## C. Gompert

President Clinton and Japanese Prime Minister Ryutaro Hashimoto, who met recently in Santa Monica, Calif., must confront how to respond to China's multifaceted threats against Taiwan. The United States must stand shoulder to shoulder in using its economic leverage to place some limit on Chinese expansion in Asia, the world's most dynamic region, where stakes are high. Taiwan is a successful market-based cog in the global economy (with the world's largest foreign currency holdings), an emblem of peace and a neighbor and partner of Japan. U.S. policymakers have wisely avoided the kind of

*Gompert is a vice president at RAND and former advisor to President Bush for national security affairs.*

public brinkmanship that might make it harder for Beijing to abandon its menacing policy. Privately, Washington surely will help China's leaders understand that an attack on Taiwan would have dire consequences, including military confrontation with the United States. But this is not enough.

The present danger is not that China will launch an all-out invasion; its military lacks such capabilities. Instead, China can keep intimidating Taiwan with missile tests, amphibious maneuvers and similar thuggery below the threshold that would warrant American military intervention. Deterring a calculated Chinese strategy to frighten Taiwan is the immediate problem. It will require the United States and Japan to warn China of the costs of such a course. China's rulers have come to believe that they can have it all: bountiful foreign trade and investment, dazzling economic growth, expansion of offensive military power and the freedom to bully their neighbors and trample their own citizens' rights without serious opposition from the great democratic powers.

The spell cast by the vast Chinese market has kept the United States and others from challenging China's troublesome policies. Washington's decision in 1994 to delink China's most-favored-nation trade status from its sorry human rights record helped convince the Chinese that it is they who have the leverage, or at least the nerve to use it. They may now believe that their trading partners have so much to

lose from curjailing economic relations with China that Taiwan can be brought to heel — not by invasion but by intimidation — at little cost.

The task, then, is to convince the Chinese that their present course could jeopardize China's access to markets, capital and technology. The United States cannot do this alone. With its huge economic interests in China — \$50 billion in trade and \$3 billion in investment annually — Japan's position is pivotal. Tokyo will not be eager to make the future of these economic interests contingent on China's good behavior. But without its leverage, the United States will have none.

The Chinese are shrewd enough to know that the United States cannot play the economic card without a partner. They can easily expand economic cooperation with Japan to offset any U.S. sanctions. They probably could get the United States to soften a tough stance, since without Japan's commitment it would only hurt American commercial interests. So in this crisis, we should play, bridge, not poker, with Japan our partner and China in a crosshuff. First, the United States will have to ask Japan to accept this responsibility and the sacrifice that could go with it. In light of the stakes — for Japan as much as anyone — it is not too much to ask.

If Japan and the United States together send such a message, Beijing will get it.



Lori Shepler/The Los Angeles Times

Japanese Premier Ryutaro Hashimoto with President Clinton when they met in Santa Monica.

# A Real Cliffhanger

The mainland has been rattling sabers at the

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missile that hits Taiwan," Segal likened the current situation to the period before Iraq's 1990 invasion of Kuwait, which led to the Gulf War. If a war between China and Taiwan took place on land, it would be the world's largest smaller Taiwan. But Taiwan more than gives it a exist. In advancing narrower Also, stroff

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BY RONE T  
TIMES STAFF WRITER

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As soon as the Chinese navy docked, Chinese camera operators, credentials, were ushered to photograph one of America's most state-of-the-art warships from stem to stern. But U.S. reporters were not permitted to photograph a World War II-era Chinese frigate docked at the same pier. A nervous Chinese naval officer explained that the aging vessel, practically more layers of gray paint than armor, contained secret weaponry.

"But the real treat is the photograph planned later," he said. "The secret weapon is the ship itself." The ship is a World War II-era Chinese frigate docked at the same pier. A nervous Chinese naval officer explained that the aging vessel, practically more layers of gray paint than armor, contained secret weaponry.

As Chinese forces move to the coast for massive maneuvers expected in the next few weeks, Taiwan has placed its military on alert. Republican candidates Steve Forbes and Patrick J. Buchanan have made the China-Taiwan situation an issue in the American presidential election. However, most Western military analysts contend that, despite its rhetoric, China is severely constrained — both materially and politically — in what its armed forces can actually do with respect to Taiwan, which China considers part of its national territory.

"The Chinese are not stupid," said Michael Swaine, a military expert with Rand Corp. who recently interviewed defense officials in Beijing. "They realize that they would lose an enormous amount in a conflict with Taiwan. They could not guarantee that they would prevail in such a conflict, certainly, without enormous costs," Swaine said. "It could very possibly destroy much of Taiwan; damage a good deal of the southeast coast of China; destroy a relationship with the United States; re-create a Cold War in Asia; and reverse their goals for economic development. These guys are not crazy."

