

Force may be used against Taiwan: Li Peng

BEIJING (Agencies) — China's Premier Li Peng told deputies at the Tuesday opening of the annual session of the National People's Congress that Beijing had not ruled out the use of force to keep Taiwan part of the mainland.

Li's statement on Taiwan affairs was backed up by an official announcement earlier Tuesday that China's armed forces would conduct a week-long missile firing exercise at two sides in the Strait of Taiwan from Friday.

One of the test sites is only 25 kilometers from Taiwan's coast.

"We are in favor of and have consistently been working for peaceful reunification, but we shall not undertake to renounce to use force," Li said in his annual government work report.

"That we shall not undertake to renounce to use force is not directed against our compatriots in Taiwan, but against the schemes of foreign forces to interfere with China's reunification and to bring about the 'independence of Taiwan,'" he said.

China regards Taiwan as a renegade province that it will eventually recover

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and has vigorously opposed any attempts for the island to achieve international recognition.

It is also strongly opposed to any suggestion that Taiwan, which has been under Nationalist government rule since 1949, would secede from the mainland.

Observers said the Chinese government's position on Taiwan and mention of the use of force in this year's NPC address was a stern step away from the "peaceful reunification" mentioned in his address a year ago.

They added that the warning and upcoming missile tests were likely aimed at intimidating Taiwan's Nationalist government ahead of the island's first ever direct presidential elections on March 23.

Taiwanese President Lee Teng-hui, who has been accused by Beijing of wanting to declare the island independent of the mainland, has strong chances of winning the polls.

His visit to the United States in June, and a series of earlier "private" trips to countries with which Taiwan maintains diplomatic relations, infuriated Beijing and led to a freeze in political dialogue

across the Taiwan Strait.

"The Chinese government and the people are determined and able to safeguard the sovereignty and territorial integrity of the motherland and would never allow the secession of Taiwan from the motherland," said Li.

"No attempt to split the motherland will succeed."

At the same time China hinted strongly on Tuesday that the people of Taiwan should vote against President Lee Teng-hui in the island's landmark presidential elections this month.

"Lee Teng-hui created tension between the two sides... the Taiwan people should know what to do after finding the root of the problem," Chinese foreign ministry spokesman Shen Guofang told a news briefing.

There was nothing more important than reunification, Shen said.

Shen and China's announced missile tests to take place off Taiwan later this week were "normal" and designed to boost combat capability and safeguard national sovereignty.

He did not comment on speculation that the exercises were intended to in

timidate Taiwan before the presidential elections.

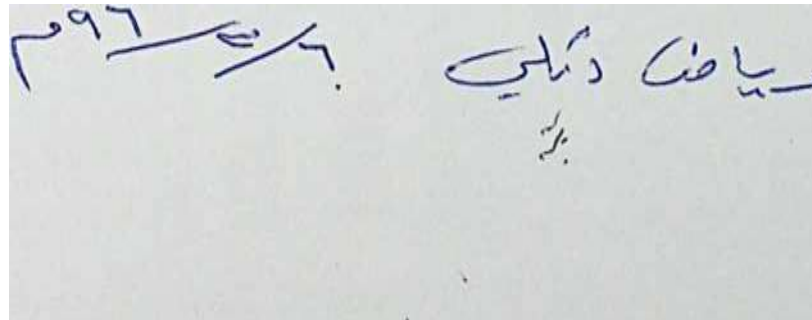
Taiwan's Defense Minister Cmang Chung-ling said in Taipei the Nationalist island will strike back if any Chinese missile lands in Taiwan's territorial waters.

Taiwan Premier Lien Chan, protesting against China's planned missile tests demanded that China stop its "provocative" behavior.

"I, representing the government, raise a serious protest and demand that Chinese communists stop this provocative behavior immediately," deputy government spokesman Charles Wu quoted Lien as saying.

A Taipei newspaper reported the Taiwan army is to set up a missile position on the island of Penghu this week when China starts its latest missile exercises just off the Nationalist island.

, ^ commissioning of Taiwan's fourth Sky Bow surface-to-air missile *2^ conducted on Friday, the same- mltu* its third-round of W^{dnU} m eight months> the *China Times Express* reported.



China tests intensify pressure

By Paul Eckert
Beijing

6/2/96

CHINA cranked up the pressure on Taiwan on Tuesday by announcing it would begin guided missile tests in the seas around the island just two weeks before Taipei holds landmark presidential elections. From March 8 to 15, 1996, the Chinese People's Liberation Army will conduct ground-to-ground missile-launching training in a sea area," said China's official Xinhua news agency.

The tests, part of a series of military drills by China, had been widely predicted as a move to underscore Beijing's anger at what it sees as moves by Taiwan President Lee Teng-hui to win independence for the island of 21 million people. ■

However, the drills' location and timing — just offshore two vital Taiwan ports right before the March 23 presidential polls — suggest China could be raising its saber-rattling to a

dangerous new level, diplomats said.

Beijing gave coordinates for two test areas — one about 50 km (30 miles) west of the island at the south of the narrow Taiwan Straits separating Taiwan from China, the second about 20 km (12 miles) northeast of Taiwan.

"That's really close to key Taiwan ports — and fits with the logic of Beijing's ongoing psychological campaign, which says saber-rattling is only effective if it's loud enough to make a point," said an Asian diplomat.

Reports that China might fire missiles over Taiwan to connect the two test zones were highly speculative, he said. "We probably won't know until the firing takes place, but that would really raise the ante and I don't think China would be willing to take such a provocative step," he said.

China's request that countries and authorities notify ships and aircraft not to enter the test areas conformed with international practice — and underlined China's threat to blockade Tai

on Taiwan,

Reuters. China's state media have vilified Lee, the front-runner for the March 23 polls/as an opportunist who merely pays lip-service., to - Taipei s_ avowed aim of reunification and m-v instead seeks independence for the island. •

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China's leaders have blamed the United States for encouraging Taiwan to go its own separate way. "Sino-U.S. relations have encountered serious difficulties," Chinese Premier Li Peng told parliament on Tuesday. "This was completely created by the unwise U.S. policies toward China." Beijing has viewed Taiwan as a rebel province ' since Chiang Kai-shek's Nationalist army lost the Chinese civil war and fled to the island in 1949.

Lee, whose call last month for new talks across the Taiwan Strait has been ignored by Beijing, has never said publicly he favors independence. But he has said reunification requires substantial democratic reforms in Communist China. Qy

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China's missile test

plan panics Taiwan

BEIJING, March 5 (AFP) — Tension escalated between China and Taiwan today as Beijing announced it would stage a missile exercise amounting to a simulated blockade of the island and Taipei warned it would retaliate if any warhead strayed into its waters.

The drills are the fourth and potentially most provocative in an eight-month-old campaign by the Communist mainland to intimidate its Nationalist rival ahead of the March 23 Taiwanese presidential elections.

The announcement immediately dented morale in Taiwan, where the local bourse slumped by 1.3 percent, some shoppers began stocking up on canned food and people living on an island close to the mainland began packing their bags.

The official news agency Xinhua said the week-long exercises would be launched on Friday, and warned ships and aircraft "for safety's sake" not to enter two splashdown areas, located off Taiwan's two major ports, during the period.

In parallel, Chinese Prime Minister Li Peng issued a fresh warning at the annual opening diplomat said in Beijing.

of parliament that China would not hesitate to use force should Taiwan declare formal independence. Taiwanese Foreign Ministry spokesman Rock Leng said the exercise "seriously violates the world trend of replacing confrontation with peace." He urged the world community "not to tolerate China's ruthless behavior and to uphold justice." But the island also made it clear it would not yield to Beijing's pressure.

Defense Minister Chang Chung-ling warned that if any missiles landed within Taiwan's 12-nautical-mile territorial waters, "we will strike back immediately."

Chiang told MPs that the Taiwanese military had a range of missiles ready to fire back. The China Times Express reported that the Taiwanese Army was setting up six Sky Bow batteries and three U.S.-made Patriot anti-missile batteries in northern Taiwan and the island of Penghu. "It is the exact scenario for a blockade of the island, because no maritime company will take the risk of

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Li outlines China's economic plan for next five years

BEIJING (R) — Chinese Premier Li Peng acknowledged failures by government in a state-of-the-nation address on Tuesday in which he re-emphasized the perils of crime, corruption and inflation.

He told the opening session of the annual National People's Congress, or parliament, that foreign relations had been marred by "fluctuations" in Sino-US ties caused by Washington's "unwise China policy".

Li focused on problems such as inflation, weak farm output, inefficient state enterprises, the widening gap between rich and poor, corruption and a breakdown in public order.

"All these problems ... reflect shortcomings and failures in the work of the government," said Li, who had also acknowledged failures last year. However, he offered few concrete solutions.

Outlining China's economic plan for the five years to 2000, Li said tackling

waste in state firms, poor agriculture, disparities between the booming east and backward west and corruption were priorities.

Curbing inflation remained the most urgent task this year. China aimed to limit inflation to 10 percent in 1996 and then to cut it eight percent. Retail price inflation hit a communist-era high of 21.7 percent in 1994.

Li promised to intensify the struggle against tax evasion, fraud, smuggling, fake or shoddy goods and copyright violations as China built a market economy.

"The task is arduous and time is passing," he said. "We must be bold in exploring and blazing new trails and push ahead with reform and opening up in a down-to-earth manner and with greater determination and vigor."

But he signaled few specific innovations.

China has already introduced many

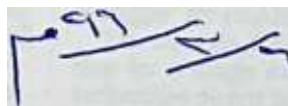
capitalist-style reforms as it builds what it calls a socialist market economy, and diplomats now say caution, heightened by fears that instability will follow the death of 91-year-old paramount leader Deng Xiaoping, is deterring further initiatives.

Meanwhile, Finance Minister Liu Zhongli called Tuesday on officials nationwide to tighten their belts in a bid to cut 1996's budget deficit slightly to 61.44 billion yuan (\$7.4 billion).

The targeted level, announced by Liu in his budget speech at the opening session of the annual National People's Congress (NPC) session here, compares with a deficit of 62.14 billion yuan in 1995, according to preliminary estimates.

The 1995 deficit was well within the government's target of 66.8 billion yuan as, "long-standing increases in expenditures outpacing increases in revenue began to be reversed," Liu said.

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^ Taipei opens missile base ahead of schedule

China plans live military

Beijing, March 9 (AFP, AP)

CHINA announced today it would conduct live naval and air exercises off Taiwan from March 12 to 20, threatening to cut off much of the shipping in the Taiwan Strait ahead of the island's first direct presidential elections on March 23.

The manoeuvres, according to the official Xinhua news agency, will coincide with the ongoing missile exercises that started yesterday and run until March 15.

China has already fired as many as four ME, surface-to-surface missiles armed with dummy warheads into the waters off northern and southern Taiwan, near the economically vital ports of Keelung and J Kaohsiung.

The zone for the armed exercises will be off the southern Chinese city of Shantou, on the border of Guangdong and Fujian provinces, and will effectively block off a portion of the strait that separates Taiwan from the mainland.

China's government advised authorities in the region to notify ships and aircraft not to enter the area of the live ammunition exercises, Xinhua said. Between March 12 and 15, the entrance to the Taiwan Strait could prove to be severely disrupted because of the coinciding military exercises.

According to a foreign expert here, only a corridor of some 20 nautical miles will remain open. The communists are determined to keep up their pressure on Taiwan until the elections and hope its show of military force will quash any proindependence feelings.

Taiwan used some of its harshest lan-

guage yet against China today as the government-run television said China had fired another missile into a target zone off the island.

"I wish to again sternly voice protest to and censure the mainland authorities, and demand that they immediately cease and desist all military activities affecting the stability of the Taiwan Strait," Taiwanese Premier Lien Chan said.

"These dangerous and irresponsible actions by Beijing constitute not only the gravest intimidation of and an open provocation to the government and people" here, "but also the most irrational of gestures against peace-loving and democratic countries in the world," he said.

Taiwan's Defence Minister Chiang Chung-ling has said that Taiwan would strike back if any of the Chinese missiles hit Taiwan's territory.

Meanwhile, Taiwanese troops on the front line island of Kinmen held artillery practice, while civilian representatives on the island were called to a meeting today to attend a war drill.

Since last July, China People's Liberation Army has stepped up its military manoeuvres opposite the island, and yesterday, Chinese President and Chief of Staff Jiang Zemin called for a constant "struggle" for reunification.

"Our struggle (for reunification) will not stop for a single day so long as Taiwan authorities do not cease their activities to split the motherland," Jiang was quoted as saying in a meeting with Shanghai deputies to the annual National People's Congress (NPC) session here.

China said today that Taiwan risked suffering an extremely "serious disaster"

- including the destruction of its economy
- if it splits from the mainland. The message was carried in rare editorial comments run simultaneously in the Chinese Communist Party's *People's Daily* and the Liberation Daily, run by the People's Liberation Army.

Meanwhile, a newspaper reported today that Taiwan has opened a missile base ahead of schedule on an island facing China.

The *United Daily News* said the base on the Pescadorees went into service one month ahead of schedule, equipped with the Sky Bow II, which is said to have better propulsion and targeting systems than its predecessor, Sky Bow I.

But counterbalancing the picture of gloom and jitters, official figures showed a 9 percent growth in Taiwanese investment in China in January and February, and a 15-percent increase in foreign investment in Taiwan, suggesting tensions have not dampened China-Taiwan economic opportunities.

The two sides' multibillion-dollar trade is a major reason why analysts believe both are anxious to avoid a war. **Taiwanese journalists to be expelled:** Two Taiwanese journalists are to be expelled from China tomorrow after being caught "illegally videotaping military targets," Xinhua said today.

The two are to be expelled from China tomorrow, Xinhua said, adding that evidence against the journalists had been collected "on the spot"

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China to stage exercises after missile *drift*

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TAIPEI (AFP) — China will stage all-forces exercises after completing its upcoming missile drill off Taiwan, military chief here said Wednesday, as Beijing fired a verbal broadside at Taiwanese leader Lee Teng-hui.

Taiwan's deputy chief of general staff, General Tang Fei, said full air, sea and land maneuvers would be staged on the coast of Fujian, the southern Chinese province opposite the nationalist island, after the week-long missile exercise scheduled to start this Friday.

Taiwan had already detected mobilization of Chinese troops to the coastal areas and deployment of warplanes from northern China, he said. (See page 5) Tang, who briefed Premier Lien Chan on Tuesday, predicted China would continue its military harassment of Taiwan right up to the island's first direct presidential elections on March 23.

He also said that in the coming drill, China would use 500-kilograms conventional warheads on M-9 missiles, scheduled to be fired into two splash zones sited between 48 and 96 kilometers from ports on Taiwan's northernmost and southernmost tip.

The impact areas are closer to Taiwan than China's two previous missile firing exercises, held in July and August, which aimed at warning the island — politically separated from the mainland since the end of the civil war in 1949 —

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against declaring independence.

In Hong Kong, the China-backed *Wen-Wei Po* daily quoted military analysts in Beijing as saying China was likely to widen the splashdown areas in future exercises with the aim of completely blockading the island.

In Beijing, meanwhile, the Communist Party's mouthpiece, the *People's Daily*, renewed verbal attacks on President Lee, a figure reviled by the mainland for what it suspects is his covert drive to declare independence.

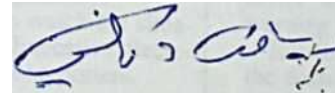
"Whatever he says, he (Lee) will never change. His policy is the same — one side is honey-coated, the other is as sharp as a knife," it said.

"Lee Teng-hui does not speak about one China, nor about reunification, but about Taiwan and the mainland as if they were two equal political entities," the paper said.

"He has said more than a hundred times that he is not for independence, but more and more people see through his game. His lies are useless."

Chinese Premier Li Peng Tuesday told the opening session of the National People's Congress, or parliament, that China would not rule out the use of force in dealing with Taiwan.

China has considered the island a renegade province since it drove nationalist forces to Taiwan more than 46 years ago.



Chinese missile tests rattl'

Taiwan, US calls it reckless

TAIPEI (Agencies) — China fired three missiles into the sea off Taiwan on Friday and warned of “real disaster” if the island declared independence, sending Taiwanese scrambling to withdraw dollars and drawing international condemnation.

China declined to confirm the M-9 guided missiles had been test-fired, but Taiwan’s defense ministry said the three had landed in two sea “boxes”, one 20 nautical miles off the northeastern port of Keelung and the other 30 nautical miles off southwestern Kaohsiung port.

Chinese President Jiang Zemin said China would not halt its struggle against an independent Taiwan, a day after the foreign ministry said the tests were aimed at cowering the island’s pretensions to international recognition.

International condemnation was swift. The United States branded the tests as “provocative and reckless” and other countries said they could threaten Asian stability.

US state department spokesman Nicholas Burns repeated a warning of unspecified “consequences” if the missiles went astray. “There is shipping of all kinds... in the area (and) people in the area,” he said.

Japan said it had sent a large patrol boat to the area to secure the safety of maritime navigation, stationing the vessel about 50 km north of its southernmost island.

Jiang underlined China’s determination not to abandon the threat of force to recover the island it has viewed as a rebel province since the end of China’s civil war in 1949.

“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,” Jiang told deputies to the National People’s Congress, or parliament.

Chinese Foreign Minister Qian Qichen earlier told the people of Taiwan not to panic over the test but warned of a “real disaster” if they supported independence.

China has said the tests, Beijing’s

most aggressive act toward Taiwan in decades and timed just before the island’s first direct presidential elections on March 23, would end on March 15.

Taiwan’s defense minister said the island would fight back if an attack violated its 12-nautical-mile territorial waters.

“We will take countermeasures according to the situation at the time,” Defense Minister Chiang Chung-ling said.

Taiwan people blocked to stock rice and to protect their savings by buying

Manila worried

MANILA (AFP) — Philippine Foreign Secretary Domingo Siason expressed concern Friday that a misfire by the Chinese during their current missile tests could hit part of the Philippines.

He said an error in the missiles’ trajectory could directly hit the northernmost Philippine island of Batanes, which is 190 kilometers (117.8 miles) south of Taiwan.

“We hope that there’s no miscalculation,” Scverino said.

Also Friday President Fidel Ramos’ chief aide said Manila was monitoring Beijing’s missile-firing exercise in the Taiwan Strait “very closely,” but hoped Taiwan and China would resort to diplomacy.

“We really have to watch the situation very closely,” Executive Secretary Ruben Torres told reporters.

US dollars.

Most banks in Taipei ran out of dollar banknotes, prompting at least one US bank to charter a plane to deliver more.

Police in Keelung drew up plans on Friday for a “wartime command system” that would regulate food rationing and organize volunteers into medical, goods and engineering teams. If the remote possibility of war materialized.

China’s missile tests were reckless” and could only be viewed as an act of coercion, US Defense Secretary William Perry said.

Secretary of State Warren Christopher also launched into a sharp attack on the tests.

Perry said he conveyed his message Thursday night to a Chinese delegation led by China’s Vice Foreign Minister Liu Huaqiu.

“I told the Chinese delegation I thought these missile tests were reckless,” he told reporters in Washington adding that they “could only be viewed as an act of coercion.”

Perry noted that the aircraft carrier *Independence*, a guided missile cruiser and a guided missile destroyer were within a few hundred miles of the missile tests.

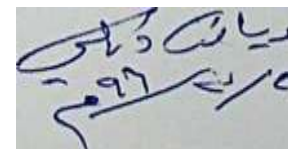
The guided missile cruiser *Bunker Hill* was close enough to observe the missile tests, which also were monitored by US aircraft, the defense secretary said. The cruiser was in waters south of Taiwan, a Pentagon spokesman said.

Perry said he warned the Chinese that if a missile malfunctioned, parts could land in populated areas.

Christopher told reporters “The missile firings have been irresponsible and unwisely provocative. We feel these tests involve a risk that should not be taken.”

There had been speculation that the United States might send the *Independence* through the Strait of Taiwan as a warning message to Beijing.

But the aircraft carrier and its escort, the destroyer *O’Brien*, were in the western Pacific Friday, sailing away from Taiwan; Pentagon spokesman Steve Manuel said. “It’s closer to Okinawa than it is to Taiwan,” he said.



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More provinces in China had more investments in Hong Kong than anywhere in the mainland because of the territory's ability to command a "degree of trust from these provinces that other cities in

It said the answer to the question hinged on whether China would be able to sustain its own economic momentum and how Beijing is able to "renegotiate a power-sharing arrangement with the provinces."

More provinces in China had more investments in Hong Kong than anywhere in the mainland because of the territory's ability to command a "degree of trust from these provinces that other cities in

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Political risks dog
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Economic reforms hit China's retirees hard

By TIFFANY BOWN

ECONOMIC reforms and social changes over the past decade have not been kind to China's elderly, with more and more retirees finding themselves forced back into the workplace to make ends meet. "Before the economic reforms, old people were cared for much better," as part of a cradle-to-grave welfare system, under which state units continued to cover workers' housing, medical and other living expenses after retirement, said Zhang Kaiti of the China Research Center on Ageing (CREA).

However, said Zhang, under market-oriented reforms, caring for the country's 30 million urban retirees has become a massive burden for loss-making state firms, with many elderly finding their benefits cut or at least failing to increase despite high inflation in recent years.

"Old people are becoming poorer and poorer compared to the rest of society," said Zhang, noting that average Beijing pensions had stagnated at around 300 yuan (\$36) per month for years.

With ageing workers among the first to be sent home on minimum or no pay as the number of lay offs from inefficient state enterprises, government departments and educational institutions

increases, many individuals are finding themselves china's massive population is with no support at all in their old age. **ageing faster than any other coun-**

was "a disaster in history, due to a draconian **tirement with no pension family planning policy restricting**

years of service is a urban families to just one child **and controlling the number permitted to rural couples and a doubling of life expectancy since 1949 to 70 years old.**

ation in China is very complicated," said Chen. friends were in a similar predicament.

Anger among pensioners over their worsening lot has led to growing number of reports of demonstrations, while CREA researcher Tong Zeng said recently that many elderly were expected to come to Beijing to stage protests during the annual National People's Congress session that begins Tuesday.

Chen, however, said becoming agitated over the situation was futile - likely to simply hurt his health while having little practical effect.

"If they don't want to give you your pension, you're not going to get it. What's the point in complaining, that's just the way China is," he said, alleging

that many corrupt officials put the allocated funds into their own pockets.

Rather than complaining, Chen solved his predicament by "jumping into the sea" - or going into business - by pooling the savings of several family members to open a small kitchenware shop.

The capital required for investment puts such an option beyond the means of most Chinese elderly, with many instead accepting pitiful wages to do simple jobs like working as car-park attendants, office gatemen or lavatory attendants to supplement their pension.

CREA's Zhang said the proportion of retirees finding reemployment had in-

creased from about 10 percent in the mid-1980s to 30 percent now, adding that the level was continuing to rise.

While the government is running pilot projects aimed at creating a more effective pension system based on western models under which employees pay monthly contributions, demographic factors are likely to ensure the China's problems in caring for its pensioners will only become worse.