Swaine, who has written extensively on the Chinese military leadership, represents the more restrained school of China military analysis. At the other extreme is Gerald Segal, a military analyst at the London-based International Institute for Strategic Studies. "We do not have full-scale war, and we are unlikely to have that," said Segal. "But this is not just posturing. This is a few steps up the ladder of escalation, and we are still moving up. I would

surmised to see a more limited military wan's independence.

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comes as a surprise," Gill said. "It is at these lowe  
levels of escalation that China has its best chan  
of success, because it can get a lot of what  
wants through bluster, without taking any risk."

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# TAIWAN: China's

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Continued from Page 1

Lee, 73, is the going-away front-officials reluctantly concede that remain in office. The goal of the actions, admitted one low-level Chi is to diminish Lee's victory.

"What they are really trying to do," said "is lower Lee's margin of victory.... The is that if Lee Teng-hui gets less than 50 the vote, he cannot legitimately claim waneese people that he has a clear manda sue these strategies (for Taiwanese indepx It would give Beijing a certain amount of to de:: with him in the future."

The Chinese leadership felt that the m ings last summer and military maneuver 2 >> W ^-3 \* r/j lo-fig-

In that vote, Lee's ruling Nationalist Party retained only a narrow majority in Taiwan's 164-member legislature. The biggest gains were made by the fledgling New Party, which had the most conciliatory stance toward mainland China. The New Party won 20 seats, while the pro-independence Democratic Progressive Party won a lower-than-expected 54.

Encouraged by the impression that military brinkmanship influences the Taiwanese democratic process, Beijing is poised to repeat the exercise on a grander scale before the presidential vote.

However, it is not clear that Lee's margin of

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ducted by the Taipei Independence er, more than 60 percent of re- not feel the escalating cross-strait erious enough to lead to military conflict.

Military analysts differ strongly in their estimates of just how far the Chinese are willing to go militarily to make their political point. Most draw the line at an outright invasion or its island territories. se have the military ca- an amphibious assault. "That is one of the acts to carry out any- officials have admitted that have the ships to move the



HYUNGWON KANG/Los Angeles Times Taiwanese President Lee Teng-hui, center, greeting supporters in Pasadena, Calif., was allowed visa in July to attend Cornell University reunion in U.S., angering China.

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Just in terms of Western diplomat said. "Taiwan will outnumber the Chinese 4 to 1."  
The diplomat estimated that Taiwan's air superiority will continue until China begins production of its own fourth-generation fighter, known as the F-10, or Xinqian 10, a prototype for which has been built with technical assistance from Russia and Israel.  
Diplomat...ious about China's ability to produce "They've one diplomat fighters th time. To i to be a k equipment."  
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# tirade interests outweigh tough rhetoric

**H**ERE WE GO AGAIN: EACH YEAR, officials from the US State Department "confront" the People's Republic of China with a long list of "reforms" that Beijing must "impose immediately", or risk economic sanctions.

These reforms called for by Washington include changes in Chinese human rights policies, cessation of China's export of weapons of mass destruction, adherence to international trademark and copyright laws, and a toning down of militant rhetoric directed at Taiwan.

Over the last decade, this annual showdown between Beijing and Washington has involved the temporary suspension of China's most-favoured-nation status, the mutual withdrawal of ambassadors, and other symbolic "shows of strength".

For example, last June Washington allowed Republic of China's President Lee Teng-hui to make an "unofficial" visit to the United States, a step which many see as virtual US recognition of the legitimacy of the former Chinese island of Formosa. In retaliation, Beijing conducted threatening military manoeuvres just the north of Taiwan. Then, for good measure, Beijing made it clear how it felt about Washington's call for Chinese human rights reforms when it sentenced Wei Jing-sheng, a Nobel prize-winning author, to 14 years of hard labour.

With the predictability of the rise and ebb of the ocean tide, these annual tensions between China and the United States fade away when the Chinese make what inevitably prove to be empty promises to "do better" in the arenas of trade, human rights and technology sales.

To any rational thinker, this state of affairs is ridiculous. American diplomats, however, call this "comprehensive engagement", a policy which presumes that, given the opportunity, "moderate reformers" in the Cljrrjgse government will prevail over



Tim Kennedy

**DEFENCE & DIPLOMACY**

HERE WE GO AGAIN

Washington

readies for

annual exercise

of tension with

Beijing

the ruling hardliners, forcing them to modify their unreasonable behaviour.

Critics of comprehensive engagement argue that its diplomatic principles—rooted in unwavering sustainment of US political and economic relations—virtually eliminate the possibility of breaking diplomatic ties with any degree of finesse.

This year's bout between Beijing and Washington is focused on a multiplicity of issues, many of them involving certifiably reprehensible activities by China brought to the attention of the media by "anonymous sources" at the Pentagon, State Department

and other Western organisations.

The issues that have lately created tensions between these two countries include: a Central Intelligence Agency (CIA) "leak" (revealed exclusively by the *Saudi Gazette*) that China has illegally acquired plans for an advanced Israeli fighter plane originally built and paid for by the Pentagon, word from the CIA that China illegally shipped nuclear weapons development technology to Pakistan, a report published by Human Rights Watch/Asia that thousands of Chinese children are dying from medical neglect and starvation in state-run orphanages, a warning to Beijing that Washington may impose economic sanctions because of China's unchecked piracy of computer software, music and videos; and news that Taiwan—more than likely at the urging of the State Department—is again seeking a visa for a high-ranking official for the visit of an official of the Seoul government

Among all these issues, diplomatic observers believe the most inflammatory is

what the United States considers as China's indiscriminate sale of sophisticated military technology to developing countries.

"The Chinese military seems to be willing to sell weapons to anyone who can pay the price, without any apparent political or strategic purpose," observed Brent Scowcroft, national security advisor to former US president George Bush.

Observers also feel China's illegal arms sales—which have often been in violation of international treaties restricting the export of missile and nuclear weapons technology—provide the best "leverage" upon which the United States can press its case for true reform in the People's Republic of China.

Intelligence analysts in the Defence Intelligence Agency (DIA) and several of the Pentagon's China experts, according to sources, recently used appropriate US government channels to recommend that the Clinton administration declare China in violation of US non-proliferation law

for exporting anti-ship cruise missiles to the Mid-east. This recommendation was sent last September to Lynn Davis, the State Department's senior official for arms-control and non-proliferation, but no action was taken, much to the frustration of many US military officials.

The Clinton administration's apparent decision not to pursue the Pentagon's recommended "get tough" stance with China is evidenced by statements made by US Secretary of Commerce Ron Brown, who earlier this month said he opposes sanctions that would disengage the United States commercially from China.

Speaking to journalists, Brown downplayed the significance of China's illegal transfers of military technology, saying America's policy and security interests only play a small role in its relations with China.

"I happen to think that the best chance for us to have an impact in those other areas is through being engaged with 'China,'" -said' Brown-, 'clearly reiterating

America's consistently failed foreign policy of constructive engagement. Even US Secretary of Defence William

Perry seems to attach more importance to US commercial ties with China than to America's security interests. Perry, though critical of China's nuclear technology exports and human rights abuses, said he favours America's continued engagement with Beijing. "Our policy accepts China at its own word when it says that it wants to become a responsible world power," Perry said recently during an address to graduates of a military university in Washington.

"But China sends quite the opposite message when it conducts missile tests and large military manoeuvres off Taiwan, when it exports nuclear weapons technology or abuses of human rights," Perry added. "It is time for China to start sending the right message."

Here we go again!

# Beijing to unify rules ^ governing border trade

BEIJING (AFP) - China is to unify regulations governing border trade in a bid to bring order to a sector plagued by irregularities as enterprises take advantage of differing provincial rules, a report said Sunday.

The move appeared aimed at boosting China's chances of gaining entry to the World Trade Organization, with the *China Daily Business Weekly* quoting a foreign trade official as saying the body's rules, while permitting favorable treatment to boost border trade, demanded standardize national practice.

The new rules, to take effect soon, will establish unified preferential policies for border trade, the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) official said, adding that favorable treatment would gradually be phased out as the local economies developed.

In addition to bringing China in line with international practice, the new rules are also aimed at rectifying problems - including disputes over visas and poor quality products - that have hindered development of trade between China and its neighbors, particularly Russia.

After taking off in the late 1980s, Sino-Russian trade volume - dominated by border trade - plunged 33.8 percent in 1994, before increasing 7.6 percent last year (\$5.46 billion), the *China Daily* said in a separate report.

"However there are still some problems that will require joint efforts from the two sides," another MOFTEC official was quoted as saying, pointing to China's \$2.13 billion deficit and the prevalence on small-scale barter exchange of shoddy goods, rather than state-level trade between major firms.

China is meanwhile revising draft

trade laws in order to defend domestic manufacturers against anti-dumping charges prompted by the protectionist policies of certain countries, a report said Sunday.