China's massive population is ageing faster than any other country in history, due to a draconian family planning policy restricting urban families to just one child and controlling the number permitted to rural couples and a doubling of life expectancy since 1949 to 70 years old.

The China National Committee on Ageing forecasts that the number of Chinese over the age of 60 will increase from 103 million, or nine percent of the population, in 1992 to 280 million, or nearly 20 percent, by 2025.

Many will have to fend for themselves as the demographic shift creates fewer children per family to look after elderly parents and social changes brought about by economic reforms weaken traditional concepts of "filial piety" and leave many youngsters with little intention of taking on the burden. - (AFP)^

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Chinese exercise

CHINA's announcement that it would continue to conduct naval and air exercises off the coast of Taiwan from March 12 to 20 is made to look as something that is much more than mere military manoeuvres. The Chinese military exercise, said to be using live missile warheads, threatens to cut off the shipping lanes in the Taiwan Strait and carries a message for Taipei: it should not think of keeping Taiwan's independence.

China considers Taiwan as a renegade province which should come back into the fold of mainland China. The economically prosperous island of Taiwan has shown no desire to go back to China, which it left in 1949 following a communist victory in the rest of China, unless Beijing gets back to democracy and freedom. In spite of the strong signal China is sending to Taiwan through the powerful military exercise, Taiwan leaders and members of the public who have been interviewed by the international media have all expressed their doubts that China would invade Taiwan to take it back. That might be a wishful thinking, but the United States has declared that it would defend Taiwan militarily if and when China invades it.

President Bill Clinton's administration is under pressure to take strong economic measures against China for several reasons. American critics of China say that China's human rights record hasn't improved and that it has been pirating "intellectual properties". The Republican majority is training its rhetorical guns at Clinton by condemning his policy towards Beijing, which aims at developing fruitful relations with China through dialogue rather than confrontation. This policy is sound, but the question is whether China is responding quickly enough to save Clinton from the pressure of the Republican majority Congress? In this election year, Clinton does not need any kind of confrontation with China, a nuclear power, whose importance in the world has grown tremendously in recent times. It would have been better for both the US and China to avoid areas of confrontation, such as a threat to Taiwan.

Big powers sometimes drift into confrontation through a "creeper process". Differences arise over small matters that could be solved without fanfare, but one power or the other may take actions that lead to real confrontation. The Chinese military exercise off Taiwan may be just a "warning" to Taiwan against declaring independence. But Taiwan is not just a rebel province; its distinct political existence underlines an ideological contrast and the changes brought about by Beijing under Deng Xiaoping justify Taipei's position and its hope that the discrepancy can be corrected through positive action. Beijing's moves are purely political. Coming as they do during an election year in the US, they are aimed at swaying American presidential candidates and parties which are desperately looking for issues to win over the electorate.

The typical Republican attitude has been expressed by Rep Dan Burton who said this week: "We as a nation have winked at Tiananmen Square when protesters were grounded up by Chinese tanks like dogmeat. We winked when their trade went up at the expense of slave labour. We can do this no longer"; it is doubtful that the Republican Congressmen care much about alleged human rights abuses in China. It is more likely that they want to push Clinton into actions that a Republican president wouldn't have been asked to initiate. China is not a small nation that can be made to knuckle under pressure from other big powers. Relations with China would have to be through negotiations rather than bullying. Therefore, Chinese military exercise off the coast of Taiwan is unlikely to trigger off serious confrontation between the US and China. Political analysts have reached a consensus that China would not invade Taiwan to bring it back in its fold. Since this is the common opinion, one sees little sense in demands that the Republican Party and its candidates are making on the American administration. Confrontation would not be in the interest of anyone, since such a development would create more problems than it hopes to solve. It is better that wisdom should prevail in Washington and Beijing. A toning down of rhetoric can help cool tension.

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China re-examines Deng's ideas

By OLAF JA11N

AFTER Mao Zedong's death in 1976 it was five years before his ideology was consigned to history once and for all, swept aside by the momentum of economic reforms.

IN His great successor, Deng Xiaoping, rightly regarded as China's "renewer," has been through the same experience in his own lifetime — regardless of whether he may already have died and political leaders in Beijing are keeping his death a secret for reasons of power politics.

His reforms as a whole are not due for demolition, but the core features of Deng's policy are coming increasingly under attack from conservative circles in the Chinese Communist Party.

Party theoreticians from the highest echelons of the Chinese leadership are saying with remarkable frankness by Chinese standards that Deng made serious mistakes.

His rigorous policy of opening China to outside influence, his wooing of foreign investors, his emphasis on the economy as the key sector of development and his support for the idea that some should be allowed to get rich faster than others, were a thorn in the flesh for some sections of the party from the outset.

Yet their criticism has only been heard, voiced with increasing volume, since the beginning of 1994. It coincided with the steadily worsening state of Deng's health — and with the increasingly detrimental side-effects of his reform policies.

Even head of state and party leader Jiang Zemin, handpicked by Deng as the nucleus of a future leadership, made a conservative move in February 1994. Where Deng had clearly banked on the private sector and envisaged privatisation of state corporations, Jiang expressly emphasized their importance and promised the "broad masses of working people" such assistance as might be needed.

The basis of the socialist system — public ownership of the means of production — must be upheld, he said, and attacks on advocates of economic liberalization have since gained in number and momentum.



DENG: Under pressure

"In the past," claim the authors of a new paper penned by left-wing ideologists, "we have introduced a course of greater freedom in the economic sector while prescribing a straitjacket for politics. Priority must now once more be given to ideological debate rather than to 'economic reconstruction.'"

What worries them about Deng's concept is "the experience since 1992 that his policy leads to the party losing control." As they see it that also applies to the dispute with the West. "Infiltration by alien, hostile forces" must be prevented.

Above all, resistance must be offered to "peaceful evolution," which is seen as a weapon of Western capitalism.

In the final analysis conservative critics may not be aiming

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"In the past," claim the authors of a new paper penned by left-wing ideologists, "we have introduced a course of greater freedom in the economic sector while prescribing a straitjacket for politics. Priority must now once more be given to ideological debate rather than to 'economic reconstruction/'

to scrap the new economic policy, but they do want to modify it, to slow it down and to make it easier to bear.

Hug Angang, a leading member of the Chinese Academy of Sciences and advisor to Jiang and to Vice-Premier Zhu Rongji, recently gave a pointer to the prevailing thinking.

"Deng says development is the only way," he said. "But that does not mean that high-speed development is the only way." The party must also concern itself "with issues such as fairness, social stability and environmental protection."

These attacks on the Deng line reflect fear that too much might be expected of the Chinese people, overburdened by the transition, the fear of losing control and, with it, power.

Jiang Zemin too is canvassing support among the millions of dissatisfied Chinese who have so far derived little if any benefit from the reforms.

Where Deng stressed that he felt it was alright for some to get rich quick, Jiang sings the praises of the 140 million working people he sees as the "masters" of the nation and of China's factories.

He also advocates a departure from Deng's opening to external influence and is more in favor of protection for domestic markets.

Deng's ideas are on the retreat in the intellectual sector too. Whereas his supporters were guided by Adam Smith and Milton Friedman, the conservatives favor domestic models. "Patriotism, socialism and collectivism" are its holy trinity.

Confucius is honored once more, as is the legendary emperor Da Yu, the most successful conqueror of overflowing rivers in Chinese history. Jiang has called for a new "intellectual civilization" and a departure from bourgeois liberalism.

In an arch-conservative speech he has just called for a ban on "cultural garbage which is poisoning people and the social atmosphere." And in unmistakable criticism of the Deng line he said: "We cannot sacrifice our ideology and culture for short-term economic gain."

Jiang, unlike Deng, advocates the reimposition of strict censorship. "The media must remain firmly in the hands of the party and advocate its line," he said.

This movement against the patriarch has also taken the form of attacks on his keynote projects. Shougang, the showpiece company backed by Deng as a model of reform, is now officially cited as evidence of his shortcomings.

Managers of the company who were appointed by Deng have been accused of corruption and replaced. Only then is the company said to have become successful. "They have changed their attitude. Instead of trying to be unique and to evade state control they are now toeing the party line."

At the same time the many Deng supporters who hold high-ranking positions in the economic and political sectors are coming under growing pressure. Groups within the Chinese Communist Party are already calling for drastic cuts in their political influence.

It is clear that the wheel of Chinese development has been turned back even before Deng's death. It remains only to be seen how far and for how long. — (Die Welt/CNNS)



China regrets unwise¹ US \$10b credit freeze

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BEIJING (R) - Beijing said on Thursday it regretted a US decision to trade is calculated. Beijing, which does hold up \$10 billion in loans to China not The US Export-Import Bank agreed to a temporary suspension of work on the loans at the request of Secretary of State Warren Christopher, Bank spokesman Harry Phillips said in Washington.

Shen said discussions, not sanctions, were the best way to tackle the deficit and other bilateral disputes.

Washington has been trying to find a way to avoid a damaging new confrontation with Beijing over evidence that Chinese state firms are helping Pakistan's nuclear program.

Christopher sought the suspension to give time to investigate allegations that Beijing had transferred nuclear technology to Pakistan in violation of its nonproliferation pledges.

US intelligence has claimed that China shipped specialized magnets to a Pakistani laboratory in late 1995 for use in equipment that enriches uranium, a key ingredient in nuclear weapons.

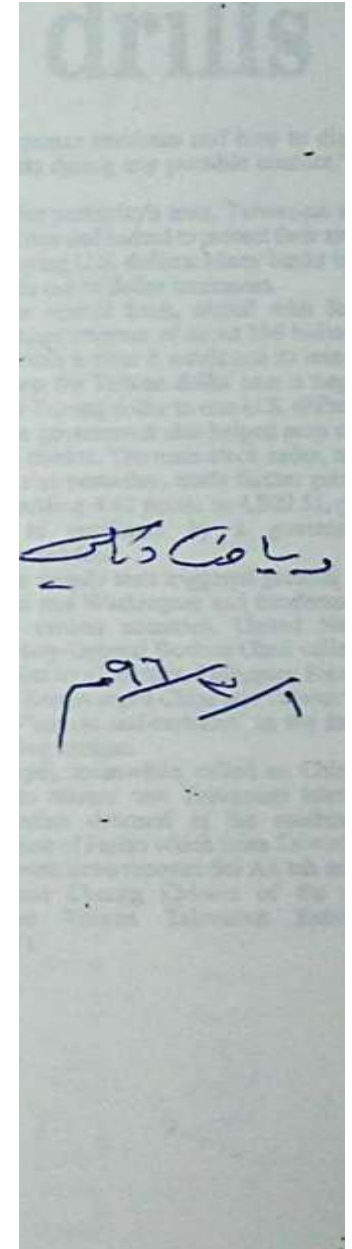
Chinese foreign ministry spokesman Shen Guofang said the credit freeze would backfire on the United States.

"We regret that move and believe it is unwise," Shen told a regular briefing. "This will not benefit the development, of Sino-US trade, further add to the US trade deficit and weaken the competitiveness of US businesses."

Shen attributed China's surplus with the United States to continuing US trade

Pakistan denies the charge. China has acknowledged it has nuclear cooperation with Islamabad but maintains it is entirely peaceful.

Some US officials have been pushing' for sanctions, which would be required by US law if such a transfer were proven.





A group of Taiwanese-Americans protest outside the Chinese Embassy in Washington on Friday.

China tightens grip around Taiwan with more drills

TAIPEI, March 9 (R) — China announced more military exercises today but Taiwan's President Lee Teng-hui was adamant that the show of force close to his country's shores would not succeed in strangling democracy on the island.

China said it would conduct naval and air force live-fire war games in the 220-km (137-mile) Taiwan Strait and warned ships and planes away from a large area.

The exercise, to run from Tuesday until three days before Taiwan's first direct presidential election on March 23, reinforces continuing missile tests off Taiwan.

The maneuvers, according to the official Xinhua news agency, will coincide with the ongoing missile exercises that started yesterday and run until March 15. China has already fired as many as four M-9 surface-to-surface missiles armed with dummy warheads into the waters off northern and southern Taiwan, near the economically vital ports of Keelung and Kaohsiung.

China says the war games are designed to warn the island it regards as its own province away from espousing independence, but President Lee says China is scared of the threat Taiwan's democracy poses to its Communist system.

"I want to emphasize that force and threats will not obstruct our pursuit of democracy, freedom and dignity," President Lee said in a televised address. "The aim of

Communist China's exercises is to interfere with the elections and to reduce the votes of the (incumbent) president," added Lee, who is the front-runner for the polls.

Already nervous from three missiles China test-fired into waters perilously close to Taiwan yesterday, Taiwanese began organizing civil defenses in the unlikely event of a war.

Taipei's city government announced it was forming a disaster center to ensure the operations of the presidential office, the cabinet, parliament and other key offices during any hostilities.

"Mayor Chen (Shui-bian) ordered the formation of the center in response to China's disturbing missile tests, symbolizing the island's thorough preparation," local radios reported.

In Kinmen, one of the world's most heavily fortified islands lying just two km (1.2 miles) from China, local officials gathered for a briefing on civil defense procedures. "The most important point of this was to tell people not to panic and how to protect themselves if war breaks out," Kinmen county spokesman Yen An-wei said by telephone.

More than 150 Kinmen government officials and local community leaders gathered for a review of emergency procedures, although the possibility of an attack is viewed as remote.

"When they go home they will know how

to organize residents and how to disperse tourists during any possible conflict," Yen said.

After yesterday's tests, Taiwanese stockpiled rice and rushed to protect their savings by buying U.S. dollars. Many banks in Taipei ran out of dollar banknotes.

The central bank, armed with foreign exchange reserves of about \$89 billion, today made it clear it would use its resources to keep the Taiwan dollar near a target of 27.50 Taiwan dollar to one U.S. dollar.

The government also helped prop up the stock market. The main stock index, after a solid rise yesterday, made further gains today, adding 4.42 points to 4,809.51, partly due to purchases by a government-sponsored fund.

The missile tests triggered protests from Taipei and Washington and condemnation from various countries. United Nations Secretary-General Boutros Ghali called for restraint by all parties. Philippine President Fidel Ramos urged China and Taiwan to act with "utmost self-restraint" in the face of growing tension.

Taipei, meanwhile, called on China today to release two Taiwanese television journalists detained in the southeastern province of Fujian which faces Taiwan. Two were news reporter Sui An-teh and Emma Chan Chi-wei of the state-funded Taiwan Television Enterprise (TTV).

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Asian nations watch impact of Chinese missile drill v^

UNDATED. (AFP) - Asian countries anxiously monitored the standoff in the Taiwan Strait on Wednesday after the United States warned China over its plans to stage missile drills just off Taiwan.

"We are concerned by this tension in the Taiwan Strait," said a spokesman for the Japanese foreign ministry. "The situation is not a good one."

The South Korean foreign ministry said: "We're watching the developments with growing concern."

In Japan, Prime Minister Ryutaro Hashimoto ordered a study of the exercises' impact on shipping in the region, one day after China warned ships and planes to avoid the two missile splashdown zones off Taiwan's coast during the March 8-15 exercises.

In Manila, Philippines Foreign Undersecretary Rodolfo Severino said "any tension in the Taiwan Strait will be a matter of concern" and another source said the government was worried for the estimated 50,000 Filipinos working in

Taiwan.

But analysts who asked not to be named said that Severino's statement reflects the Foreign Department's belief that the latest chapter in the China-Taiwan dispute was merely Chinese "posturing" or "saber-rattling" to intimidate Taiwan before the March 23 Taiwan presidential election.

At his weekly news conference, Ramos commented on a dialogue to be held with China concerning territorial limits in the South China Sea to be discussed next week but made no mention of the China-Taiwan tension.

Beijing has said it will invade if the nationalist island formally splits from the mainland, and claims Taiwanese President Lee Teng-hui, who is standing for re-election, supports independence.

Elsewhere, the United States criticized the exercises while France expressed concern. US Defense Secretary William Perry called the drill a "very bad mistake."

China's ambassador to the United States Li Daowu was called in to the

State Department on Tuesday where he was told of US concerns, an official said.

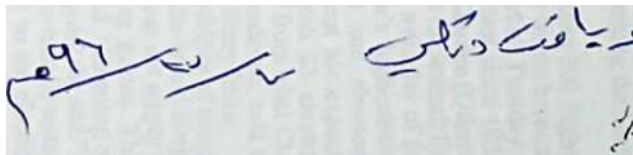
US outrage was at its strongest on Capitol Hill where Republican leaders introduced a non-binding resolution calling on the United States to defend Taiwan in the event of an invasion.

But the United States reiterated its view that Taiwan was not under any threat of an immediate invasion from mainland China and called on the two sides to resolve their differences peacefully.

"We believe that they (the tests) really are motivated by political concerns, and we don't believe they presage any header military effort or action," said State Department spokesman Nick Burns.

Some analysts warned the move could backfire against China.

"China will make the entire world its enemy if it resorts to military adventure," said Mineo Nakajima, president of Tokyo University of Foreign Studies in *(the Japan Times)*.



Handwritten text in Urdu script, possibly a signature or note. The text is written in blue ink on a light-colored background. It appears to be a name or a short phrase, but the specific meaning is not clear from the image.

KtJ.S. aircraft carrier to move closer

war readiness

WASHINGTON, March 10 (Agencies) — The U.S. aircraft carrier Independence and its escort vessels "will be moved somewhat closer to Taiwan in future days," U.S. Secretary of State Warren Christopher said today.

The United States wants to "make sure that that carrier battle group, those forces, are in a position to be helpful if they need to be," Christopher said.

Chinese authorities must know they will face "really grave consequences if they try to resolve that problem by force," he said in an NBC television interview, referring to Taiwan.

"We have made that very clear to them because we don't want any miscalculation on their part," Christopher said, referring to talks Thursday and Friday in Washington with Chinese Vice-Foreign Minister Liu Huaqiu. He did not specify what action Washington would take.

Taiwan's troops stepped up their war readiness today amid mounting apprehension of a possible attack. Exercises along China's south coast will cut off Taiwan's supplies to Kinmen (Quemoy) and Matsu, two Taiwan-held islets off Fujian. Rumors have been circulating in Taiwan that China plans to capture the two islets before blockading Taiwan to force Taipei to accept unification.

The three million-strong People's Liberation Army (PLA) could attack one of several islands held by the Nationalists, who have ruled Taiwan since it split from China in 1949, said the sources, who spoke on condition of anonymity.

Taiwan's President Lee Teng-hui was defiant on the campaign trail, urging people to "find confidence despite a storm" after China announced more threatening military

exercises blocking off part of the southern end of the straits separating the island from the mainland.

Taiwan said more than 300 flights a day will have to alter their routes because of the war games due to start on Tuesday.

The crisis is the worst since 1958 when the Chinese shelled Kinmen (Quemoy) and the United States sent its Seventh Fleet into the Taiwan Straits in a display of force.

The goal of China's high-pressure tactics against Taiwan and election frontrunner Lee was to cut his expected poll majority in the March 23 elections and force him to back off from what China sees as a drive for independence, said the Chinese sources with military links.

They said the possibility of tougher military action against the island Beijing sees as a rebel province was not empty talk.

"We're not playing games. This is for real," one source said. "Ongoing exercises are just the beginning not the end." Chinese officials have said the missile tests and war games in the run-up to the election are to force Taiwan's rulers to adhere to Taipei's pledge to reunify with China.

Taiwan so far has remained defiant, asserting that neither its democratic system nor its international transport links would buckle under Beijing's pressure.

"The 21 million people in Taiwan should find confidence despite a storm, and with dignity choose the first democratically elected president in the 5,000 years of Chinese history," said Lee, who does not advocate independence.

Taipei's top policymaking body toward Beijing said high-level talks between the two sides could not resume as long as China insisted on military threats to intimidate Taiwan.

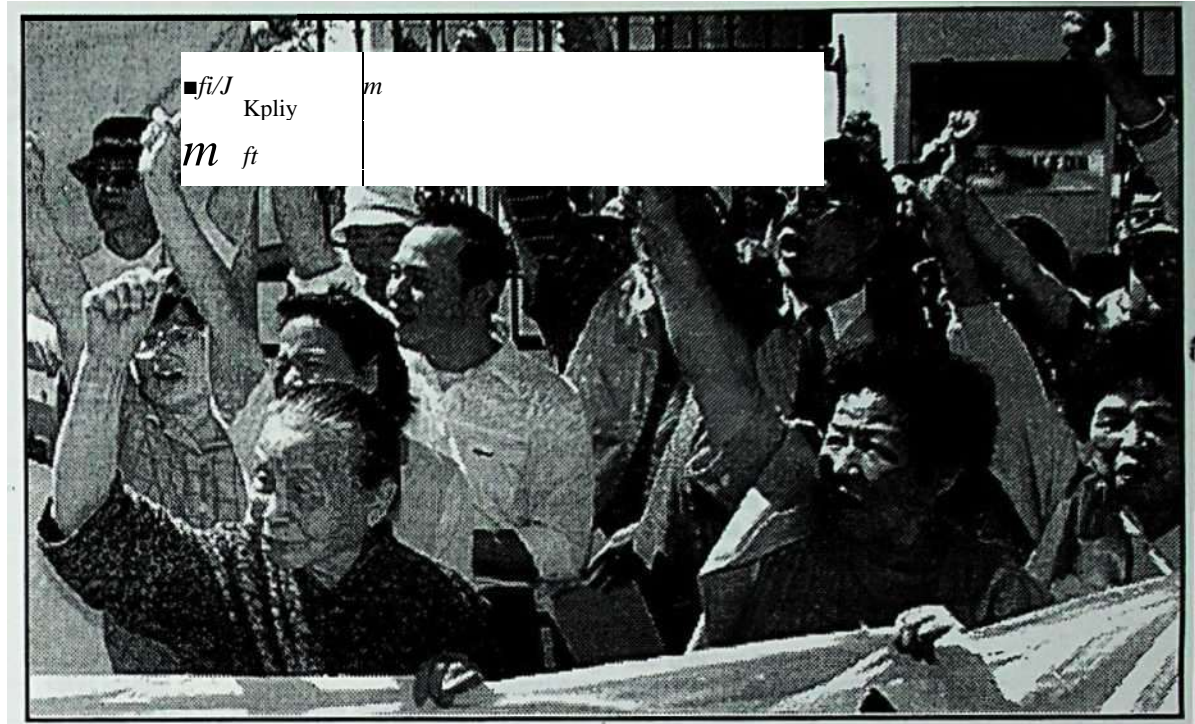
Jiang urges 'struggle' for reunification

BEIJING, March 8 (AFP) — Chinese President Jiang Zemin called today for a constant "struggle" for reunification in the face of Taiwanese pro-independence activities, as Beijing began missile tests in waters just off the island. "Our struggle (for reunification) will not stop for a single day so long as Taiwan authorities do not cease their activities to split the motherland," Jiang was quoted as saying in a meeting with Shanghai deputies to the annual National People's Congress (NPC) session here.

Jiang defended China's missile testing program in the South China Sea near Taiwan's northeastern and southwestern coast, saying they were "normal military exercises aimed at improving China's military capability of safeguarding national security and unity." The Taiwanese Defense Ministry has said three surface-to-surface M-9 missiles launched this morning landed in splash zones just off the island. The tests, the fourth since relations between the longtime rivals plunged in June and the closest- ever to the island, are to last until March 15, according to the Chinese authorities.

Taiwanese sources have said Chinese naval and ground force maneuvers will then be held along the mainland coast directly opposite Taiwan, where some 150,000 troops are already massed. The exercises have been interpreted as an attempt to intimidate Taiwan ahead of the island's first direct presidential elections on March 23. President Lee Teng-hui, regarded by Beijing as a pro-independence activist, is widely expected to be reelected in the polls.

Jiang, who is also chairman of the Central Military Commission, said Beijing would never allow any force to change Taiwan's status as "an unalienable part of China" in any way. "During a recent period



Taiwanese immigrants in New Zealand protest missile tests outside the Chinese Embassy in Auckland on Friday.

of time, new complexities have emerged in relations across the Taiwan Straits and they have aroused great concern among people of the whole nation," said the president.

He was referring to the downturn in ties following a June visit by Lee to the United States, which Beijing says was part of a pro-independence campaign waged under the guise of expanding the island's international contacts.

Earlier today, Foreign Minister Qian Qichen said the people of Taiwan "don't have to panic" over the military exercises. "What they should really worry about is that the 'independence' seekers, with support from some international forces bent on splitting China, continue on their wrong path," he

said, warning that "that will be a real disaster." Qian, meeting with Taiwan NPC deputies; said Beijing sought peaceful reunification with the island and that its refusal to renounce the threat of force was directed against these forces.

"Only by taking resolute and uncompromising measures against them can we prevent the separatist forces from developing and clear the obstacles for reunification," he said. The Communist Party mouthpiece, the People's Daily, today published the latest in a series of virulent Xinhua attacks on Lee, accusing him of being in cahoots with pro-independence presidential candidate, Peng Ming-min of the Democratic Progressive Party.

March 9 - 1996

Arab News

10% slip of Taiwan's reserves in war of nerves

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By James Kyngse
Taipei

CHINA may have bigger missiles but Taiwan proved last week that it can deploy a formidable weapon of its own — money. The current war of nerves across the Taiwan Strait is being fought mainly on an economic front and so far this island's defense of its financial citadel has proven largely successful, commentators said.

But as China turns up the heat, announcing on Saturday new military exercises in the Taiwan Strait, it remains to be seen whether Taipei's fortifications can hold up in the long run.

"With the Chinese communists holding intimidating missile tests in the north and south of the island...It is the financial realm which is the first link to bear the brunt," said the mass-circulation United Daily News in an editorial.

The main weapon in Taiwan's financial armory is \$89 billion in foreign currency reserves, the second largest stash in the world after Japan. Nailing his colors to the mast last week, central bank Governor Sheu Yuan-dong

vowed that the bank would keep the Taiwan dollar at 27.5 or stronger against one American dollar no matter what China did.

It proved a tough assignment. People all over the island, fearing that escalating tensions could lead to a bank account freeze, swapped their savings into American dollars seeking a safe haven.

The run was so serious that most banks in Taipei had run out of American dollar bank notes by Friday, but never once did the Taiwan dollar rate dip below 27.5. Dealers estimated the cost of defending the local unit was as much as \$2 billion.

"We can see that the central bank has made a decision to use the near \$90 billion in foreign currency reserves as a shield," commented the Economic Daily News in an editorial. China has said that its current missile tests in two sea areas near Taiwan are aimed at warning the island, which it regards as a Chinese province, against seeking independence. It plans war games from Tuesday until March 20 in the Taiwan Strait.

Taipei denies it wants to become independent but Beijing does not believe

this. China has hinted strongly that it does not want voters to endorse Presidential elections and it is trying to drive this point home by hitting the island's economy, analysts said.

"One of the main aims of the war games is to try to hit the economy and thereby sway voters," said Andrew Yang, secretary-general of the Chinese Council of Advanced Policy Studies.

Anxious not to lose votes, Taipei's government is prepared to go to great lengths to insulate financial markets from instability, analysts said. But it is an open question as to how much of the island's foreign exchange mountain — the proud symbol of an economic wonder — the government would be willing to sacrifice to keep exchange rates stable.

Since relations with China started to worsen in June last year, Taiwan's reserves have fallen from a record \$104 billion.

Those of rival China, meanwhile, rose \$22 billion last year to end 1995 at \$73.66 billion and are still climbing.

It is not only the central bank which is having to make sacrifices. Govern-

ment-related companies also had to bleed money last week in another successful operation to prop up the local stock market. The index closed at 4,809 points, only slightly down from the 4,855 where it began a week in which China unveiled and executed its most bellicose act toward China in decades.

Most brokers attributed the stability of share prices partially to a government-sponsored fund of Taiwan dollar 200 billion (\$7.2 billion) established by pension and insurance funds, banks and other major firms. The government has asked fund participants, on a voluntary basis, to buy in a falling market and keep selling to a minimum.

Although the mechanism relies on moral persuasion by the government, it appears to work because many of the participants are affiliated with the ruling Nationalist Party or are eager to gain favor in the government's eyes, analysts said.

"You rely on good favor with the government so much in Taiwan that it is best to do what they want," said one executive at an insurance company participating in the fund. (R)

^China defends rights record

BEIJING, March 10 (R) — China today issued a document hailing its human rights record, saying it outpaced the United States in terms of equality of distribution and guaranteeing fundamental freedoms. “The U.S. is not qualified at all to feed its own arrogance and make indiscreet remarks or criticisms against China,” the official Xinhua news agency said.

“It is a basic fact that China has been doing much better than the U.S. in terms of equally enjoying and universally guaranteeing basic human rights and freedom,” it said. “The U.S...should make greater efforts to improve its domestic human rights conditions,” Xinhua said.

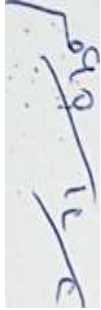
The U.S. State Department last week accused China of persistent and widespread human rights abuses and said it would again

cosponsor a resolution criticizing these practices at the upcoming United Nations Commission on Human Rights in Geneva.

Xinhua blasted the State Department report, saying it “once again spread rumors about, distorted and attacked” China’s human rights record, but made no mention of the serious human rights problems in the United States. “Discrimination against ethnic groups remains the darkest abyss in the U.S. society,” it said, noting that 97 percent of senior management personnel in big firms were white males.

It said half the U.S. population was illiterate while boasting that China had reduced its number of illiterates and semiilliterates aged below 15 to 12.01 percent of its 1.2 billion population, ■down from 80 percent in 1949.





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China's market-oriented reforms worry analysts

By GENE LINN

If you liked China's impressive economic performance in 1995, self-satisfied government officials say you'll love 1996.

More than that, they say China has reached a new stage of stable, sustained growth.

Such a glowing view is not unanimous, however. Businesses, both Chinese and foreign, are struggling to make a profit. Overseas analysts are uneasy about market-oriented reforms.

The possibility of a contentious political succession looms. Early steps in the succession in 1995 led to a shift to conservative policies that may call into question Beijing's ultimate commitment to economic reforms.

Foreign relations ended a stormy year and a relatively calm note, but the danger of a flare-up is ever-present.

Still, even foreign analysts agree that authorities have ample evidence to back their rosy view.

"From an overall macro-economic viewpoint, China has had a very successful year," said Benny Chiu, research manager at Hong Kong Bank China Services Ltd.

The chief accomplishment is an approach to a soft landing from a dangerous high-flying economy in mid-1993.

China's history of boom-and-bust economic cycles since the introduction of economic reforms in 1978 seemed to indicate that Beijing could yank the economy back to earth only through drastic administrative means leading to a painful economic downturn.

The previous hard landing in 1988-89 ignited social unrest that culminated in the Tiananmen Square massacre on June 4, 1989.

But tough-minded Vice Premier Zhu Rongji instituted a strict but measured tight-credit policy in July 1993.

Progress has been halting at times, but by the end of 1995 Zhu confounded numerous foreign experts by bringing the economy to the brink of a soft landing — a gradual slowdown to a high but sustainable growth rate.

Gross domestic product growth fell from a rivalling 13.4 percent in 1993 to 1.8 percent in 1994. In 1995 it continued to fall, sinking to 8.8 percent or the third quarter.

Inflation peaked in late 1994 with stall prices soaring 21.7 percent, the

biggest jump since the People's Republic was founded in 1949. But the rate in October 1995 was 10.3 percent.

China's worrying \$12 billion foreign trade deficit in 1993 turned into a \$6.2 billion surplus in 1994 as exports surged 32 percent to \$120.8 billion. Exports continued to soar in 1995 with the state information center predicting \$155 billion in foreign sales.

Direct foreign investment has continued to expand after doubling in 1992 and 1993. The value of contracts signed reached \$33.8 billion in 1994. Not only has investment risen, but less is going into speculative property projects

are more likely now than before to make decisions on a commercial basis rather than follow government dictates. The People's Bank of China has a mandate to regulate the economy as a modern independent central bank.

Chinese authorities say success in reforms and lowering inflation pave the way for a healthy, sustainable rebound in the economy in 1996.

A "soft takeoff" will start early in 1996 on the heels of a "soft landing," Lai Guangxian, a state economics and trade commission official, told the China-funded *Wen Wei Po* newspaper of Hong Kong.

Important reforms are on tap for 1996, including partial convertibility for the renminbi and a big cut in import tariffs. The unification of corporate tax rates that threatens many enterprises will make the economy more efficient in the long run. But the question arises whether Beijing will push market reforms to their ultimate conclusion even if they threaten the Communist Party's monopoly grip on power. Such changes, including reform of state enterprises and creating independent institutions such as central bank, are crucial.

and more into factories and infrastructure.

Robust investment and exports had given China bulging foreign exchange reserves of about \$70 billion at the end of 1995. The Chinese currency, the renminbi, began to stabilize in the second half of 1993 and actually appreciated slightly in early 1993 to reach the rate of 8.3 yuan to \$1.00.

Just as notable as the economic statistics is China's success in expanding economic reforms on a broad front while implementing its austerity program.

The goal of reforms is to change a Stalinist command economy into a "social market economy" — an economy ruled by market forces but with a dominant state-owned sector.

Perhaps the biggest strides in 1995 were taken in banking. Most state banks

triggering a modest pickup. And although Chiu said market reforms have not advanced enough to permit Beijing to guide the economy indirectly, he said chances for less volatile economic cycles are good.

Earlier boom cycles were set off by "hot-headed ideas" of some central leaders, he said. "That's not likely to occur again," he said.

All talk of economic success, however, may seem hollow to hard-pressed businessmen in China.

Average profit growth was nearly zero for the first 10 months of 1995 for the more than 200 companies listed on exchanges in Shanghai, Shenzhen and Hong Kong. Losses at state enterprises ballooned 18.8 percent in the first nine months of 1995.

Sickly business performance indicates the Chinese economy is not doing as well as overall statistics say, said Joe Zhang, associate director and economist at W.I. Carr (Far East) Ltd. Analysts point to other big worries, including huge unrecoverable debts at major state banks.

Businessmen may not detect any improvement in 1996.

The government will maintain cautious control of credit. Many firms, including companies with foreign investment, are due to lose tax breaks. The cash-short central government is reducing the tax rebate it promised to exporters.

"The pressure on companies will be much greater," Chiu said.

The leaders emphasized steady economic growth and reforms in place of Chinese paramount leader Deng Xiaoping's stress on rapid growth and "crossing a major threshold every few years." And they reined in radical reformers who said privatization is needed to reform the state sector.

Important reforms are on tap for 1996, including partial convertibility for the renminbi and a big cut in import tariffs. The unification of corporate tax rates that threatens many enterprises will make the economy more efficient in the long run.

But the question arises whether Beijing will push market reforms to their ultimate conclusion even if they threaten the Communist Party's monopoly grip on power. Such changes, including reform of state enterprises and creating independent institutions such as central bank, are crucial. — (UPI)

China readies tight grip for Deng's death

By Benjamin Kang Lim
HINA'S decision to draft legislation allowing for the imposition of martial law shows it is nervous about internal security ahead of the death of aged paramount leader Deng Xiaoping, analysts said on Thursday. They said the recent jailing of a top dissident underlined similar worries.

China submitted its first draft law covering martial law to the National People's Congress, or parliament, for approval on Wednesday, the official Xinhua news agency said.

Last week, China drew international condemnation by imprisoning its best-known dissident, Wei Jingsheng, for 14 years for conspiring to subvert the government.

Wei, 45, a 1995 Nobel Peace Prize nominee, regarded as the father of China's modern democracy movement, was convicted of financing the democracy movement.

Analysts said the moves signal the leadership's nervousness about security in the post-Deng era. "They're all part of the government's efforts to maintain stability after Deng," said an editor of a government publication who spoke on condition of anonymity.

Deng, 91, no longer holds any office and has not appeared in public for almost two years, but remains influential. His health is a matter of intense speculation in China and neighboring countries because his death is expected to trigger a scramble for power among those eager to succeed him as the de facto leader of the world's most populous nation.

A Chinese academic with ties to the Communist Party said the leadership was politically insecure and obsessed with stability.

lie likened the situation to China being "surrounded by dried wood and (the government) snatching away and locking up all lighters and matches, scared that a spark might trigger a fire that cannot be controlled".

During certain periods of Communist rule since 1949, the government has imposed martial law or military rule in certain areas, most recently in Beijing in June 1989 when it sent in the military to put down student-led pro-democracy demonstrations.

The draft submitted to parliament is designed to give the government legal teeth to impose martial law, diplomats said. "They are covering their backs in view of 1989...to establish a proper legal basis," a Western diplomat said.

The 1989 imposition of martial law, to allow the crushing of the Tiananmen Square pro-democracy demonstrations, was apparently based on clauses in the constitution that call for the state to "maintain public order, suppress treasonable and other counter-revolutionary activities". They do not specifically mention martial law.

In the future, "martial law will be declared in a state of emergency in which unrest, rebellion or riot, which endanger the country's unity, security and social order, occur and no other effective measure can maintain social order," Xinhua quoted one of the drafters as telling Parliament.

President Jiang Zemin stressed the importance of political and social stability in a speech splashed across the front page of the People's Daily on Thursday. "Without stability, nothing can be done and without stability the goals set for the ninth five-year plan (1996-2000) cannot be accomplished," he told a national work conference on politics and law work.

"Political and legal departments must take it as their sacred duty to attack sabotage by hostile elements, strike serious criminal and economic offenders and crack down on prostitution, pornography, drug production and trafficking and criminal gangs," he said. (R)

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Chronic water shortage



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Chronic water shortage # threatens life in N. China

By CHARLES HUTZLER

FOR centuries, the eastern city of Jinan has been known for the springs feeding the lakes and canals that lap at picturesque parks and quaint teahouses.

Now, seasonal drought, rapid industrialization and extensive irrigation are drying up the renowned water sources. Even worse, water management officials cannot count on the nearby Yellow River. Overuse has slowed the river to a trickle.

People's lives and crops aren't threatened yet, local officials said. But Jinan's thirst is emblematic of the chronic water shortage afflicting much of north China.

Every day, China needs about 1.6 million tons of water more than its resources can reasonably sustain, according to Wang Guoxin of the ministry of water resources.

Scarcity and depletion mean factories cannot run at full capacity and ground water levels are falling, causing land levels to sink and salt water to seep into drinking water near the coast, Wang said.

China is not alone. The United Nations predicts that water will be the most contentious urban issue of the 21st century.

Wang and other urban and water management experts from around the world gathered in Beijing last month for a UN-sponsored symposium on urban water problems to mark world water day on March 22.

The experts plan to issue a joint assessment that will become part of the agenda to be debated at a major UN conference on urban issues in Istanbul, Turkey, June 3-14.

By the UN's count, more than one bil-

Last year, the Yellow River ran dry for 122 days along its 300-kilometer course through Shandong to the Bohai Gulf, with a severe winter drought in north China, the river started drying up in February, a month earlier than last year.

lion people cannot get clean drinking water, and 1.7 billion lack decent sanitation facilities, which rely on sufficient water.

The combination can be explosive, specially in cities, said Kalyan Ray, an infrastructure specialist with the United Nations Center for Human Settlements and an organizer of the Beijing conclave.

"The cholera outbreak in Lima in 1991 started in low-income neighborhoods, and then blazed through the rest of the city," Ray said. In running its course, the epidemic killed as many as 4,000 people and cost Peru's fishing and tourism industry \$1 billion.

"This happens on differing scales all the time," Ray said.

The cities with the worst water problems are all in the developing world: Bombay and Calcutta in India; Cairo in Egypt, Dhaka in Bangladesh, Jakarta

(Indonesia); Karachi in Pakistan, Lagos

(Nigeria) Mexico City, Sao Paulo, (Brazil) and Beijing and Shanghai, China.

Effects, however, are not confined to poorer countries. Houston in the United States and Cardiff, Britain, could see their growth constrained for lack of water, Ray said.

The problem with water, Ray and others believe, has more to do with managing than depleting resources.

Waste is a rife in Nairobi, where Ray is based, it could supply the needs of Kenya's second largest city, Mombasa.

"It's not that the Yellow River has no water. It does have water, but it's being taken out of the river," said Li Shanrun, director of the Yellow River management bureau for Shandong province. "We have water. What we need to do is control and manage it."

China plans to do this in part by building more and bigger reservoirs and by diverting water from the Yangtze River northwards, Li said. But these projects

are costly, and the first of three diversion channels won't likely be finished until 2010.

Last year, the Yellow River ran dry for 122 days along its 300-kilometer course through Shandong to the Bohai Gulf, with a severe winter drought in north China, the river started drying up in February, a month earlier than last year.

The river's condition is ironic, for historically it has been prone to devastating floods. In 1898, the river jumped its bank, changed course and submerged much of the Shandong plain sprawling eastward from the provincial capital, Jinan.

Fifty years later, the Communist Party decided to put the river in service of agriculture, and their successful promotion of grain farming has helped drain the Yellow River.

Agriculture uses up about 80 to 90 percent of the water drawn from the river as it flows through eight provinces. But along the river's arid upper reaches, it takes six times as much water to grow a kilogram of grain as it does in more fertile Shandong.

In Jiang family gully village, 15 kilometers north of Jinan, a shallow 10-meter-wide stretch of river crawls by sandy banks, an anemic version of the roaring waterway left by summer rains.

The water comes not from the river's upper reaches, but from a local reservoir opened 10 days ago, local officials said.

"I was born on the banks of the Yellow river and have served it my whole life," said Li, who has worked for the water management bureau for 42 of his 59 years. "I can't separate myself from the river. So naturally I am sad when it stops. But I am confident about the future." — AP

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fastest China city experiences fastest economic growth rate

By GRAHAM EARN SHAW

LONG live cellular phone social-ism. Zhangjiagang city in East China is an economic success story that is giving the propaganda barons of the Communist Party new heart.

Once an isolated and poverty-stricken rural area on the banks of the Yangtse River, Zhangjiagang is experiencing one of the fastest economic growth rates in the world.

Communist leaders, including party chief Jiang Zemin, and 640,000 cadres from all over China ini 995 came to praise and learn from its example — startling growth rates but combined with North Korean-style social discipline.

"The ultimate aim is still the creation of Communism," said local propaganda chief Qian Xucran.

This sort of talk is not heard very often in China these days, especially not from cadres with double-breasted suits and mobile phones. But Zhangjiagang is different.

Under the guidance of charismatic local Communist Party chief Qin Zhenen-hua, the city, with a population of just 820,000, has undergone a complete reconstruction in the past four years — physically and mentally.

Huge new buildings have arisen, vast infrastructure projects and factories have been completed in record time.

The city's gross domestic output in 1995 was 15.25 billion yuan (\$1.84 billion), mainly textiles and light industrial products, and is expected to reach 21 billion (\$2.5 billion) in 1996, officials said.

Such a growth rate would be four times the national average.

What's more, all residents have been ordered to comply with strict new rules of social morality, including no smokin- gand no spitting in public places, which appear to be being followed.

Residents of Pyongyang in North Korea would feel at home here in the well-scrubbed city. The streets are wide and

Huge new buildings have arisen, vast infrastructure projects and factories have been completed in record time.; The city's gross domestic output in 1995 was 15.25 billion yuan (\$1.84 billion), mainly textiles and light industrial prod- ucts, and is expected to reach 21 billion (\$2.5 billion) in 1996, officials said. Such: a growth rate would be four times the national average. What's more, all residents have been ordered to comply with strict new rules of social morality, including no smoking and no spitting in public- places, which appear to be being fair, lowed.

virtually empty, the local supermarket is huge and well-stocked and is almost deserted.

There are few chinks visible in the facade of ideological correctness. It's almost a relief to find that, contrary to the assurances of city officials, local shops are selling pirated American and Hong Kong music tapes.

"The key is to have good leadership and a determination to be under one," propaganda chief Qian said.

What appeals to the Communist leadership is that the engine of economic growth has been collective enterprises, not capitalist private enterprise with its unsavory side-effects like money-

grubbing millionaires.

Private enterprise, a key element in the growth of other coastal cities, is actively discouraged in Zhangjiagang, said Qian.

Zhangjiagang's achievements are visible for all to see — modern building and infrastructure, a six-line highway, the sixth biggest and port in China and a level of cleanliness and order that most of the country can only dream of.

The slogans are similar to those in the cultural revolution in the 1960, when maoist dogma and political correctness was all even if the economic results were disastrous.

The village of Dazhai in northwest

China was then held up as a national model where the hard work of peasants was said to have overcome difficult conditions. It later emerged that Dazhai's achievements were largely fake.

"The difference is that Dazhai was created as a propaganda tool while Zhangjiagang was seized upon only after it was already a success," said one resident.

President Jiang, allowing his name to be directly attached to the miracle of Zhangjiagang, last year wrote an inscription about "Zhangjiang spirit" which is now seen all over the city.

With such high-level backing, Zhangjiagang is aiming big — is not for the stars, then at least for the dragons.

"Our aim is to catch up with developed countries and regions such as Asia's four dragons — Singapore, Hong Kong, Taiwan and Korea — within 10- 12 years," Qian said.

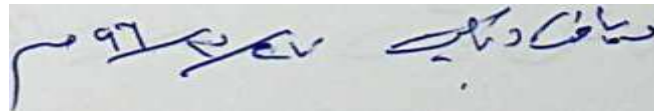
"If you extrapolate the growth rates of the past five years, then it's reasonable," said Daniel Tao, vice chairman of the] Tangshi township enterprise which is building a textile base in cooperation with a number of German and French companies.

"But in the future, it is going to get more and more difficult to maintain those growth rates. Hie bigger you get, the harder it is."

Not everyone is in favor of this effort at finding a new formula for economic development which is both profitable and politically correct .

"I tell you bluntly, I don't like Zhangjiagang, the whole thing feels like a military camp to me," said a party official in Shanghai.