Draft laws on dumping, subsidies and other trade issues are being amended in the face of a surge of anti-dumping charges against Chinese firms in recent years, the *Business Weekly* quoted foreign trade official Zhang Yuqing as saying.

The legislation, in the drafting stage since 1993, is to be handed to the State Council by the end of March, Zhang said.

Meanwhile, total investment in China's Three Gorges Dam hit 11.5 billion yuan (\$1.39 billion) by the end of 1995, with the first phase of the project proceeding ahead of schedule, a report said Sunday.

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# Taiwanese fleeing homeland

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By MARK LEWIS

An increasing number of Taiwanese are making preparations to leave their island as relations with mainland China continue to deteriorate.

It is impossible to determine exactly what motivates each of the thousands who apply for passports each year, but the timing of the upsurge is significant.

The average number of applications for new passports in Taiwan in the first five months of 1995 was 72,367, while 650 new visas to visit the United States were being issued every month.

Then came the one visa that brought relations between Taiwan, the United States and China to a new low - President Lee Teng-hui was allowed to visit his American Alma Mater, Cornell University, last June.

China said that granting Lee the visa was a violation of Washington's avowed one-China policy, announced when it recognized Beijing in 1978, breaking off formal diplomatic ties with Taipei.

A furious Beijing conducted guided missile drills in Taiwan's general direction, broke off semi-official civilian exchange talks with Taipei and recalled its ambassador to the United States.

Taiwan's stock market index fell nearly 10 percent in a week and new passport applications shot up 34.1 percent in June compared with the previous month, hitting an all-year high.

"Taiwan is like Hong Kong was in 1982 and 1983," Bill Liu of Jean and Mildred consulting service said, referring to widespread concern in the colo-

Most people on Taiwan, an island of 21 million people with the world's second largest foreign reserves after Japan, chose investment as a means of establishing an escape route in case of a military conflict with China.



LEE TENG HUI: US trip sours ties with China

smelled opportunity and arranged the island's first non-government sponsored exhibition in Taipei in February.

"People in Taiwan are not feeling safe and want to have both feet on two different boats at once," said Colin Lim, an emigration consultant from Australia.

Lim said he looked at the number of people leaving Taiwan last year and de-

bitation, which drew an estimated 20,000 people.

Most people on Taiwan, an island of 21 million people with the world's second largest foreign reserves after Japan, chose investment as a means of establishing an escape route in case of a military conflict with China.

"An investment of 250,000-350,000 Canadian dollars (\$185,000-\$259,000) in a Canadian fund can facilitate the process," Sammy Chung of Taiwan Springbok Transport Group said. The group was one of many migration-investment specialists in Taiwan in February.

Investment migration to the United States, with an overall annual quota of 675,000 immigrants, is prohibitive compared with countries such as Australia

and Canada, industry sources said.

"The 10,000 spaces every year are barely touched," Liu said.

Warlike maneuvers by China's military, coupled with news that Canada would soon tighten its investment immigration rules, have fueled the feeling of urgency among potential clients, industry sources said.

"Relatives in Venezuela keep urging

Kuo is indicative of Taiwan citizens who stay behind to run their business while relatives establish a foothold in a second country.

Taiwanese anxious for a lifeboat in the form of a second passport are concerned about a perceived trend toward tougher immigration laws following the adoption of stiffer regulations by New Zealand last year.

"Immigration laws could become stiffer in Australia after the socialists' defeat in parliamentary elections," Lim said.

Fears that Taiwan's door to the outside world could be shut have led to several emigration waves in the past half century - during the turbulent takeover of the island after 1949 by Chiang Kai-shek's Nationalist forces fleeing China after losing to the communists, when Taiwan was ousted from the United Nations in 1978, and during the 1987-91 bubble economy years when skyrocketing real estate prices and a soaring stock market index created millionaires daily.

The latest face-off which China could prove to be the main ingredient for a fourth wave if the results of a Gallup poll released in June are any indication.

Following President Lee's US visit in June and China's vehement protests, 22 percent of Taiwan's residents had been leaving on their minds, according to the poll. That figure ranked Taiwan seventh in the world in terms of the desire to emigrate.

China's threats no doubt influenced the results of the poll. But Taiwan's citizens appear to be growing accustomed to Beijing's diatribe.

Taiwan's stock market gained 20 points in heavy trading the day China was reportedly to begin massive military maneuvers aimed at rattling nerves on the island a month before its presidential election.

In the run-up to the island's presidential election, would-be emigres are being created at an accelerated rate, wait-