"You can do big things on the basis of • orders for a while, but how long can you' maintain it for? Look at North Korea, it's basically the same. Shanghai has lots. of problems to be sure, but at least it has a feeling of hamanity about it," he said, j— Reuters



/China and Russia seek to reduce America's options in Asia

By Henry Kissinger

RESIDENT CLINTON had barely left Moscow when Boris Yeltsin headed for China. There, a few days later in Shanghai, he signed a non-aggression treaty and a border agreement with the Chinese president. The presidents of the Central Asian republics, which had until 1991 been parts of the Soviet Union, joined these agreements and participated in the ceremonies. *

It would be interesting to know how much of this project Yeltsin divulged to Clinton during their days of ostentatious camaraderie. For the communique, signed in the city where Sino-American rapprochement was sealed in 1972, represents nothing less than a declaration of independence by both Moscow and Beijing from the strategic triangle that evolved in the two decades since Richard Nixon's opening to China.

A basic premise of that triangle was that the United States place itself closer to both Beijing and Moscow than either was to the other, achieving a strong bargaining position vis-a-vis each.

The second Shanghai communique symbolises the demise of that process and a deliberate effort by both China and Russia to reduce America's options in Asia. To be sure, neither China nor Russia can afford to jettison its relationship with the United States. Their rapprochement signifies not so much a break with the United States—at least not yet—as a rebalancing.

Five years ago, China would have signed such a non-aggression treaty, if at all, only in Beijing and it would have invited each of the Central Asian republics to enter into a border agreement separately, rather than in a forum that implies a special Russian status in the erstwhile Soviet republics. Nor was the selection of the site for the signing inadvertent. Shanghai was where Nixon and Zhou En-lai completed the first Sino-American communique, committing the



signatories to Opposing hegemony in Asia—which meant the Soviet Union.

For Yeltsin, the second Shanghai communique symbolises Russia's reemergence as an equal player, for China, it pulls Washington on notice not to take China for granted. For both Russia and China, it constitutes a warning to America not to count too much on a congenial Russo-Chinese hostility towards each other. How well Yeltsin has learned to play the new game is shown by a promise he seems to have made to Clinton in Moscow that he would use all his influence with Beijing to improve US-China relations.

This realignment is in large part a result of the Clinton administration's special approach to world affairs. The oscillation between an impetuous wooing of Russia and ambivalent, spasmodic harassment of China represents two sides of the same coin: rejection of any structural concept of equilibrium and the reliance on changing other countries' domestic practices as the key to international order—foreign policy as domestic politics.

In this manner, the administration has created incentives for both countries to separate themselves, at least to some extent, from the United States. The emphasis on the domestic politics of American interlocutors neglects the tectonic changes endemic to the post-Cold War world that so preoccupy its leaders: the collapse of the Soviet empire, the rise of Japan, the emergence of India, the approaching superpower status of China, the unification of Europe and the democratisation of Latin America. Each of these transformations would, in past centuries, have produced decades of upheaval, if not war. Linked by a technology that communicates them in real time, they now occur simultaneously before mass audiences.

The United States helped shape the strategy of the Cold War by putting forward programmes relevant to the concerns of its partners. It has signally failed to do so with respect to the post-Cold War world. Key

members of the Clinton administration, whose views were formed in the late 1960s in protest against the policies which, after all, won the Cold War, are generally uncomfortable with anything that smacks of balance of power. Their fear is that such an emphasis deflects America from the social reforms at home and abroad which, in their view, America's international standing ultimately depends.

For them, Russia is a priority because it symbolises the end of the Cold War. The Atlantic alliance is treated as a vestige of the Cold War, and its adaptation to new circumstances, not to speak of its expansion, consequently is shunted off into endless studies. The emotional commitment of the US administration is to 'soft issues' that avoid a political or strategic approach as to international order, non-proliferation, the environment and human rights.

These concerns indeed require attention. However, social issues can be addressed most creatively in an agreed political and security framework where goals. But in the absence of overarching political or strategic objectives, stress on social issues as the principal objective of foreign policy is perceived as pressure and produces confrontations that undermine other interests, including geopolitical ones, or doom America to irrelevance.

A conversation with Jiang Zemin relayed by President Clinton to Tom Friedman of The New York Times on April 18 provides an example. It is replete with the reflexive, underlying convictions of the protest generation: America's sins as contributing to the world's ills; the need to downgrade the emphasis on security; the assumption that social issues can, by themselves, substitute for strategic dialogue.

By his own account, the president told Jiang Zemin at the United Nations in October 1995 that the greatest threat China presented to American security was environmental, not military. If China tried to get rich in the same way America had, it would do irrevocable environmental damage to all mankind, and it will be partly America's fault. America, however, was prepared to help China avoid America's mistakes. I could tell her today's

Clinton concluded disarmingly.

Based on long experience with Chinese leaders, I can subscribe fully to that statement. For traditional Chinese statecraft obliged for millennia to deal with foreign invasions, emphasises a structural and geopolitical approach. Had the president's otherwise sensible recommendations been put forward in the context of shared political objectives, they might well have opened up a new field for joint endeavours. But after Chinese leaders had been pilloried and threatened with sanctions for years and within three months of the crisis over the visit of the Taiwanese president to the United States, the evocation of social issues was bound to prove unpersuasive. Not surprisingly, four months later, the United States and China found themselves once again on a collision course over Taiwan.

Such onesidedness has also diminished the impact of the US administration's ritual affirmations that it seeks to engage, not contain, China. Yet 'engagement' is defined as a method for modifying Chinese institutions. Thus Secretary of Defence William Perry presented the case for cooperation with the Chinese armed forces (PLA) as follows: 'By engaging the PLA directly, we can help promote more openness in the Chinese national security institutions, its strategic intentions, its procurements, budgeting and operating procedures'. So long as military cooperation is justified not on the basis of common security goals but as a kind of American tutorial to change Chinese institutions, it will be considered patronising by a society that has been self-governing for five millennia.

This tendency is exacerbated by the threat of sanctions that the US administration usually links to its various proposals—some of the sanctions, in all fairness, have been imposed by Congress. Ironically, when faced with the consequences for other interests, the administration has usually recoiled into the demeaning position of pleading with Beijing to make some—even minor—concession to provide it with an alibi not to implement the threat. The propensity for thus blackmailing ourselves erodes the credibility of the policy in Washington and produces a disrespect for American initiatives abroad.

The missing ingredient is a serious strategic and political dialogue. World order cannot be based on the politics of equilibrium alone, but it cannot be achieved without any regard for it. For China and the United States, this requires a sustained effort to define a common assessment of the future of Asia against the backdrop of a more confident Japan, an emerging India, a unifying Korea and a Russia in flux. Social programmes have their place in such a review, but they are far less frequently and far more formally than with Yeltsin.

In this connection, it is significant that Secretary of State Warren Christopher has visited Beijing but once, and that the president has met with Chinese leaders far less frequently and far more formally than with Yeltsin.

If Jiang Zemin's journey to Shanghai was made easier by American neglect Yeltsin may well have embarked on it to escape the stilling solicitude by which the Clinton administration has sought to promote social change in Russia. Many senior US administration officials act as if summits with Yeltsin are the apotheosis of a policy built around a personality: to sustain Yeltsin, to identify him with democracy and democracy with a peaceful Russian evolution. Far too little attention is paid to the geopolitical environment. But the world's stability depends on whether Russia can be made to accept borders it has not stayed within for 400 years or whether it will resume its outward thrust which has caused so many tensions, most recently during the Cold War.

This is not a goal to be achieved by excessive involvement in Russian domestic politics. For what passes for Russian democracy too often encourages an expansionist foreign policy. For most Russians, the collapse of the Soviet Union marked the humiliating end of an empire achieved by 400 years of sacrifice. For many of them, the return of the former Soviet republics to the motherland and reestablishment of the old strategic frontiers is a popular and, in that sense, a democratic objective. Arty Russian leader will appeal to these sentiments, and Yeltsin's foreign policy, in effect, seeks to preempt goals being urged by his opponents. As in Germany of the 1990s, it is quite possible that an elected Russian leader may pursue a most unsettling foreign policy

Russian revisionism would exist whatever the American policy was. But Americans have accelerated it by their insistence on treating Russia as a challenge to social engineering rather than to foreign policy. The Clinton administration has been slow to recognise the importance of Ukraine, with a population of 58 million and under constant pressure from Russia. Official statements have compared Russia's encouragement of civil wars in Georgia and Azerbaijan to UN peacekeeping activities. The US administration generally ignores the pressure being exerted by Russia on the Central Asian republics, whose vast energy supplies will become ever more important as the world's energy needs rise with the industrialisation of China, India and Southeast Asia.

America's uncritical embrace of Yeltsin may well have two effects opposite of the intention: making the Russian government believe that the Americans do not understand or are indifferent to its geopolitical thrust and tempting assertive policies to prove that Russian leaders are not American puppets.

American policy cannot be put on hold for the slow evolution of Russian domestic institutions. It encourages Russia's latent expansionism even while it seeks a relationship that makes Russia feel like an important participant in the emerging international system. As with China, the Russian-American dialogue must extend the social to the strategic agenda, especially to how Russia sees its place in the world and the nature of its security.

Ironically, the overemphasis on Russian policy has led the US to neglect countries that do share American values and that would be much more receptive to its social agenda. Presidential visits to European capitals are less frequent and for less intense than those to Moscow. And yet the promotion of democracy should logically start with nurturing the community of democracies in the Atlantic area.

The next phase of American foreign policy must raise its sights to a political framework lest, with all the administration's tactical skills, the Americans doom themselves to irrelevance with respect to the great changes before the world.

China policy clash makes for unusual allies

.. By Donald M. Rothberg ic/r/
AtJ Washington'

WHEN it comes to setting policy toward China, normal political and ideological alliances go out the window as economic reality clashes with humanitarian principles.

President Clinton and Republican challenger Bob Dole end up as uneasy allies in support of renewing trade benefits. In the opposition camp, liberal congresswoman. Nancy Pelosi is teamed with conservatives Pat Buchanan and Jesse Helms.

These strange alliances on China policy didn't start with the Clinton presidency. They date back to June 1989 when the tanks of the People's Liberation Army moved into Tiananmen Square in Beijing for a bloody suppression of pro-democracy demonstrations.

Ever since that terrible event, it has been much easier to criticize China policy than to set it. When President Bush tried to maintain ties to the Beijing government and renewed China's most-favored-nation or MFN trading status, candidate Clinton accused him of "coddling dictators." Now Clinton

is hearing the same sort of criticism, particularly from conservative Republicans.

"The Chinese government knows that when they're dealing with Clinton they're dealing with a paper tiger," said Rep. Chris Smith, Republican of New Jersey. "When it comes to human rights his deeds don't match his words." Even while supporting renewal of MFN for China, Dole said the president "has never articulated a coherent strategy for dealing with Chi- ns.

The Senate Majority Leader, the presumptive Republican presidential nominee, called on Clinton to "end his conspicuous silence on the issue and explain what is at stake in our relationship with China." The administration's response was political; it thanked Dole for his support of MFN and ignored his detailed criticism of Clinton's China policy.

One guide to cutting through much of the rhetoric on MFN is the understanding that the name is misleading, "most favored" suggests some special privileges that other nations don't get

Actually, MFN simply allows Chinese goods to enter the country at the same bottom-line tariff rates the Unit

ed States extends to all its major trading partners.

It was Tiananmen Square that cast doubt on whether China deserved to be treated like other nations. "That was a huge sea change in public opinion towards China, that's still very much with us," said Nicholas Lardy, author of several books about China.

Clinton took office as an advocate of linking trade to China's human rights record. In the spring of 1993, U.S. Secretary of State Warren Christopher went to Beijing to tell the Chinese leadership that without progress on human rights he could not recommend renewal of MFN.

The Chinese refused to satisfy Christopher's demands. In fact, while he was in Beijing, several dissidents were arrested, a continuation of the very pattern Christopher was protesting. As the early June deadline on MFN renewal approached, Clinton declared he was approving it and ending the linkage to human rights. In less than a year, the president had adopted the Bush policy he had criticized during the 1992 presidential campaign.

The strongest pressure for renewing MFN for China comes from U.S. business interests. "American business

men and women are saying to Bill Clinton you are supposed to support U.S. business investment in the fastest-growing economy in the world, nominally at 10 percent a year and it's going to get better," said William J. Taylor Jr., an Asia specialist at the Private Center for Strategic and International Studies. "Don't give us all this fuzzy stuff like human rights."

Setting a China policy would be a lot easier if Beijing would grant greater freedom to its people, stop its threatening behavior toward Taiwan, crack down on the piracy of intellectual property and keep its promises to end sales of technology to nations trying to develop nuclear weapons.'

On most of these issues the longterm Chinese attitude has been to tell the United States to mind its own business. Taylor said most Asian countries resent U.S. rhetoric about human rights. They say, "don't give us that Western values stuff."

Little wonder that Commerce Secretary Mickey Kantor recently told a congressional hearing: "China is a great challenge to us." There's every sign it will continue to be a challenge, whether to a Clinton or a Dole administration. (AP)

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Chinese politics after Deng

By ANDREW HIGGINS

A recent report on China's evening television news featured all the customary elements of Chinese political ritual: a cavernous room hung with a red banner, ponderous speeches and rows of Communist Party cadres in bulky armchairs.

Far from ordinary, though, was the topic under discussion: what to do with the corpse of a Chinese leader when he dies.

At a time when the fading heartbeat of Deng Xiaoping sets a ragged rhythm for power politics in Beijing, such public intimations of leadership mortality lift a taboo that has clouded all calculations about the future.

Deng, aged 91 and unseen for more than two years, is now so infirm that even his family has stopped issuing categorical denials of ill health. Mr Deng, a revised official formula runs, is "in good health for a man of his age".

The long death watch has generated endless rumors, most recently a report in a Hong Kong newspaper that doctors are spending 1,200 dollars a day to slow the ravages of advanced Parkinson's disease. Only now, however, have China's media even hinted at the question of what happens when he actually dies.

Will he be pumped with embalming fluid and placed under glass in Tiananmen Square, like Mao Zedong, or reduced to ash and scattered across the country, like Zhou Enlai?

In keeping with the oblique patterns of Chinese politics, the future is being approached through the past.

The meeting shown on television was called by the ministry of civil affairs to commemorate the anniversary of a pact signed by the entire leadership in 1956, pledging its commitment to cremation rather than burial.

"This showed the materialist world-view and broad-mindedness of our proletarian revolutionaries of the older generation," said the newsreader. The *People's Daily* took up the theme under the headline: Establish a new habit for civilized funerals.

In all, 151 leaders signed the 1956 cremation agreement, but only five were mentioned by name: Mao, Zhu De, Liu Shaoqi, Zhou, and Deng. Of these, only Mr Deng is still alive.

"The long wait for Deng to die has produced a scarcely concealed and potentially costly succession struggle," the International Institute of Strategic Studies said in a recent report. "Although he is still alive he is apparently virtually comatose. As

a result, the country is suffering from a lack of clear leadership." "a result, the country is suffering from a lack of clear leadership."

His death may produce clarity but it also holds serious risks. When Mao died in 1976 the fate of his corpse became the subject of a fierce struggle after his widow and her allies ruled that it should be preserved for eternity. The current leadership seems determined to avoid any repeat of such a ghoully drama.

The formal succession to Deng is, in theory, already fixed. His anointed heir, Jiang Zemin, has acquired more titles than Mr Deng or even Mao. He is president, party chief and chairman of the central military commission. But to establish himself as leader in his own right

The formal succession to Deng is, in theory, already fixed. His anointed heir, Jiang Zemin, has acquired more titles than Mr Deng or even Mao. He is president, party chief and chairman of the central military commission. But to establish himself as leader in his own right he must escape from the shadow of his enfeebled mentor.

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"There may be some people toying with the idea of a Deng Xiaoping Mausoleum," said Joseph Cheng, an expert in Chinese politics at Hong Kong City University. "But Jiang needs to establish his own personal authority and does not want people constantly reminded of Mr Deng's shadow."

On one level, recent statements hailing the merits of cremation are merely part of the Communist Party's long-standing battle to uproot "feudal" habits and prevent too much farmland being wasted on graves. Growing wealth has gnawed away at fields as peasants build lavish tombs for their ancestors.

In Beijing, though, no issue is more sensitive than death. The protests of 1989 began with the death of the former party leader Hu Yaobang. The death of Zhou Enlai in 1976 triggered an earlier, smaller round of demonstrations in Tiananmen Square. The death of Mao later that year produced the political upheaval that brought Mr Deng back to power.

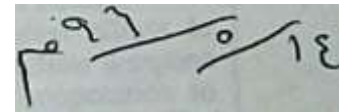
As Jiang struggles to assert himself, many China-watchers detect a slow but deliberate shift from the policies of Deng.

In contrast to Deng's pragmatic emphasis on results rather than rhetoric, Jiang has travelled the country urging party officials, soldiers and ordinary citizens to "talk politics". But only when Deng has finally gone can Jiang step into his shoes.

"So long as the chief is still alive, Jiang can never be more than a provisional figure," Beja said. "As long as Deng is around he occupies a critical space at the center. He might not make decisions, he might not even be conscious, but he fills an emptiness. The void is occupied. When he leaves, the balance is ruptured." (*The Guardian News Service*)

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Clinton's olive branch to China in an iron fist

By Gretchen Cook
Washington

PRESIDENT Bill Clinton announced that he will renew China's most-favored-nation trading status for another year, but warned that he will not waver in defending U.S. economic interests.

The decision Monday came amid threats of an all-out trade war between the two countries and mounting pressure on the White House to punish China for nuclear technology sales, trade violations and human rights abuses.

But Clinton said taking away China's MFN status, which expires June 3, would not help push what could soon be the world's largest economy in the right direction.

"Revoking MFN, and in effect severing our economic ties with China, would drive U.S. back into a period of mutual isolation and recrimination that would harm American interests, not advance them," Clinton told the Pacific Basin Economic Council.

A White House spokesman said the official notification to Congress would come on or around June 3. Lawmakers will then have 60 days to reject the decision if they choose. The White House expects a tough battle with Congress

over renewal. "It is going to be a tough fight. That's why the president is getting started a little bit early in a sense by giving the speech today," White House spokesman Michael McCurry said.

Congress is not expected to derail China's MFN status — benefits given to most U.S. trade partners which allow the lowest tariffs on imports. Even Clinton's presumptive Republican rival, Senate Majority Leader Bob Dole who announced his resignation to challenge Clinton, backs extending the trading privileges to China.

But Republican candidate Pat Buchanan called Clinton's decision "an act of economic, moral and military appeasement," calling on Republicans to take the high ground: "Do we love trade more than we loathe tyranny?"

Japanese Prime Minister Ryutaro Hashimoto on Tuesday praised Clinton's decision saying, "it was very good in terms of not isolating China."

China welcomed the MFN renewal, but strongly criticized the need for the annual review, which Vice Premier Li Lanqing said was a perennial obstacle to the development of bilateral trade ties and undermined business confidence in both countries.

After the 1989 Tiananmen Square massacre, the U.S. Congress decided

China would have to have MFN renewed every year in order to allow a review of its human rights progress.

When campaigning in 1992, Clinton had blasted the former Republican administration for its policy of engagement with Beijing — particularly following Tiananmen. But once in office, the president backed down on his threat to revoke China's MFN, a "flip-flop" Dole has sought to use against him in the runup to the November presidential election.

Beijing gave opponents even more ammunition last week when talks on China's rampant piracy of U.S. music and software broke down, prompting massive U.S. trade sanctions against China which take effect June 17 of an agreement is not reached on protecting U.S. patents and copyrights.

Clinton also noted in his address Monday the potentially explosive disagreements between the two countries on nuclear weapons, human rights and Taiwan. But he argued that trade was the best instrument at hand for resolving those disputes.

"Our engagement policy means using the best tools we have, incentives and disincentives alike, to advance core American interests," he said. And, he warned: "When, we differ from China ... we will continue to defend

our interests." The president told the council's 19 member countries that whatever differences emerge, relations with Beijing "will shape all of our futures profoundly" as it has the largest standing army and will likely be the world's largest economy in 20 years.

"How China defines itself and its greatness as a nation in the future, and how our relationship with China evolves will have as great an impact on the lives of our own people and, indeed, on global peace and security as that of any other relationship we have," he said. The president checked off areas of progress with Beijing, including assurances from Beijing that it would not sell nuclear technology after threatened U.S. sanctions in retaliation for its transfer of ring magnets to Pakistan. The magnets can be used to enrich uranium for nuclear bombs.

Clinton also cited joint efforts to freeze North Korea's nuclear weapons program and China's cooperation in the four-party peace talks on the Korean peninsula.

The U.S. administration's determination to influence China's course was further evidenced last Friday in New York, when Secretary of State Warren Christopher called for regular Sino-American summits.

(AFP)

Oil potential heightens tension over Asian sea rights

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By NICHOLAS D. KRISTOF

In the seas between Japan and China are potential oil reserves, fishing grounds, mineral deposits and a few specks of rock that together amount to prime international real estate.

The disputes about who owns the resources are becoming more serious, for Japan, China and South Korea will soon be tussling over competing claims under the Law of the Sea Treaty. No one expects war any time soon, but some diplomats and government officials warn that in the long term the disagreements could become a source of major conflict.

"I think there's a potential here for more than just diplomatic wrangling," said Kent E. Calder, a Princeton University scholar who has just published a book, *Pacific Defense* (William Morrow & Co.), about security risks in the region. "Beyond that, the disputed areas are part of a larger danger of tensions between China and Japan."

"This will be a central issue in Sino-Japanese security for the next five to 10 years and perhaps beyond," Calder added.

The backdrop is the growing unease in Japan about the military implications of the rise of China. Japanese government officials often say that in the long run the most important external issue facing their country is China.

Just this month, five Chinese research ships were conducting sonar exploration of what Japan regards as its seabed. Last fall, a Chinese ship searched for oil on what Japan considers its side of the dividing line in the seas between them.

Japan occasionally scrambles its fighter aircraft when Chinese warplanes approach the Senkaku Islands, a few uninhabited islets that both countries claim.

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China's oil exploration in the disputed area last fall may be a sign that it will try to exploit reserves in the sea. So far, Japan's foreign ministry has discouraged Japanese oil companies from drilling in the area, but if China goes ahead there would be strong political pressure for Japan to do so as well.

Sadayuki Hayashi, deputy foreign minister of Japan, said in an interview that it was important to work toward

like most of the world, is moving to the Law of the Sea Treaty as the new framework for determining who controls the ocean's resources. South Korea ratified the treaty late last year, China did so a few days ago on May 15, and Japan is expected to do so in the coming month.

The treaty allows nations to establish 200-mile "exclusive economic zones" in adjacent waters - but the problem is that China and Japan and South Korea are less than 400 miles apart. This means that they have to figure out how to draw the line dividing their zones.

China's claims are raising anxieties to its south as well as its east. On Friday, the Philippines and Vietnam reportedly

denounced Beijing's claims under the Law of the Sea Treaty to a vast stretch of water in the South China Sea.

Japan proposes drawing the line at the halfway mark, although for this purpose it conveniently ignores a sometimes-submerged island off the Chinese coast. China, on the other hand, makes a sweeping claim to "inviolable sovereignty" over its continental shelf, which it argues just into the ocean most of the way to Japan.

China also has disputes about maritime boundaries with South and North Korea. Although North Korea and China often hail their friendship, North Korean gunboats are said to have fired on Chinese fishing boats that stray into what North Korea regards as its waters.

Ji Guoxing, a Chinese scholar in Shanghai who has written extensively about maritime disputes in the sea around China, said it would take China some time after it ratifies the Law of the Sea Treaty to fix its exclusive economic zones. Ji added that while disagreement may be difficult to resolve, a war is unlikely.

"This may be an area of potential conflict, but I don't see a real battle there," he said. "Both Japan and China will exercise restraint while sticking to their own claims."

To solve the disputes, the parties could refer the matter to the International Court of Justice or seek mediation or arbitration. For now, though, the countries have been taking the alternative approach of bolstering their navies. China and South Korea have been pouring money into their navies in recent years and Japan, which already has a "credible navy," is considering whether to upgrade it further. - (NYT)

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Chinese security out in force for Tiananmen anniversary^

BEIJING (AFP) - China's all-embracing security apparatus swung into action Monday for its ritual June 4th vigil over Tiananmen Square and Beijing's university district.

But plainclothes and uniformed officers appeared less nervous than previous years and maintained a lower profile as they braced to stamp out any action commemorating the bloody 1989 crackdown on unarmed student demonstrators in Tiananmen Square.

"This year, I haven't had my phone cut off and although there are policemen following me when I step out of my door, they haven't told me to stay inside," said professor Ding Zilin.

• Ding was a signatory to one of two petitions this year that called on the government to reassess the student movement.

"But even when I went to buy some tilings this morning, three of them followed me all the way," she said from her apartment at the People's University.

Ding, whose 17-year-old son was killed in the early morning of June 4, 1989 by the People's Liberation Army, has been labeled a trouble-maker by Beijing ever since she started collecting names of others who died in the army

assault.

But she is one of the few dissenting voices in China to remain at liberty.

Veteran democracy campaigners Wei Jingsheng and Chen Ziming are behind bars, as is Wang Dan, the only Tiananmen square student leader to remain in China after the crackdown.

In Guangzhou, veteran activist Wang Xizhe was picked up Friday, in what relatives saw as a precautionary move ahead of June 4.

Former chief advisor to disgraced secretary general Zhao Ziyang, Bao Tong, who was released last week from a seven-year jail sentence related to 1989, has still not been allowed to go home.

The two masterminds of the second petition sent to parliament this year are also in detention, while Liu Gang, who left prison in June 1995. after a six-year jail term for his leading role in 1989, became the latest addition to Chinese dissident circles in the United States last month.

"You can see why the Chinese authorities are being a bit more relaxed this year: There is practically no one left to threaten them," said a western diplomat.

"But I imagine they aren't so confident that they could drop off on security alto

gether," he added.

Professor Xu Liangying, co-author of one of a dozen public petitions in 1995 and this year warned that open confrontation was an ineffective way of seeking change, reported similar, more relaxed surveillance.

"There are people at the door of building, but I can come and go as I want. They are just making sure no foreign journalists come in," he said.

In the square itself, security was still tight under the hot sun, but less intimidating than in previous years, with uniformed officers all in short-sleeve shirts.

The dozens of buses that in previous years were parked on the expanse of concrete to transport the hundreds of plainclothes and uniformed security officers were absent. They were instead parked on sidestreets.

As in previous years, restaurants in the northwestern university district have been "advised" to close early for the anniversary.

Although the police presence was lower-key than earlier years, with few uniformed officers on the streets, students reported security measures inside campuses which were similar to 1995.

Beijing's old world retires into the background

By DAVID VHIPPI

THE 3,000-year-old capital of China is today unrecognizable from that of 40 years ago, whereas much that remained in 1956 would have been familiar to residents of 200 or more years before.

It still has its ancient charm if you know where to go, but for the most part it is, like so many others around the world, a modern commercial metropolis.

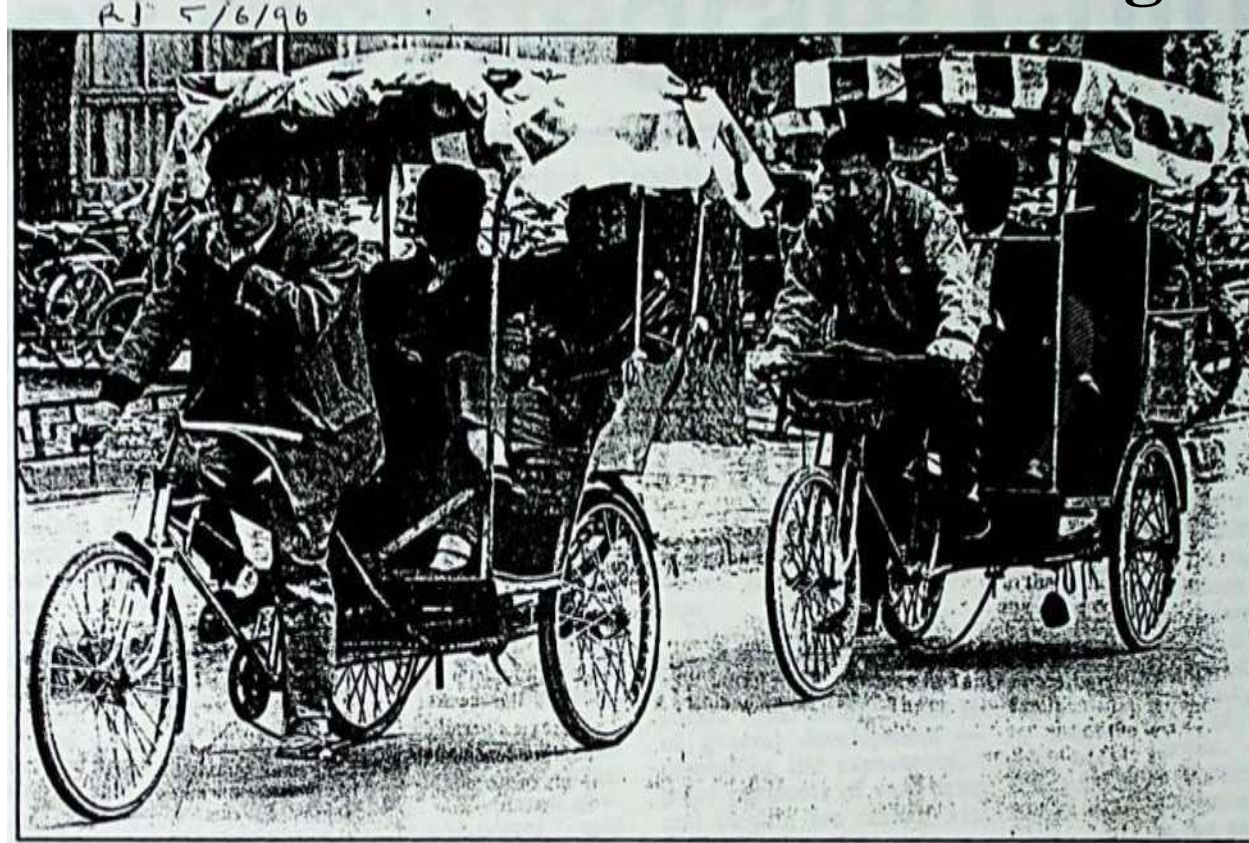
For one thing the ancient walls have gone, making way for a ring road and a subway underneath. It is progress suitable for the latter half of the 20th century, but old China hands regret what has gone. With their imposing gates, most of which have also been destroyed, the walls were a symbol of the great imperial past.

Most of the *hutongs* - the maze of streets that often concealed splendid houses with secret courtyards - have gone too, though some remain if you look hard enough.

But for the modern visitor there are still places of architectural and historical magic: the Forbidden City, the ancient observatory, the summer palace and farther away the Great Wall and the Ming tombs.

Modern Beijing, though, is as proud of its present achievements as its history. The brisk, Stanford-educated vice mayor, Lu Yucheng, told me that the administration aims to develop it into a first-class city comparable with any in the world while also making it the most beautiful in Asia.

City fathers are certainly going apace towards the first objective: building is in evidence on all sides and the road and subway networks are being extended to cater for a population of about 11 million, to which official figures add a floating population of more than three million. Apart from the thousands of peasants coming into the city who take construction jobs, Lu said this figure includes 50,000 servants from the country



A RETURN TO THE OLD WAY: Once forced from the streets of Beijing because it was considered demeaning for one human to tow another, these pedicab drivers now make a modest living ferrying tourists and locals. (R)

side.

Intensive building apart, the thing that strikes those who remember the 1950s is the traffic. There are now some 900,000

vehicles registered in the capital.

Forty years ago there were a number of official and diplomatic cars and some 550,000 bicycles. There are still an enormous

number of bicycles (some 8.4 million) but, numerous though they are, they no longer appear to dominate the roads.

Modern Beijing is as proud of its present achievements as its history. The brisk, Stanford-educated vice mayor, Lu Yucheng, says that the administration aims to develop it into a first-class city comparable with any in the world while also making it the most beautiful in Asia.

The car has taken over - and the driving, to many, nervous eyes, is as dangerous as ever.

Compared with the southern city of Guangzhou there are few motorcycles - the sign of personal prosperity in many Asian countries. This is because licensing policy severely limits the numbers because of their high noise, environmental pollution and the high accident rate.

Official figures put the number of taxis at 59,000, and it is certainly one of the few cities where there seems to be plenty available at all hours. In 1956 taxis did not cruise the streets, were parked outside major hotels, and were difficult to get.

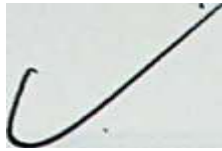
In those days the preferred method of transport was the pedicab. Tough, gossiping individualists pedaled us round the city. Political correctness drove them from the streets, because it was considered demeaning for one human to tow another, even if that was his only means of livelihood.

Now they are back again. The drivers look and act much like their predecessors. One who was asked why he charged the same amount for a journey as a taxi, replied: taxis run on petrol, pedicabs on blood.

Beijing is still one of the gastronomic capitals of the world, as it was in the days when I described Peking duck as one of the three great pleasures of life.

There are plenty of restaurants serving Peking duck. In May 1956 I first went to the Chen Chu Teh (Accumulated restaurant, then a famous, but unpretentious place in a back street. Now it brazenly presents itself as a tourist attraction in a large new building.

But there are other, smaller places to eat this and endless regional varieties of Chinese cooking. The Mongolian restaurant is as good as ever, though hygiene now demands that there are individual hotpots to cook the raw meat and vegetables, not just one large one for each table. For one thing, the newspapers were reporting an epidemic of hepatitis, (ty



Race for prosperity may disintegrate China

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By ANDREW HIGGINS

At the Success Club in Beijing, a pleasure dome of marble, polished wood, and plaster run by paramilitary police, the winners and losers of China's chaotic dash for prosperity collide on massage tables.

The People's Armed Police previously used the premises, just down the road from the Beijing Worker's Stadium, to show Communist Party propaganda films.

Now the force uses the building to make money from brief but profitable encounters between the ever-widening poles of China's economic boom.

The race for prosperity is a frenzied but increasingly uneven competition that, according to a prominent Chinese economist, could push the country towards Yugoslav-style disintegration.

On one side are the new Tich of the Chinese capital, men with shiny suits and mobile phones. On the other are the have-nots from impoverished hinterlands, among them refugees such as Miss Li, a young textile worker turned masseuse who came to Beijing after losing her job at a bankrupt state factory in Anhui province.

According to Hu Angang, a researcher at the Chinese Academy of Social Sciences, the gulf between rich and poor threatens China's ability to hold together and avoid disintegration into an anarchic jumble of feuding fiefdoms.

He says: "The biggest and most important task today is to avoid China splitting apart." Hu is an outspoken critic of the trickle-down theory championed by Deng Xiaoping as an antidote to the stagnation left by Maoist egalitarianism.

While coastal provinces, blessed by Beijing with tax breaks and flush with cash from Hong Kong and Taiwan, have raced ahead with double-digit annual growth, poorer regions are lagging far

While coastal provinces, blessed by Beijing with tax breaks and flush with cash from Hong Kong and Taiwan, have raced ahead with double-digit annual growth, poorer regions are lagging far behind. The per capita gross domestic product of China's richest region, the Zhuhai Special Economic Zone, is now 86 times higher than that in the poorest area, Qinglong county in Guizhou.

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The per capita gross domestic product of China's richest region, the Zhuhai Special Economic Zone, is now 86 times higher than that in the poorest area, Qinglong county in Guizhou.

"Former Yugoslavia is a very good example of what can happen if regional gaps become too large and central government loses too much power," said Hu. "On the surface, the war there was not about economics but an ethnic conflict. The root cause, though, was economic."

When Deng's reforms began in 1978, Anhui province had a per capita GDP only slightly less than coastal Fujian. Today, both are far better off. But they have also grown far apart; Fujian's per capita figure is more than twice that of Anhui.

This widening gap, believe Hu and like-minded advocates of strong central government, stokes separatist sentiments among both rich and poor.

Just as Slovenia and Croatia, the richest parts of former Yugoslavia, were the first to bolt, prosperous Chinese coastal regions could, they say, succumb to the same temptation.

In inland areas, the poorest of which have large non-Chinese populations, economic grievances fuel resentment

Forward and reverse Deng's policies.

"Deng's road was correct but the situation has changed," replied Hu. "We can't say a single word from Deng is worth 10,000 words by anyone else."

The economist has the backing of powerful patrons. His views mesh with the arguments of Zhu Rongji, a politburo member in charge of the economy who has struggled to halt rapid decentralization produced by Deng's free-market frenzy.

Other supporters include the leaders of poor provinces such as Anhui, the governor of which phoned last week to invite him to address local cadres.

The New China News Agency, which produces secret daily reports for "internal reference", included a paper written by Hu on the parallels with Yugoslavia in one of its submissions to the Communist Party leadership — the modern version of imperial-era memorials to the throne.

Evidence of the state's dangerous weakness, according to Hu, can be seen in the steady erosion of central government revenue.

"If the central government wants to increase its authority, it must first increase its money," he said.

Beijing's revenues accounted for 95 percent of GDP in 1986 but have since dropped to 3.5 percent — less than the 5.6 percent received by Belgrade on the eve of Yugoslavia's civil war.

The emergence of enterprises like the Success Club illustrates the risks behind such statistics.

"The money secured by the central government cannot even support our army," warned Hu. "This forces soldiers to go into business to make their own money. No army in the world should be allowed to do business. Money must come from the government. If it doesn't, corruption in the army will grow worse and worse." — *The Guardian News Service*

against Beijing and inflame ethnic tension.

Tibet, where Beijing was this week reported to have issued an ultimatum to "splittists" to surrender and repent, comes 131st in the United Nations table of general development — an index combining life expectancy, literacy and other measures of well-being. Shanghai and Beijing are ranked 31st, ahead of South Korea and Singapore.

"China is a vast country and the center must have the money and authority to redress the balance," said Hu. "No matter who is in charge, the central government cannot let provinces drift away. I want to change the rules of the game between the center and provinces."

Instead of being silenced as an alarmist heretic, Hu appears to have the ear of the Chinese leadership, which looks favorably on a coterie of neo-conservative scholars who see danger in China's fast-buck boom.

But Hu has enraged coastal barons with demands that Beijing scrap privileges granted to special economic zones by Deng, now aged 91 and largely eclipsed as a political force.

Li Youwei, party chief in Shenzhen, which is a neighbor of Hong Kong, accuses him of trying to revive the ruinous egalitarian frenzy of Mao's Great Leap

yChina-Taiwan spat could speed Asian arms race

By Valerie Lee
Singapore

ASIAN nations, which have been adding heavily to their arsenals in recent years, may speed up weapons buying if tensions flare up in the Taiwan Strait, analysts and diplomats said over the weekend.

Part of the concern derives from China's new purchase of planes from Russia which will add considerably to its long-range firepower, they said. "Southeast Asia is going to see how China deals with Taiwan.

If China wields a big stick, then down south the countries are going to say 'we will start buying more equipment'," Bruce Gale, an analyst at Singapore's Political and Economic Risk Consultancy, said.

Post-Cold War Asia is already being wooed by arms manufacturers as one of the world's key markets. "We see the Asia Pacific as a buyers' market," Don Vance, vice president for Asia-Pacific at Westinghouse Electronics Systems, a supplier of defense systems, was quoted by Singapore's Business Times newspaper as saying.

The Association of Southeast Asian Nations (ASEAN) alone spent \$9 bil

lion on arms in 1995, 22 percent of total world spending, said Paul Beaver, editor of Jane's Sentinel.

ASEAN groups Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. "That's a huge amount of spending. It puts ASEAN after the United States and the European Union," Beaver said.

"I expect the spending to increase by two percent every year," Beaver said, adding that developments in China would "give more urgency" to ASEAN arms purchases. Singapore Defense Minister Tony Tan said last week the friction between Taiwan and China was the most worrisome potential flashpoint in Asia as any conflict would change the strategic balance in the region.

"We hope that cool heads will prevail and ways will be found to defuse the tension before the situation gets out of hand," he told an Asian Security Conference.

Taiwan expressed concern over a new Russian contract to supply advanced Sukhoi SU-27 fighter planes to China, a deal which a senior Russian defense official confirmed on Friday.

"Apart from expressing our concern to Russia, we hope that they can rec

ognize that supplying Communist China with advanced weapons not only harms our security but also creates instability throughout Southeast Asia and Asia," Wang Wei-Chich, a director at Taiwan's Foreign Ministry, told journalists.

Taiwan, China's rival since a civil war ended in 1949, has long been in a conventional weapons arms race with China. Beijing says it would use force against Taiwan, which it regards as a renegade province, if Taipei tried to become independent.

But senior Russian defense official Edward S. Neimark said the SU-27 contract, signed at the end of 1995, was unlikely to upset the balance of power in Asia. Neimark said in Singapore that Moscow had sold SU-27s to Beijing in 1994 without much reaction.

"I don't think it will raise the tension in the region," he said of the new contract. "We have already supplied the first batch of Sukhoi 27s to China and there was no disbalance of forces in the area registered on that occasion. The second batch perhaps will not hinder the situation."

Some analysts said Asia's accumulation of arms stemmed from greater economic wealth, not in re

action to any threat Arms dealers are capitalising on tensions in the Taiwan Strait to market sales in the region and worldwide, they say.

"China is a blockbuster threat because it has a border with practically all of Asia," said Noordin Sopiee, director general with the Institute of Strategic and International Studies in Kuala Lumpur.

"I am very relaxed about China and Taiwan because you have to assume a reasonable degree of sanity.

People nowadays are not interested in fighting for territory, they are more interested in fighting for markets," Noordin said.

Lower Western defense budgets have also prompted some arms makers to target markets in the East and Far East to pull them out of recession. Combat airplane makers from the United States, Russia, France and Britain flocked to the Asian Aerospace Show in Singapore last week in a bid to win a share of the anticipated \$88 billion market for fighter planes over the next decade.

The Aerospace Show attracted 900 firms from 36 countries eager to display their military or commercial aviation wares.

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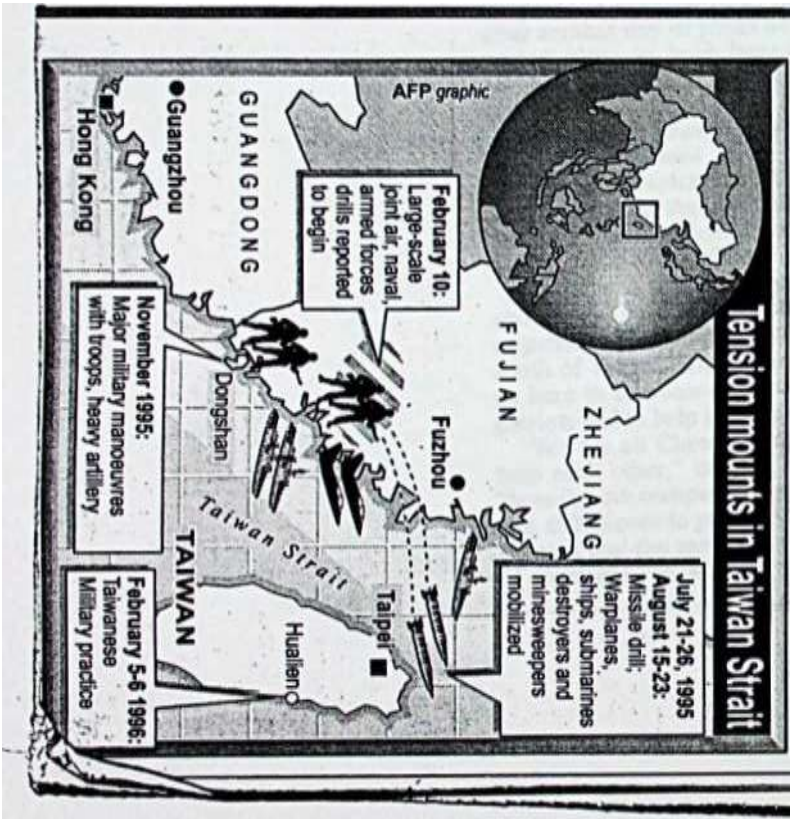
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China president, Army split over Taiwan invasion

/ Taiwan seeks to calm war of words with mainland China

TAIPEI, Feb. 6 (AFP) — Taiwan today sought to calm its war of words with Beijing after another day of jitters over China's reported plans to hold large-scale military exercises on the nationalist island's doorstep.

Shunning his usual criticism of China for fueling the tensions in the Taiwan Strait, Taiwanese President Lee Teng-hui seized the occasion of the earthquake disaster in the southwestern Chinese province of Yunnan to sound a conciliatory note.

"There was a big earthquake in Yunnan and serious casualties," Lee said while inaugurating his campaign office in Miaoli, south of Taipei. "This is the time for all of us here to exercise our love for our compatriots and to help the people there.

"We are all Chinese people. We should help each other," he said, adding that the "love for our compatriots is not changed by any differences in political ideologies." He insisted that the removal of Taiwan's state of emergency on May 1, 1991, easing hos-

tilities with China, reflected the government's efforts to improve relations with the mainland. But China was in no mood for compromise with the island it regards as a renegade province that will one day return to the mainland's control.

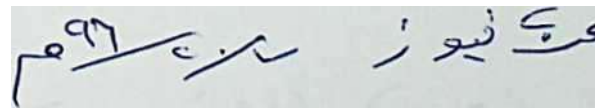
In a scathing attack published by Xinhua, Beijing accused Lee of plotting since his student days of creating an independent Taiwan. "Lee Teng-hui hid his intention for advocacy of the 'independence of Taiwan,' he worked for the Kuomintang for a long time until rising to the 'peak' of power in Taiwan," the 1,000-word commentary alleged. It said Lee formed an "iron triangle" with two pro-independence activists, Peng Ming-min and Liu Ching-wei, and that he secretly kept in contact with his "super-aide" Peng during the latter's exile in the United States.

Peng is a candidate running against Lee in Taiwan's March 23 presidential elections, a vote widely seen as a watershed in the island's history.

Although China has publicly said the polls are of no significance to Taiwan's status, the attack on Lee, who is the odds-on favorite to become the island's first democratically elected president, revealed deep fears from Beijing over the island's destiny. Peng and Lee "both violate the fundamental interests of the Chinese nation, including those of the people from Taiwan...they are doomed to failure," the article said.

The government here, driven off the mainland after losing a civil war to the Chinese Communists in 1949, has in recent years it has permitted private and trade exchanges with China. It still holds eventual reunification with the mainland as a state policy. But Lee's "private" trip to the United States in June enraged China, which interpreted the visit as an attempt to promote Taiwan's independence.

Beijing retaliated by holding two rounds of missile tests and a large-scale military drill near the island, and running vicious attacks against Lee for four days running.



Politics, profits in China's information clampdown

By Jeffrey Parker
Beijing

ANALYSTS struggled on Wednesday to decide whether China's clampdown on economic information is a grab for profits by a struggling state news agency or a great lurch backward to Maoist thought control.

Their concern was more timely than ever as China and the world face an information explosion unleashed by "new media" such as the global Internet along with rapid upgrading by more traditional suppliers of news and information.

World reaction was swift to Beijing's announcement that foreign vendors of economic information must now be regulated and possibly censored by the Communist Party's Xinhua news agency.

Commentators generally saw the change as an attack on a free flow of information that would hurt China's economy and fledgling financial sector

as well as foreign firms trying to plumb China's emerging media market.

"We don't believe this decision serves China's long-term interests," U.S. State Department spokesman Nicholas B Burns said in Washington, warning it would "damage...Chinese credibility on economic issues and... the overall economic prospects of China." The 88-country International Press Institute in Vienna urged China publicly to revoke the policy, warning that it could "slam shut the door" opened by dazzlingly successful economic reforms launched by paramount leader Deng Xiaoping in 1979.

Deng's grand experiment with markets, enshrined as "reform and opening up", dragged China out of the isolation of the 1966-76 Cultural Revolution.

Some analysts saw the new policy in purely economic terms more in keeping with today's China — a nominally socialist economic power where economic growth and profits are crucial to communism's survival.

"You could read this as a political

act but see it as economic," a Western executive said on Wednesday.

Once an unrivaled monopoly, Xinhua has lost markets to fleet-footed rivals who have formed profitable joint ventures with the foreign news vendors targeted by the policy.

"It's as if Xinhua decided, 'Let's overreact but at least we'll get our foot in the game'," the executive said. "It looks to me like a naked grab to force people to do joint ventures with Xinhua." Xinhua already distributes the general news wires of foreign news agencies inside China, taking a percentage of revenue, but it is not known how much content is passed on to domestic users.

However, money may not be the only motivating force.

Xinhua's bid to take control was supported in the state council, or cabinet, by the propaganda department that claims the task of regulating all information entering China, Chinese sources say.

Anxious at an increasingly free flow of news to Chinese, propaganda of

ficials had fought for months to reestablish their control over censorship that was unchallenged under Chairman Mao Zedong but has been eroded by Deng's reforms.

"The propaganda department has been worried about the flood of free news," said one information analyst in Beijing. The new regulations warn of legal action against a foreign vendor which issues news that slanders China or damages its national interests. No guidelines were offered.

In recent months, propaganda chiefs have tightened their grip on domestic media, vetting major editorials and telephoning to criticize television stations that step out of line.

The analyst said the squeeze on foreign information entering China to filter out ideas that threaten Communist Party rule — and not on news leaving the country — was only a matter of time.

"Information is the last frontier in China and will certainly be the last sector on which the state relaxes control," he said.

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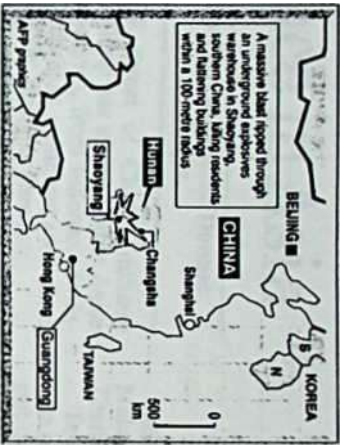
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provincial capital, Changsha.
A rescue team official reached by telephone in Shaoyang said 20 more bodies had been discovered at the site of the blast Friday in addition to the 77 already confirmed.
A Chinese Red Cross official said a further 18 people had died in hospital.
Of the more than 400 injured by the explosion, more than 100 were seriously hurt and 23 were "in a critical condition," he added.
The official from the rescue im.

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Doctors were seen giving emergency medical treatment to bloody survivors wrapped in bandages, both on the spot and in hospital.
The cause of the blast was still under
Doctors were seen giving emergency medical treatment to bloody survivors wrapped in bandages, both on the spot and in hospital.
The cause of the blast was still under
Doctors were seen giving emergency medical treatment to bloody survivors wrapped in bandages, both on the spot and in hospital.
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members were all killed in the blast, had been arrested.
"The entire street has been levelled," a local television official said.
"The blast was felt throughout the district."



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The rescue team official, who was one of the first to reach the blast site, described a scene of complete carnage with bodies and body parts scattered over a wide area.
"People were screaming and many of the bodies were impossible to identify," he said, adding that as many as a dozen young children playing in a nearby video game center had been killed.
Many of the seriously wounded were passers-by who had received horrific head injuries from flying rubble and shrapnel.
The house above the cellar and an adjacent four-storey building housing some 15 people were completely levelled.
About 40 two- to three-storey residential buildings within a 100-meter radius of the blast site were also destroyed,

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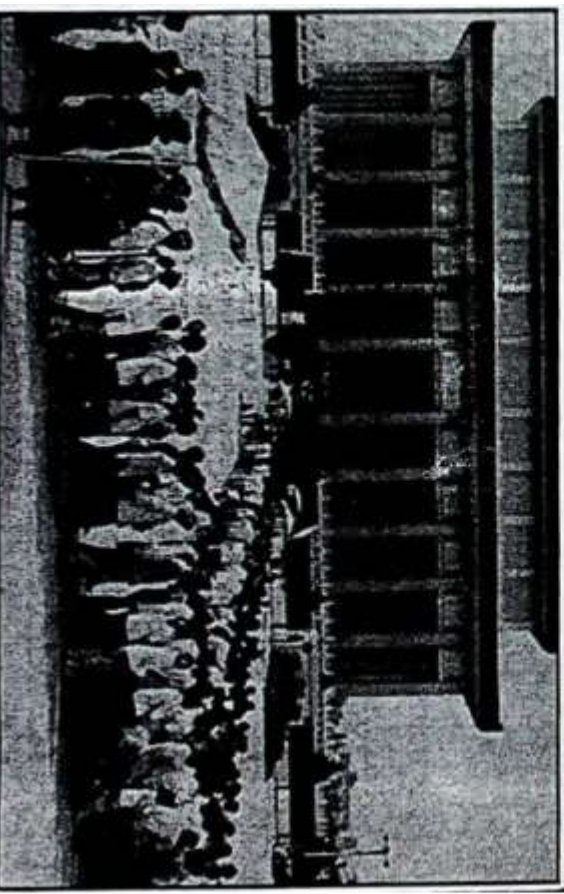
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time queuing in the cold — purchase a bouquet of funeral flowers at an authorized stall by the entrance. Flowers in hand, they are then told to jump the queue and hurry inside, ahead of non-paying visitors. Charging admission to see Mao would be just unthinkable: No such center forces people to buy tickets. But if Buddhist temples and Catholic churches can charge for candles, why not demand money for flowers? Each bunch costs only two yuan (15 U.S. cents), but multiply that by 100 million! And all the flowers are fake, an innovation that has allowed a lucrative breakthrough in sepulchral recycling. Whenever the flora gets too deep inside the mausoleum, staff arrive with a big box, collect the flowers, take them back outside, and sell them to the next batch of visitors.

Not all the Mao money-making is so subtle. At the back of the mausoleum, what used to be a fusty souvenir shop selling faded postcards has mushroomed into a frenetic bazaar of Mao memorabilia: Pens, watches, leather jackets, holograms, T-shirts, chopsticks, cigarettes — even a plastic model of Mao standing on Tiananmen Gate that twinkles in the dark and plays, "The East is red".

The Communist Party seems both delighted and baffled by such Mao mania. It has expended much energy of late trying to rebut the blasphemous memoirs of his former doctor, Dr. Li. Archives have been scoured, doctors and nurses called out of retirement as witnesses, and an entire book written to debunk the portrayal of Mao as a despotic leader addled by paranoia and power.

But there is a problem. The squalid details that party puritans want purged from the record increase, not diminish, the Mao mystique — at least, for a generation that remembers neither the famine of the great leap forward nor the terror of the Cultural Revolution. A young fan at the mausoleum confessed he had read the doctor's banned memoirs, and said he now admires Mao even more. "Mao was a real leader," he said. "Mao did whatever he wanted, whatever he wanted. Long live Chairman Mao." *(The Guardian News Service)*



Crowds wait to enter the giant mausoleum housing the body of Mao Zedong.

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Taiwan's president leads the way

By JOE McDONALD

FIRST come dragon dancers and a Chinese orchestra of horns and cymbals. Then President Lee Teng-Hui takes the stage at a campaign rally as 1,500 of the party faithful surge to their feet cheering.

Grimacing and waving a baseball cap, the Nationalist Party veteran who has recast himself as a populist outsider launches into a speech thumbing his nose at China and boasting of making Taiwan a democracy.

China is waging war games near Taiwan, but that doesn't scare him, he says. "We're not shrimps with weak feet." There will be "no surrender." China's threats are just "futile nagging."

But after his 15-minute speech, it's still hard to say where Lee wants to take Taiwan. In one breath, he sounds like a China-baiting Taiwanese Nationalist, in the next, he reaffirms his commitment to reunite with the mainland that his predecessors fled after losing a civil war in 1949.

Perhaps he's a bit of both. Campaigning for a new term in the island's first direct presidential elections, on Saturday, Lee is trying to draw voters from both camps: those who support reunification and those who seek an independent Taiwan.

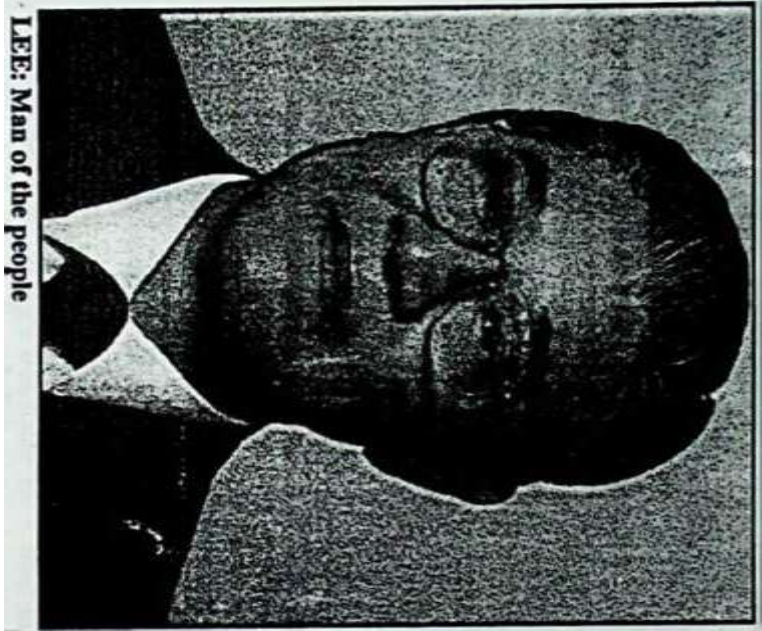
He is very different from his forerunners, Generalissimo Chiang Kai-Shek, who led the exodus from China, and Chiang's son and successor, Chiang Ching-Kuo.

They were mainlanders who imposed Mandarin, China's standard dialect, on Taiwan. Lee is native-born Taiwanese, has never lived in China, and delights his audiences by addressing them in Taiwanese dialect.

But then he lists the strides he has made toward easing trade with and travel to China — a far cry from his predecessors' ban on any contact with what they called the communist "bandit regime."

China accuses Lee of renouncing their shared goal of reunification in preparation for declaring independence, and has launched war games and missile tests near Taiwan to frighten voters away from him.

Are China's suspicions of Lee valid? "He gives a very confusing impression," said Chang Ling-Chen, a political science professor at National Taiwan University.



LEE: Man of the people

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Chinese pressure Taiwan backfires

By PIERRE-ANTOINE DONNET mingtang which has rule

Teng-hui, and turned the eyes of the world onto the island's democracy.

Rising tension in the Taiwan Strait following Chinese missile tests and military exercises have fueled unprecedented interest around the globe in the island of 21 million which separated from China in 1949.

The March 23 vote in Taiwan, which still calls itself Republic of China, is billed as the first-ever election of a top leader through universal suffrage in the history of Chinese civilization.

So far, the maneuvers have only served to contrast the political progress in Taipei with Beijing's iron-fisted rigidity — its harshness towards Taiwan or towards its own political dissidents or Tibetan activists.

The Chinese "are miscalculating," US Assistant Secretary of State Winston Lord said this week.

China's escalating war games had "probably ensured" President Lee's re-election, he said. "They've... increased his mandate."

Abroad, Beijing has stoked concern around Asia over its posturing and boosted Lee's standing in Washington, where the Taiwan lobby has been working hard to stir up sentiment against Beijing.

On Thursday — just hours after a key US congressional panel approved a measure urging US military intervention to defend Taiwan if China should attack — the Pentagon announced China had assured Washington it would not attack Taiwan.

A survey published in the *United Daily News* Wednesday, the last permitted before election day, demonstrated Lee's rising stature on the domestic front.

Some 50.8 percent of those questioned, according to an average of two weeks of polls, said they planned to vote for Lee, 73, who also heads the Kuo-



LEE: Gains popularity

other candidates or were undecided. That poll also revealed that for 30.5 percent of voters, the Chinese exercises only helped "strengthen their determination" to vote for Lee, who has drawn bitter attacks from Beijing which sees him as a votary of independence for Taiwan.

"Beijing's military intimidation has made Lee into a sort of hero here," said Tsai Chang-wen, professor of political science at the University of Taiwan. "If the communist authorities thought they could intimidate the people, they were vastly mistaken," Tsai said.

"In fact, the irony is that the Beijing leaders have become our top publicity agents. Now, thanks to them, the whole world will see the distance Taiwan has traveled down the road to becoming a full-fledged democracy," he said.

Since Generalissimo Chiang Kai-shek retreated here in 1949, the politics of Taiwan have undergone a sea change. After living through a highly repressive period under the nationalists, Taiwan has over the past few years veered towards a genuine multi-party system without bloodshed or social upheavals.

The ruling Kuomintang has itself changed radically, its current leaders' approach having little in common with the autocratic ways of the post-war period. The younger crop of leaders, educated in US universities, are well in tune with the world situation. (AFP)

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Chinese aides threaten nuke

1/

attack on LA, says US official

Beijing may launch more exercises

WASHINGTON (Agencies) - Lower-level Chinese officials have threatened to attack Los Angeles with nuclear warheads if Washington comes to Taiwan's defense in case of a Chinese attack on the Nationalist-ruled island, Assistant Secretary of State Winston Lord said Sunday.

"Some Chinese lower-level officials told some visiting American officials that we wouldn't dare defend Taiwan because they'd rain nuclear bombs on Los Angeles," Lord said on C-SPAN cable television.

But he added that a high-level Chinese official, during a visit a week ago to Washington, "denied that it was any official policy."

Describing the threat as "unhelpful-type rhetoric", Lord said: "It's not official and indeed we had a recent high-level Chinese visitor here a week ago, here in Washington, and we pointed out that this kind of information was not helpful."

Lord did not say when the low-level officials made the threat, nor did he name the senior official who denied the threat was official policy.

"Of course we don't want to get into a war with China. They've got nuclear weapons, a huge army. We would prevail in such a war, but it'd be terrible for both sides, not to mention the peace and stability of the region."

China's war games around Taiwan are

likely to grow as well as last past Taiwan's presidential elections this week, senior military officials were quoted as saying Monday.

"These are only 'exercises of strategy'," pro-China Hong Kong newspapers quoted Shi Baoyuan, deputy commander of the Shenyang military command, as saying in Beijing.

"In the future, they are likely to become more extensive," he told the *Wen Wei Po* and *Ta Kong Pao* newspapers on Sunday at the end of the National People's Congress (NPC) in Beijing.

China military strategists have already made it known that the series of military

exercises are likely to be extended past the election on Saturday, expected to give President Lee Teng-hui a second term.

But Shi's comments were the first sign that the scope of the exercises are likely to spread. China was to start a new round of air-sea-ground drills on Monday expected to simulate an invasion of one of the smaller Taiwanese islands.

The exercises off Fujian province are already the closest to Taiwan, in the series intended to warn the Taiwanese off independence and to vote against Lee.

Military officials in Beijing have also stepped up warnings against the United States, according to the Hong Kong, newspapers.

China can build an aircraft carrier if it needs it to confront any foreign force,



quoted as saying by *Wen Wei Pao* and *Ta Kong Pao*.

The United States has the *USS Independence* in place near Taiwan and the nuclear powered *USS Nimitz* is on the way. Both carriers have a support fleet with them and China has warned of the risk of a confrontation if the United States intervenes in cross-Strait tension.

China's state minister for the Commission of Science, Technology and Industry for National Defense, would not answer questions on whether China was building its first aircraft carrier.

"This is a military secret, I can't tell you anything," he said during interviews at the end of the National People's Congress (NPC) in Beijing on Sunday.

Last year there were reports that China planned to buy an aircraft carrier from Russia. But Beijing denied this.

In Taipei, a Taiwan security chief said on Monday that China might keep up the psychological pressure on the island by staging another round of war games after the current round is over.

But National Security Bureau Director Yin Tsong-wen suggested that China's next military exercises might be less provocative and moved inland. That appeared to mean that they would be staged on China's landmass. The current exercises are offshore.

"...Communist China might after the third round of exercises stage a fourth wave of exercises moving inland," the state-run Central News Agency (CNA) quoted Yin as saying.

the country's defense industries minister riens near the Taiwan Strait because of was quoted as saying. mounting tension.

Ding Henggao said China was not "If there is a need for one, China can afraid of the presence of US aircraft carrier - also build an aircraft carrier," Ding was

(Continued on Page 4)

1997 2/19

II/China mulls tougher policy toward U.S.

A / V Sv Benjamin Kang Lira
Beijing

CHINA's hawks and doves are
debating behind closed doors
whether to toughen Beijing's
policy toward Washington in the post-
Cold War era, analysts said on
Wednesday.

The hard-line conservative camp
sees an imperialist United States trying
to contain Beijing, Chinese analysts
and Western diplomats said.

The conservatives believe Wash-
ington fears an economically and mili-
tarily strong China that could even-
tually rival the United States, they said.

A more pragmatic camp says it re-
mains to be seen whether the United
States is really out to contain China.
The pragmatists are eager to improve
bilateral ties which they argue are mu-
tually beneficial.

"It is hard to say which side has
gained the upper hand" a Chinese ac-
ademic familiar with government pol-
icy towards the United States said in a
telephone interview. "But the voice

of the conservative camp is getting
louder and louder," said the academic,
who asked not to be identified.

China has criticized U.S. media for
suggesting Beijing's growing military
power poses a threat to the region and
that it needs to be contained. The fears
of China's neighbors were fueled when
the People's Liberation Army held a
series of missile tests and war games
off rival Taiwan in the run-up to the
island's first direct presidential elec-
tions last month. Beijing flexed its
military muscles to spread fear on the
island which it regards as a rebel
province, hoping Taiwanese would
abandon any dreams of independence.
"After the Taiwan incident we still
don't know what to make out of U.S. '
troops based (in Asia). It's still being
debated" the academic said.

The huge U.S. military presence in
Japan had been a welcome stabilizing
force for Asia during the Cold War era,
but China now sees itself as the main
target of military cooperation between
Tokyo and Washington.

"There's a strong feeling now that a
U.S.-Japan alliance is mainly targeted

at China in the post-Cold War era," a
Chinese expert on Asian affairs said.
Tokyo had in the past been reluctant to
criticize Beijing, apparently to atone for
its aggression against China from 1937
to 1943. But Japan's policy toward
China was getting tougher, the expert
noted.

In August, shortly after China det-
onated its second nuclear device for
1995, Tokyo announced a retaliatory
freeze on grant aid to China. Tokyo's
move was largely symbolic because it
has said it would not touch huge yen-
loan packages, which form the bulk of
its financial aid to China. But China was
still unhappy, calling the freeze
unfriendly and undesirable.

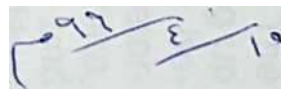
"Japan is becoming more and more
like Western countries," the expert said.
"Psychologically, Japan has become
more cautious of and on guard against
China." U.S. President Bill Clinton and
Japanese Prime Minister Ryu taro
Hashimoto signed a joint declaration on
Tuesday reaffirming their strong
security and other ties and pledging that
American troop strength in Asia,
including Japan, would be

maintained at present levels.

A Western diplomat disagreed that
Beijing saw the U.S. military presence in
Japan as targeting China. "It's been there
for a long time...It's there due to
historical reasons and unlikely to be
reduced to zero in a hurry," he said.

The diplomat said China still felt
more comfortable with the U.S. military
presence in Japan than with the prospect
of starting an arms race in Asia to fill the
vacuum left by a U.S. troop withdrawal
"China, like a lot of other countries in
the region, would be cautious against
any military build-up by the Japanese,"
the diplomat said in a telephone
interview.

Nevertheless, the role of U.S. bases
in Japan in the future may put the Jap-
anese in a difficult position. Com-
menting on possible use of civilian
airports in Japan by U.S. troops, a
Chinese Foreign Ministry spokesman
said: "We hope defense arrangements
between the United States and Japan
would not exceed their scope." "We
hope...(it) would not bring complicated
factors to the stable situation in Asia,"
the spokesman said by telephone. (R)



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Water resources drying up in China

By JOHN GITTINGS

PLEASE leave Deng Xiaoping alone, the Chinese foreign ministry pleaded this week. All these rumors about his health are... affecting his health!

The latest flurry

First, the health minister admitted this week that medical care had collapsed in large parts of the countryside. Chen Minzhang said: "We can no longer let farmers be responsible for dealing with serious diseases themselves. Their

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So
e story in rural education. Millions of rural children are deprived of basic services. Those who fall sick must go back to their villages.

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Second, Beijing revealed last week that the number of workers without jobs is at least 8 percent, not the 2 to 3 percent usually claimed.

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Five million are registered as unemployed, while another 7 million have been sent home as "surplus labor."

Yet
whenever it occurs, should bring less of an upheaval than is generally supposed. Chinese leaders are skilled in the art of "activity through inactivity". Their internal struggles will be kept out of sight and within bounds.

These figures only cover workers in the state sector. Many as 15 percent of demonstrations, once common, are spreading in urban

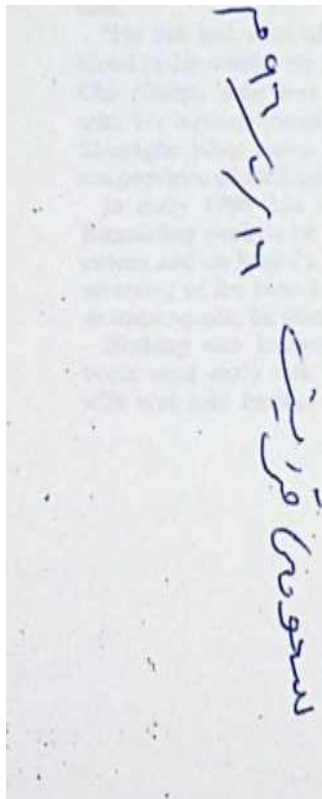
Factionalism is indeed already rife. President Jiang Zemin has to reckon with rival groups in the army and government. A post-Deng collective leadership will only work as a triangle of these forces.

If something goes badly wrong and there appears to be a political vacuum at the center, then the crowds could return to Tiananmen Square - and the leadership knows it. Yet the much-feared "luan" - chaos - could still emerge as the consequence of more fundamental unrest in Chinese society, where economic boom jars increasingly with social and environmental disorder.

Three recent news stories illustrate the potential for disintegration at the grass

The real surprise after would be a radical rethink in first" policy which is una - before it is too late.

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China must guard against problems in

Chinese labor activist weak and ill, says wife

BEIJING (AFP) — Veteran labor

activist Liu Nianchun has become so weak and ill after three weeks in a Chinese labor camp that his wife on Tuesday said she was unable to recognize him.

“He has lost a lot of weight and has blood in his stools. He is so weak,” said Chu Hailan, who was allowed to stay with her husband from July 16 to 18 at Shuanghe labor camp in the northeastern province of Heilongjiang.

In early 1995 Liu signed a petition demanding workers be allowed to set up unions and on May 21, ahead of the anniversary of the June 4 massacre in Tiananmen square, he disappeared.

Nothing was known of his whereabouts until early this month when his wife was told he was in Tuanhe labor

camp outside Beijing. On July 10, he was moved to Shuanghe for three years re-education through labor, an administrative sentence that does not require a trial.

“When I left Shuanghe they stripped me to check I was not taking anything from the prison. Although I took him lots of good food, nourishing supplements and medicines, they only let him have the cheap foods and cheap cigarettes and some medicines. The rest I had to take home with me,” she said by telephone.

In Tuanhe he was beaten up by the “head” of a group of prisoners, she said, adding “he is very weak and ill, and I don’t know if the doctors will treat him.”

Chu is preparing to sue the Beijing

Public Security Bureau, Beijing Municipal government and the Reeducation Through Labor Bureau on the basis of a letter Liu posted out of the prison demanding the government pay him compensation and end his “illegal detention.”

“I am like my husband’s ambassador now and must fight for him” she said by telephone.

The letter, reproduced in a statement from the humanitarian organization Human Rights Watch Asia, says Liu’s actions have been entirely within the law.

“My actions contain no criticism of the government and have not incited any trouble,” Liu said. “A letter I wrote with Wang Dan in 1995 simply aimed to clean away the hidden problems of society to prevent a repeat of Tianan

men tragedy.”

Liu, 48, said he attempted to register a labor rights group five times in 1994, but the security bureau told him the application “does not conform to the regulations of the registration of an organization or group.”

Another charge leveled against Liu is that he received money and aid from the “illegal foreign and reactionary organization, Human Rights Watch Asia.”

“I received 100 dollars from the organization. It was collected by students in the US. That’s not illegal, the statement said.

“But what is illegal is that the police hounded me and followed me for months and months in 1994 and 1995. That was against the law and curtailed my rights,” Liu’s statement said.

Meanwhile, a group of US academics has demanded China stop its “ongoing repression” of Chinese scientists, saying 36 of them are in prison or have disappeared.

China should immediately release the 17 scientists imprisoned and the 17 whose whereabouts are unknown, the American Physical Society’s Committee on the International Freedom of Scientists said.

The demands were included in a June 27 letter and 430-signature petition sent to President Jiang Zemin and Premier Li Peng.

Many of those imprisoned, including Chen Ziming, a social scientist labeled a “black hand” of the Tiananmen massacre, were active in the 1989 pro-democracy movement.

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Handwritten text in Urdu script, possibly a signature or name.

loser. If the current demonization on the part U.S. leaders continue, there is little doubt that Beijing will soon begin to act as a political adversary.

Its massive, fast growing economy will be lost to the U.S. as American exports and investments are shut out. Far worse, a chance to help shape the peaceful integration of a rising Asian giant into the world community will be lost as well.

Behind America's reckless policy and anti-China rhetoric, plenty of vicious elements are at work. A coalition can hard- and lib- all see a dangerous

as was SOV... And China, on its part, is not without its share of the blame. In its attempt to influence Taiwan's first democratic presidential elections, the nation is playing into the hands of anti-China

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Chinese emerge from the cold

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CHINA will get its own affordable entry to the electronic highway in November. Shanghai's Jiaotong University is setting up a local network which offers an on-line connection with Internet, the world's biggest international computer network with millions of users.

The university hopes to limit the costs for subscribers to about \$120 a year, with no additional charges for receiving or sending information. The price will be decided, says the university, when it knows how many subscribers it can get.

Compared with such local networks in the United States, \$120 is a fair price - but is more than a month's wage for a teacher in China.

Beijing has also signed contracts to tap into the global data network. Until now, only a limited number of academics and people with a lot of money in their pocket had access to worldwide computer networks such as CompuServe, the second largest commercial international network after Internet.

"Internet? That's no problem." Three officials at the headquarters of Shanghai Telecommunications, together with an interpreter, sit down with me, their new customer, looking for a route into the electronic highway.

The state-owned company has an official waiting list of two years for an expensive phone line with international access. The officials at head office represent the new China. They send me home with an impressive brochure.

Some desperate addicts of international computer connections are willing to pay \$1,450 to a Dutch software house in Beijing to install a connection with CompuServe. After installation, users have to pay extra money for every bit of information they receive. It all makes the use of the services expensive and inaccessible for most Chinese. - (Gemini News)

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HYUSTOCK PHOTOGRAPHY

China diversifying trade ties

Riyadh Bureau

RIYADH, April 13 — The People's Republic of China is diversifying its trade relations with the Kingdom with the export of heavy construction machinery to this country. The start of this new relationship was set in motion last week when El-Seif Development Co. opened a new showroom on ■ Khurais Road for heavy construction machinery made by the Xuzhou Construction Machinery Group of China.

China has also started exporting frozen beef to the Kingdom in addition to live sheep. In 1994, over 100,000 live sheep were exported in a private deal between the two countries.

The inaugural function was attended, among others, by Chinese Ambassador Zheng Da Yong, commercial counselor Zhang Dimo, Chairman of El-Seif Group Khaled El-Seif, President of Heavy Machinery International (HMI) and El Seif Development Co. Faisal El-Seif, and HMI country product support and service manager, Shen Jian Xin.'

Xuzhou Construction Machinery Group

is said to be the largest manufacturing group in China with more than 20,000 employees throughout 43 factories. Its products consist of truck cranes, wheel loaders, road rollers and road pavers, mobile concrete mixers and pumps as well as static self-rising tower cranes.

This heavy machinery, manufactured in technical collaboration with American and European companies, is available at the El-Seif showroom. The opening of the showroom also coincided with the arrival of a delegation from China representing different sectors of the construction industry.

Zhang Dimo, commercial counselor at the Chinese Embassy, said the delegates who were on an exploratory mission, held talks at the ministries of labor, industry & electricity, and telecommunications.

Dimo said China, whose exports to the Kingdom shot up by 17 percent last year to the current level of \$734 million, is seeking to carve out a niche in the labor market for the supply of skilled manpower^ "We can supply coaches in some categories of sports: as well as skilled technicians and computer experts," he observed.

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Experts view China's war talk as rhetoric

By Eugene Moosa

- Tokyo

CHINA'S talk of being able to mount an amphibious operation against Taiwan is mostly empty words because its navy and air force lag far behind its rival in technology, Japanese military experts say. Even if the United States did not step in to defend Taiwan against China, Chinese forces would suffer more than a bloody nose if Beijing tried to invade Taiwan-held territory, they said.

The United States has dispatched two carrier battle groups near Taiwan, its largest fleet in the Far East since the Vietnam War ended in 1975. China has criticized the move, saying the United States was interfering with its sovereignty.

"China is about 20 or 30 years behind the West in technology of warships and fighters, and (its large) numbers alone do not mean anything," said Naotoshi Sakonjo, research associate at Japan's Research Institute for Peace and Security.

China's military is deficient in three main areas to stage a full-scale amphibious operation — naval support fire, combat aircraft and assault ships, Sakonjo said.

"Ninety percent of China's 4,000 warplanes were designed in the 1950s or are derivatives of them, such as the MiG 19," Sakonjo told Reuters. "The fact that China recently bought some modern SU-27s from Russia is like admitting it failed to develop its own aircraft technology." Against this, Taiwan can mobilize some 275 U.S.-designed F-5 Freedom Fighters and 40 of the new, indigenous Ching-kuo fighters, which are more than a match for China's planes, especially when combined with early-warning Hawk eyes.

Later this year, Taiwan is also expected to take delivery of the first of 150 U.S. F-16 fighters and has also ordered 60 French Mirage 2000 fighters.

Sakonjo said China's navy was similarly outdated. As an example, he said, its sole ballistic missile-firing submarine was 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 submerged. Only four are the more advanced Russian Kilo-class submarines.

Of 50 destroyers and frigates in China's navy, only 18 are of the modern Luh class, and none were capable of the support fire needed in an amphibious operation, like the Cruise missile-firing 275 U.S.-designed F-5 Freedom Fighters warships of the U.S. Navy. China has 18 and 40 of the new, indigenous Ching-kuo large assault ships, each of which can carry some 150 troops.

Against that, Taiwan can muster four new, domestic-designed frigates and six U.S. Knox-class guided-missile frigates.

Taiwan also has 20 destroyers and frigates of U.S. World War II vintage but they carry more modern weapons compared to China's.

It also has two modern Dutch-designed submarines. > China's military doctrine is as antiquated as its main weaponry, military author Haruo Fujii said. "China's idea of amphibious operation is like sending

thousands of small wooden boats across the Yangtze River," Fujii told Reuters. "It seems they don't understand the depth and logistics of a U.S.-style amphibious operation." Asked if China could successfully invade one of the small Taiwan-held islands near the mainland coast, instead of the main Taiwan island, Sakonjo said that was asking for too much.

"Even for a limited offensive operation like that, it is very doubtful that China could establish command of the sea and air," Sakonjo said.

Fujii said the only remaining option for China was to use its submarines and missiles in sporadic, harassment tactics.

"This is all China could do, attacking Taiwan's commercial shipping with submarines using hit-and-run tactics or firing ballistic missiles at Taiwan, like (Iraqi leader Saddam) Hussein did in the Gulf War," Fujii said.

"But this surely will incur U.S. retaliation, not to mention that of the rest of the world, and it is very doubtful China would do anything of the sort," Fujii said. ■

(R)

'z It's one China, not two

Dean of the University of Illinois | hj
The College of agriculture, the presidents I of
Illinois largest farm organ- isations - Farm
Bureau, the Farmers Union, the president of John
Deere manufacturing company, and two Members of
Congress spent their first evening in Beijing, China,
like kindergarten kids using scissors and paste to
change the appearance of a printed folder.

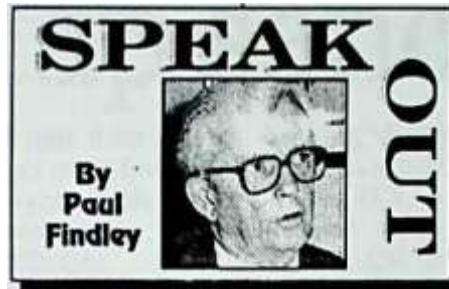
Hard to believe? It happened in March 1978, and
the cut-and-paste exercise illustrates Beijing's
sensitivity over China's relationship with Taiwan. It
also underscores the foolishness in sending US
warships to the Taiwan straits.

In preparation for Illinois' first agricultural trade
mission to China, Farm Bureau artists had designed
and printed a brochure identifying the fifteen
members of the mission and listing its objectives. It
was intended for distribution during our ten days of
appointments, during which we would meet with a
number of government officials and visit a number of
provinces.

A map prominently displayed on the back panel
of the brochure inadvertently failed to show the
island of Taiwan as a part of China, as omission that
no one noticed until our plane landed at Beijing and I
handed a copy to the leader of the reception
committee.

The leader courteously but firmly told me, as
chairman of the mission, that the folder could not be
distributed. "There is only one China," he said, "and
Taiwan is a part of it." Because the printed map
failed to show Taiwan as a part of China, he
explained, "it would be viewed as a political
statement, an affront, and simply could not be
accepted by any officials of China."

It was an unfortunate error that I, of all people,
should have caught. As a member of the committee
that had drafted the Taiwan Relations Act, I knew the
Chinese were sensitive on the issue. For more than 25
years, two different governments claimed authority
over all of China, and throughout that period, the US
government recognised the one on Taiwan, called
Nationalist China, and ignored the one in Beijing,
called the People's Republic of China. Washington
remained loyal to the government



on Taiwan, its ally in World War II, even though the
Taiwan authority was restricted to a small island and
governed only a tiny fraction of the Chinese
population.

For a quarter-century, the US government
portended that the Beijing regime did not exist. I
viewed it as a costly pretence. In 1967, more than a
year before Nixon became president, I proposed
normalisation of US relations with Beijing, a
recommendation that caused a storm of protest that
did not subside until Nixon went to China.

I began my endeavours on China policy several
years before I began work on Middle East policy,
and perhaps the success of my China initiative
encouraged me to stay in the Arab- Israeli thicket.
Three months before I headed the mission to china I
had my first face-to-face meeting with PLO
chairman Yasser Arafat.

After Nixon's visit, the US mission at Taipei
became the Taiwan Relations office, not an
embassy. The administration of Jimmy Carter
completed the transition in policy, but controversy
over Taiwan's future continued.

Our 1978 trade mission solved our own "Taiwan
crisis" with a late-night operation in which all hands
helped clip a map of Taiwan from an inside panel
and paste it in the correct position on the back-panel
map. This exercise spoiled half of our brochure
supply, but a small supply was better than none.

If progress continues at the present pace, the
economy on the one on Taiwan in a short few years.
At that time, a political union should be attainable
with relative ease. '

The important point for Americans to remember
at this point is the fundamental decision the US
government made twenty-five

years ago. It accepted Taiwan as a part of China and
rejected the notion of independence.

Beijing conducted war games near Taiwan last
week to cool and independence movement that it
gaining strength on the island. It became a principal
issue in Taiwan's presidential campaign that ended
with the election last Saturday.

Although Nixon won Chinese assurance against
a military invasion of Taiwan, the US government
could hardly expect Beijing to be indifferent to the
prospect of Taiwan secession. The steps taken in
both the Nixon and Carter administrations
contemplated that, come what may, Taiwan would
remain a part of China.

Our government should not be surprised at
Beijing's hostility to the movement of US warships,
including an aircraft carrier named the USS
Independence, to Taiwan Straits. The warship's
very name suggests US support for the
independence of Taiwan. It inspired pro-
independence forces on Taiwan to display a banner
with a dual message. It read, "Welcome to
Independence," which was like rubbing salt on
Beijing wounds.

What is the United States' real reason for
sending the warships? Is it a subtle but forceful way
of telling Beijing to keep hands off the in-
dependence movement? If so, it amounts to a
stinging slap in the face and a repudiation o/<
solemn undertakings dating back a fullf generation -
- an affront that no pound nation could. ignore.

More likely, the US government, in a stumbling,
ill-conceived way, is simply trying to. discourage a
Beijing military assault against Taiwan. But that
motive will be viewed as a distinction. The USS
Independence and its military companions will
inevitably and understandably be viewed by China
as a provocative interference in its domestic affairs.

Based on my experience with Chinese officials
over the years, I am confident that China has no
desire for a military engagement with either Taiwan
or the United Sates. But I am also convinced that
Beijing will engage in hostilities rather than let
Taiwan secede. The cut-and- paste exercise years
ago convinced me that Beijing's attachment to
Taiwan is deep-seated, intense and permanent.

3

سعودی قرابت

Clinton may slap sanctions on China

By Rich Miller
Washington

THE U.S. President Bill Clinton faces a credibility crisis in Congress and China over his policy toward the emerging Asian superpower, and experts said he may have to slap economic sanctions on Beijing to resolve it.

But he will have to do that in a way that avoids an utter breakdown in the relationship between the two nations — no easy feat given their already strained ties.

Although tensions between the two countries over Taiwan have eased now that island's elections are over, the United States and China remain at odds on a variety of other issues — from nuclear non-proliferation to software piracy.

"We're at point where U.S. credibility is pretty much zero in the eyes of the Chinese," said Gregory Mastel, director of the Economic

Strategy Institute Think Tank. "The U.S. back is pretty much against the wall."

Clinton's credibility on Capitol Hill is not much higher and lawmakers there are threat

ening to take matters into their own hands and revoke China's most favored nation (MFN) trade rights if Beijing fails to address U.S. concerns.

Administration officials have argued strongly against such a step, contending that it will alienate China and damage U.S. business interests without producing any results.

"It is very important that MFN be extended," U.S. Treasury Secretary Robert Rubin said earlier this month. But Rubin and other administration officials admit they face a hard fight in winning congressional backing for continuing China's MFN trade privileges when they come up for renewal in June.

After de-linking the annual renewal of MFN trading privileges for China from Beijing's record on human rights in 1994, the Clinton administration adopted a policy of comprehensive engagement toward the Asian nation.

But it so far has had little to show for it. The state department said in a report earlier this month that China had committed "widespread and well-documented human rights abuses." And Beijing has shown little sign of

backing down in a number of other disputes with Washington.

The U.S. trade deficit with China jumped 15 percent last year, to \$34 billion, and was second only to America's shortfall with Japan.

To convince both China and Congress that he means business, experts said Clinton may have to hit Beijing with carefully targeted sanctions designed both to head off revocation of MFN and win concessions from the Chinese.

"Renewal of most favored nation trade status does not mean you are not going to take strong and aggressive action in a particular area," U.S. Commerce Secretary Ron Brown said.

The president has two opportunities to do just that. The Central Intelligence Agency has accused China of shipping specialized ring magnets to Pakistan for use in equipment that enriches uranium, a key component in the production of nuclear weapons.

If that is indeed the case, then the administration is obligated by law to cut off U.S. government-backed financing for American exports to China — unless it determines that such a

move would not be in the national interest.

U.S. officials recognize that cutting the credits could prove counterproductive, undermining exports of American goods to China that Beijing can just buy from somewhere else. But they said that waiving those sanctions does not preclude them from taking other, more targeted trade action, perhaps against the Chinese company suspected to be behind the ring magnet sale.

"These are serious issues, which we take seriously and we will respond seriously to them," Brown said on Friday. U.S. Officials said the administration is also concerned by China's failure to live up to a one-year-old agreement to protect intellectual property rights and is prepared to retaliate if Beijing does not change its ways.

"We have the legal authority to invoke sanctions," Rubin told American businessmen earlier this month. Experts said the administration may have little choice but to do just that — if only to restore faith in its tattered China policy. (R)

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 "There has been no prior consultation whatsoever based on the Security Treaty," an official of the Foreign Ministry's U.S.-Japan Security Treaty Division said on Tuesday.
 During the 1950-53 Korean War, numerous U.S. military facilities in Japan were used as front-line bases, but that was under an earlier 1951 security treaty with the United States which gave U.S. forces a virtual free hand in using them.
 In the Vietnam War, many bases on Okinawa, including the Kadema Air Base,

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Editorial



Alarm bells

WAR games involving major powers are as old as history. Nevertheless, there is good reason to be extremely concerned about the naval exercises shortly to take place in the China Seas and, on a larger scale, about Beijing's intentions toward Taiwan, which it claims as its own.

In addition to those exercises, which at the very least are intended to intimidate the Taiwanese in the run-up to their first ever direct presidential elections in six weeks' time, there is Washington's warning to Beijing not to intervene in Taiwan, and the retaliatory warning to Washington not to sell arms to the Taiwanese. On top of this comes the news that China is moving troops to a coastline facing the island and that it has struck a deal with the Russians to build long-range high-performance fighter jets which would give the Chinese air cover over Taiwan without the need for refueling.

It all makes for a disturbing picture. The question underlying it is: What are China's intentions toward Taiwan? Do they include an invasion?

Washington thinks not. But there clearly has been a sea change in Beijing's policy toward Taiwan. Hitherto, it was loud in its claim to the island, but in practice did nothing. That policy has gone. In its place there are missile tests, practice amphibious landings, military exercises, and talk of a timetable for unification between the mainland and the island. The reasons for this change are partly to be found in Taiwan itself: In the past, it too had perpetuated the myth that it and the mainland were one country.

Unfortunately, the calls to convert practical independence to little short of legal independence are something that Beijing cannot stomach, especially a Beijing still in the grip of a power struggle, with all the players trying to outflank each other in their allegiance to traditional political orthodoxies.

It is entirely possible that Beijing's actions are no more than a loud assertion of a ritual claim and that, having made its point, it will pull back from the brink. Unfortunately, there is the other possibility — a China, conscious of its manifest destiny as a superpower of tomorrow, refusing to compromise what it sees as a question of its integrity as a nation. It is no more prepared to let Taiwan go than the United States would Hawaii or Texas.

Even if it does pull back from the brink this time, that is not to say that the Taiwan issue is resolved once and for all. It would be short-sighted to imagine that Beijing is suffering from no more than pique at the island China's holding of democratic presidential elections, and is merely making its feelings felt. For Beijing, the elections are the thin end of a wedge that will result in international diplomatic recognition and, ultimately, independence.

Because of the depth of such emotive feelings toward this other China, an invasion cannot be ruled out. It may be frightening to contemplate — too frightening — but think about it we must. The chances of one are greater now than they have ever been. That is why alarm bells are starting to ring, not just in the Pacific Rim but across the entire globe, especially in Washington.

Invasion of Taiwan would inevitably involve the Americans, pitting two nuclear powers against each other. It may not happen next month, but the opening shots of a new and potentially far more dangerous Cold War have already been fired. What makes it all the more frightening is that China and America are not only potential military rivals, they are also potential economic rivals. It is a recipe for sure conflict. Alarm bells have reasons to ring.

/China defends copyright policy

BEIJING, May 11 (AFP) — Facing impending U.S. sanctions, China continued today to refute allegations by Washington that it has failed to live up to a 1995 bilateral accord on curbing widespread piracy of U.S. copyrights.

The China Daily published an interview with senior National Copyright Administration (NCA) official Wang Hu- apeng, in which he listed China's successes in cracking down on intellectual property rights (IPR) violations.

"The Chinese government has made tremendous efforts in this area and has achieved great results since the agreement was signed in February last year," Wang said.

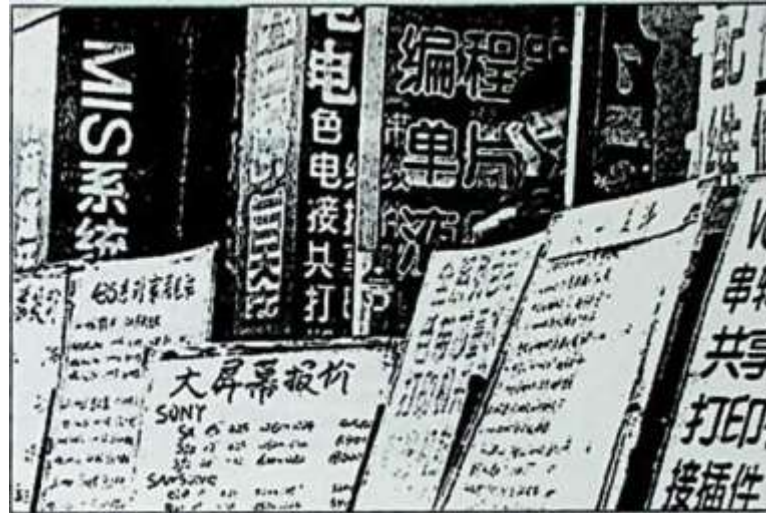
The United States is set to unveil plans on Wednesday to impose \$2 billion worth of sanctions on China for failing to implement the accord, sparking threats of even larger counter-sanctions from Beijing.

Rejecting Washington's assertion that IPR violations in China have actually increased over the past 12 months, Wang said copyright administration departments nationwide uncovered more than 550 copyright cases last year, confiscating more than 1.8 million pirated books and audio and video products.

The NCA also conducted several inspections of suspect compact disc (CD) plants last year, closing seven in the provinces of Guangdong, Hainan and Jiangsu for producing pirated and pornographic CDs.

Wang also pointed out that the NCA and state press and publication administration had jointly requested CD plants to print source identification data (SID) on their products from March 1995.

CD products that do not carry SID can then be identified as illegal, he said, adding that two inspectors had been stationed in



A computer shop employee lets out a yawn as she waits for customers at her shop in Zhongguancun, Beijing's "Silicon Valley" on Friday. Not long ago Zhongguancun was a market for a vast variety of pirated software, but since a police crackdown on vendors, the illegal software is difficult to find. As the U.S. prepares to hit China with trade sanctions in retaliation for intellectual copyright breaches, U.S. officials maintain that while China has had a degree of success in stopping illegal traders, they have failed to target the plants which are producing the counterfeit items.

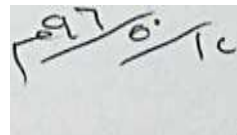
each of the CD plants to monitor compliance (will) slate regulations.

U.S. officials maintain that while Chinese police have cracked down on illegal traders, they have failed to properly target the CD plants, all of which are allegedly engaged in counterfeit production.

U.S. software and entertainment industries estimate global losses resulting from Chinese piracy last year at more than

\$2 billion. Under U.S. trade law, the announcement of the sanctions on Wednesday — expected to target Chinese clothing and toy imports — would trigger a 30-day period for negotiations with Beijing before their imposition.

U.S. Assistant Trade Representative Lee Sands is due here on Monday for talks aimed at convincing China to comply with the IPR deal and averting sanctions.



Jiang leaves Kenya for Ethiopia' *

NAIROBI (R) — Chinese President Jiang Zemin left Kenya for Ethiopia on Saturday on the second leg of his six-nation African tour. Airport sources said Jiang's Air China Boeing 747 took off for Ethiopia, where he would make a keynote speech on Africa policy at the headquarters of the Organization of African Unity. During his visit to Nairobi which started on Wednesday, Jiang signed an aid package of 413 million in soft loans to build a glass factory at Mombasa port in addition to a \$1.3 million technical assistance grant. In a barely disguised jab at the United States, Jiang and Kenyan President Daniel Arap Moi condemned the continued existence of 'hegemonism and power politics'. "Some countries are trying to play the role of international police and they are trying to manipulate the international affairs," the Chinese delegation spokesman Shen Guofang told reporters after a meetine between the two leaders on Thursday.



Taiwan to call for political talks with China

RD 2/15/96

TOKYO (AFP) — Taiwan President Lee Teng-hui will call for political talks with China in his May 20 inaugural speech marking the start of his second term as president, a major Japanese economic daily reported Wednesday.

Quoting several informed sources, the *Nihon Keizai Shimbun* said Lee was considering proposing a summit with Chinese President Jiang Zemin in Beijing, Taipei or Singapore.

Lee hopes to relax tension across the Taiwan Strait with the call for dialogue which is expected to be made in response to an eight-point reunification 'proposal offered by Jiang in January 1995, the newspaper said.

The daily quoted Koo Chen-fu, chairman of the semi-official Straits Exchange Foundation, as saying Taiwan will first propose talks at the deputy-minister-level with Beijing.

Koo said revival of such a dialogue would lay the ground for political negotiations. These talks could include such issues as a peace treaty, sovereignty and how to unify China and Taiwan, the daily said.

Taiwan has proposed resumption of talks between Koo and Wang Daohan of China's Association for Relations Across the Taiwan Strait.

But China has postponed informal

talks indefinitely in protest at Lee's private trip to the United States in June last year.

Beijing considers Taiwan as a renegade province and opposes any move towards independence. Lee won the island's first direct presidential election on March 23 which was also China's first such direct election.

China threatens to use force if Taiwan declares its formal independence. It conducted three weeks of military drills in March in a failed bid to scare voter away from Lee.

Meanwhile, another Japanese newspaper *Sankei Shimbun* said Wednesday that the ruling coalition had decided to send a non-partisan delegation led by former House speaker Hajima Tamura of the Liberal Democratic Party, the biggest coalition partner, to attend the inauguration in Taipei.

Tamura may meet Lee on May 21, the *Sankei* said.

Japan's foreign ministry indicated recently that Japan would refrain from sending a governmental delegation to the island as Tokyo and Taipei have no formal diplomatic links. Japan has switched its recognition to China in 1972.

In another development, Taiwan is fighting a diplomatic battle against China to keep South Africa and Panama

from switching recognition from Taipei to Beijing.

Taipei said Wednesday Economics Minister Chiang Ping-kun will lead a trade delegation to Panama on May 4. Taipei also plans to send a trade delegation to South Africa.

China is wooing South Africa and Panama to switch diplomatic recognition from Taipei to Beijing.

South African Foreign Minister Alfred Nzo is scheduled to visit Taiwan, probably in June, to tell Taipei the difficulty it faces in handling ties with Taipei and Beijing.

Johannes Viljoen, South African ambassador to Taiwan, said South African President Nelson Mandela is in a dilemma because pro-Beijing parliamentarians demand that he choose between Taipei and Beijing before next July 1.

If Pretoria maintains ties with Taipei, the lobbyists said, Beijing may close South Africa's consulate general and cancel South African Airways' landing right in Hong Kong.

They claimed if South Africa wants to play a leadership role in Africa, it must follow international practice which is to recognize China.

Nzo visited Beijing last month and planned to visit Taiwan afterwards, but postponed the trip due to Taiwan's presidential elections.

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Foreign investment in China's boom zone slows down

By PATRICK DONOVAN

It is just before 6 am at Kowloon station and the queues are already building up for the first trains to Shenzhen. They may live in Hong Kong, but these hundreds of predominantly white-collar commuters work in mainland China; a journey which takes less than an hour through the rolling hills of the New Territories to passport control at Lo Wan.

More than 150,000 Hong Kong nationals earn their living in the Shenzhen region, one of China's five special economic zones set up nearly 16 years ago to help industrialize the country.

Because of the growth of trade links between Hong Kong and the south of China, Shenzhen has, in effect, become the colony's cut-price manufacturing base for companies such as Citibank, Siemens and Hitachi.

Lexus and Mercedes cars are parked around the fledgling stock exchange. In an independent broker's office, "special investor" services are laid on for the well-heeled, complete with a private sitting room and personal dealing terminal.

As with any emerging economy, Shenzhen has its share of poverty and corruption. Fraudsters were among 16 people shot in a mass execution last month. The region's relative wealth has brought a sharp rise in illegal immigration. The population has risen from 30,000 to about 3.3 million over the past 10 years and residency is tightly controlled by police permit.

The losers in the Shenzhen economic experiment cluster around the Shangri-la hotel: groups of tiny barefoot children who lock on to westerners with pitiable appeals for spare change.

But the wealth seems to be trickling down. According to *China Daily*, Shen

zhen residents have the country's highest average monthly salary, HK\$3,441 (US\$442.50) - nearly 50 percent more than in Beijing.

The development of Shenzhen has played a fundamental role in the transformation of Hong Kong's economy. The colony used to employ more than 70 percent of its workforce in manufacturing. But relocating these activities to China has allowed Hong Kong entrepreneurs access to cheaper land and lower labor costs.

Mainland manual workers earn about US\$1.50 a day, around one-third of rates in Hong Kong. In the process, says Victor Fung, who heads the Hong Kong Trade Development Council, the colony has been able to concentrate on higher-margin service industries, particularly within the financial sector. These now account for about 80 percent of the colony's jobs, says Fung.

"We (in Hong Kong) are the driving force for the development of the Pearl river area (which includes Shenzhen). As many as 50,000 Hong Kong-owned companies straddle the region. So closely tied economically are Hong Kong and this part of South China that around 90 percent of all exports from the Guangdong province pass through the colony."

As Li Zing Sen, the director of Shenzhen's Foreign Investment Office, says: "It is a symbiotic relationship. After 1997, this relationship will remain and the hinterland will continue to develop itself." He says that the Shenzhen has been nicknamed "one night city" because of its spectacularly fast construction rate.

Zhaung Xinyi, general manager of the Shenzhen Stock Exchange, adds: "The return of Hong Kong is a very active factor for the development of Shenzhen."

L'Wvf

But Shenzhen risks becoming a victim of its own success. As its labor and land prices rise, Hong Kong investors are moving into ever more remote rural areas in search of cheaper land and labor. Warnings about the slowdown emerged last year when the mayor, Li Zibin, announced that the zone's industrial growth during the first four months of 1995 had, for the first time, slipped behind the national average.

As its economy evolves, Shenzhen is attempting to develop its own financial base. Does it plan to compete head-on with Hong Kong over the longer term? The People's Bank of China in Shenzhen, regional arm of the country's all-powerful central bank, plays this down, insisting there is scope for "cooperation". Steps are being taken, for example, to link financial settlement systems in Shenzhen and Hong Kong.

Li Zhong Wei, the bank's deputy director in Shenzhen, says the zone's future lies in becoming a provincial financial center for china. It has already had success in attracting western financial institutions to help service international joint-venture projects.

Li wants to expand the banking sector, however, by launching an initiative to open the region to smaller and medium-sized banks.

Shenzhen has already had some success with its six-year-old stock exchange. About 135 Chinese companies are listed. Hong Kong-based brokerages such as Crosby, Standard Chartered, Flemings and Nomura take it seriously enough to maintain representative offices.

For all its expansion plans, Shenzhen seems destined to remain a manufacturing satellite to Hong Kong - even after unification. - (*The Guardian News Service*)

China calls for patient approach on peace talks

SEOUL (AFP) - China on Wednesday advised South Korea to be patient in proceeding with a new proposal for four-way talks on securing peace on the Korean Peninsula.

The spokesman said in talks with South Korean foreign minister Chon Won-Rae led by Zhenyuan Guo, the department of foreign affairs said that South Korea is right before the four-way meeting.

Officials promised to expedite the materialization of the talks, floated last week at a summit, he said.

China has said it will support the talks involving North Korea and the two Koreas.

The spokesman said that China has provided the materialization of the talks and was not in a hurry to lift the nuclear issue.

Issue, Chinese aide tells WTO

Handwritten notes in the top right corner of the page, including the name "Chon Won-Rae" and other illegible scribbles.

on to the overture, the demand for direct but said it was essential for a permanent peace regime on the Korean peninsula, Cho said.

"It will be natural, however, for North Korea to express its own official position on the four-nation talks before we enter negotiations with the countries concerned," the deputy minister said.

Chinese officials also said that they could not see any signs of failure in the leadership of North Korean leader Kim Jong-Il, who has ruled the communist nation since the death of his Stalinist father Kim Il-Sung in July 1994.

The Chinese officials pointed to frequent public appearances by Kim Jong-Il, and said he had reorganized the military.

North's official recently inspected and had watched his across the de-

North's attempt to sign a peace agreement in Seoul

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North's attempt to sign a peace agreement in Seoul

North's attempt to sign a peace agreement in Seoul

Keep politics out of membership issue, Chinese aide tells WTO

SINGAPORE (Agencies) - China urged the World Trade Organization (WTO) Thursday to keep politics out of the protracted deliberations over Beijing's application for membership in the global commerce watchdog.

"As the 'economic United Nations,' WTO, in my view, should adhere to its established purpose and put economics, rather than politics, above everything else," said Qin Xiao, head of the Chinese government's main overseas investment arm.

Speaking at a global trade forum here, the president of the China International Trust and Investment Corporation (CITIC) also attacked some countries for allegedly adopting double standards in denying China its "rightful place" in the WTO.

"To our regret, this issue has now been seriously politicized," he told a panel discussion at the two-day Singapore forum, aimed at helping set the agenda for the first WTO ministerial meeting here in December.

US deputy trade representative Jeffrey

Lang, speaking to journalists after Qin addressed the forum, said China's problems in joining the WTO were "not a matter of politics."

"There are criteria for countries joining the WTO. This is not an issue between us and China. It's an issue between the WTO and China," he said.

"Many, if not most, WTO members want China in the WTO but they want it to make the concessions that all these other countries had to make in order to join the WTO, and that's not a political issue, that's just the pragmatism of making the WTO work in an everyday manner," Lang said.

Qin, without singling out any country, said certain "contracting parties" took advantage of China's eagerness to join WTO by "insisting on attaching political strings on economic issues and raising excessive demands."

"This is the root cause for the prolonged failure in China's WTO bid," he added.

The United States, the European Union, Canada and Japan have blocked Chi

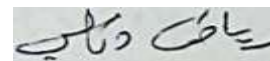
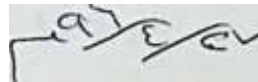
na's entry into the WTO since the body was established last year, citing lack of transparency, closed markets and rampant violations of intellectual property rights.

A further stumbling block is those countries' refusal to allow China to join the WTO on developing country terms, which would allow Beijing to continue protecting key industries.

Lang said that "as soon as China is prepared to begin to talk about the specifics, the United States will make every effort possible to respond."

Meanwhile, China, at loggerheads with the United States for piracy of CDs, films and computer software, defended itself on Thursday, saying its protection of intellectual property rights was among the best in the world.

"Since China started its opening-up program in 1979, it has made startling progress on intellectual property rights protection," said Zhang Yuejiao, director-general of the ministry of foreign trade and economic cooperations' (MOF-TEC) department of treaty and law.



US govt, extends freeze on loans for China projects

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WASHINGTON (AFP) - As US officials considered how to sanction China for selling nuclear technology to Pakistan, the State Department has temporarily extended a freeze on new government-backed loans to US firms for China projects.

Under Secretary of State for Economic Affairs Joan Spero asked the Export-Import Bank to "temporarily" put off final approval or denial of loan and loan guarantee requests for China projects, officials said Friday.

Secretary of State Warren Christopher in February asked the bank to impose a 30-day freeze on final decisions related to financing of China projects pending talks on nuclear non-proliferation with Chinese officials.

Last week, Ex-Im Bank announced it was again open for business with China after approving a \$160 million commercial bank loan for Boeing to sell three 767-300 airplanes to China's Yunnan Airlines.

Analysts viewed that as a signal the white House did not intend to sacrifice US commercial ties with China despite a finding by US intelligence officials that Beijing sold banned nuclear weapons technology to Pakistan.

The Boeing loan came less than a week after the European consortium Airbus Industries won a \$1.5 billion aircraft contract in China, dealing a blow to a major US exporter.

But Spero's letter, sent on Christopher's behalf, put any final verdicts on China-related deals back on ice, at least for the immediate future.

"This does not constitute in any way a sanction against China," State Department spokesman Glyn Davies said, calling the move "a deferral of Ex-Im Bank decisions ... while we continue to discuss this issue with the Chinese."

Signalling the complexity of Washington's board agenda with Asia's emerging power, he added that China has "a very fast-moving, growing economy that we

want very much for American business to be able to participate in."

Spero's letter did not specify any time limits for the new freeze on loans or guarantees from the independent federal agency, whose functions include financing US exports and guaranteeing export loans.

Following receipt of Spero's letter, the Ex-Im Bank board postponed final action at a meeting Thursday on a \$35.9 million guarantee for subway system components for the Guangzhou Metro Project, Philipps said.

It did grant preliminary approval for two other china deals, a \$55 million loan for hydroelectric turbines and a \$60 million loan related to the Shanghai metro system, he said.

The Ex-Im Bank is expected to make preliminary recommendations soon on requests related to China's huge Three Gorges Dam project. The bank board is scheduled to meet again Tuesday, Phillips said.

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Chinese vice ⁴⁷ premier vows to open up farm sector

BEIJING (AFP) - China's vice premier in charge of agriculture, Jiang Chunyun, has vowed to open the country's heavily protected farming sector in a bid to attract \$7 billion in foreign funds.

"China will open the domestic market further and improve investment and

trade environments to attract more overseas trade and funds," Jiang was quoted Saturday as saying by the *China Daily*.

Some \$7 billion worth of foreign investment is needed over the next five years if China's plans for agricultural expansion are to be realized, Jiang told a gathering of overseas agricultural officials and investors.

China has traditionally been extremely wary of opening up its farming sector to foreign investors, viewing them as a threat to the country's efforts to maintain agricultural self-sufficiency.

China has meanwhile launched a nationwide crackdown on the country's construction market, which has become a byword for corruption in recent years.

The campaign - co-sponsored by the ministries of construction and supervision, the State Planning Commission and the State Administration for Industry and Commerce - is seen as the government's most vigorous move to date to clean up the sector, the *China Daily* said Saturday.

The newspaper quoted Vice Construction Minister Tan Qinglian as saying the campaign was a necessary step towards guaranteeing a sustained construction drive over the next 15 years.

"It has become vital to strengthen law enforcement and supervision in infrastructure construction, which will concern future generations," Tan said.

The crackdown will involve in-depth inspections of construction projects cost

ing more than 500,000 yuan (\$60,000) which were completed last year or which are currently under construction.

Projects completed before 1995, but which have had serious building quality problems or involved legal practices will also be included in the campaign.

The inspections will determine whether or not the projects received government approval and whether bidding for the project was fair and legal.

Meanwhile, China's securities industry watchdog has reminded listed companies to observe rules on information disclosure after two companies proposed to issue convertible bonds before first getting approval.

According to the *Shanghai Securities News Daily* on Saturday, the China Securities Regulatory Commission (CSRC) has reiterated in a circular that listed companies are not allowed to disclose important news without first informing the CSRC.

"It is against the regulations on disclosure of information by listed companies," the report said, quoting the circular.

"To safeguard the stability of the stock market and regulate listed companies' disclosures to protect the legal rights of investors, the CSRC re-emphasized that listed companies shall follow strictly the regulations of news disclosure," the circular said.



j Taiwanese firms pin hopes on mainland China

By CARSTEN HOEFER

UT 'M leaving Taiwan," says Jason I Yang, owner of a medium-sized toolmaking business in the northern Taiwanese city of Taoyuan. "Business in Taiwan is no good anymore "

He added gloomily: "So I have to go to mainland China."

Four years ago, Yang first scaled down his operations in Taiwan to open a factory in the northern Chinese city of Tianjin, now he wants to build a second factory in China at the end of this year.

He plans eventually to close down the original factory ip Taoyuan, leaving only the administrative side of the business in his hometown, a decision he himself regrets.

Yang is in many ways a typical representative of the self-made businessmen who laid the foundation for Taiwan's economic rise in the 1960s and 1970s.

With no education to speak of, he opened his first business in the early 1960s. At the time he and his two em

ployees made cheap screwdrivers in Yang's converted living-room. Nowadays his two companies employ 400 workers producing drills that are sold as far away as Nigeria and Turkey.

Small and medium-sized firms like Yang's form the backbone of the Taiwanese economy they employ almost 80 percent of the workforce.

Yang is also no exception in his decision to relocate production to China. In the past five years a growing number of firms has decided to abandon the island.

According to various estimates Taiwan enterprises have invested between \$15 billion and 20 billion in China. Investment in many cases entails the closing of factories in Taiwan and their reopening in China.

In the past three years Vietnam and other southeast Asian countries have also become popular investment spots. Gone is the sense of confidence in Taiwan's future, and many businessmen radiate a sense of doom.

To many observers this is puzzling. Taiwan's trade statistics arc a source of

envy for the outside world. According to government figures, foreign trade hit US\$60.25 billion from January to March, an increase of 9.3 percent from the same period of last year. Exports grew considerably faster than imports, creating a trade surplus of \$3.6 billion. The government predicts that this year the economy will grow by six percent.

So why arc so many firms leaving the island? The reason usually given is an unfavorable investment climate. Factory owners complain about a shortage of industrial workers, soaring wages and increased social spending.

Other sources of discontent are tougher environmental regulations, official corruption and sky-high prices for industrial property, making it difficult for many small - and medium-sized enterprises to raise the capital needed for new investments.

To make matters worse, banks and other financial institutions keep a tight lid on new credit. Many small- and medium-sized businesses indebted themselves heavily in the 1980s, trusting that

the boom years would never end.

Now they need new credit to keep themselves afloat, something many banks are not willing to provide. In 1995, more than 20,000 businesses closed down, and especially hard hit were construction firms. Now many' hanks face enormous difficulties trying to recover their loans, making them unwilling to hand out yet more capital to troubled companies.

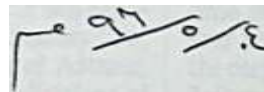
The obvious solution for many firms is to reinvest in China, since there are no language problems, comparatively cheap land and labor, and the prospects of a huge market. Taiwan businesses until recently were welcomed with a number of incentives such as lower taxes and official assistance in finding suitable properties for new; factories.

Most analysts in Taiwan believe the trend will continue for a while despite the fact that investment conditions for Taiwanese have deteriorated recently.

The Chinese government has begun to scale back the privileges for overseas investors. On top of this, the less than cozy relations between Taipei and Beij- ing make doing business in China more difficult.

Many Taiwanese businessmen appear undaunted, however.

"I don't like the Communists," says Yang. "But land and labor is cheap on the mainland and I can. sell my drills there right into eternity." - (DPA)



Asean countries rail link-up with China by 2010 mulled

SINGAPORE, May 4 (DPA)

LUXURY train travel, something that has I been developed in the West to cater to the fa'n'ta'sie's and Imagination of people, will roll through South-east Asian nations and South China by the year 2010 and ultimately link with the trans-Siberian and trans-European lines.

This "romance of the rails" travel with sleek sleepers, ultra-modern coaches incorporating "tilting" technology - half as fast as the famous bullet trains - will bring modernisation and affluence to the slum-choked backwaters of Malaysia, Thailand, Vietnam, Burma, Laos and Kunming in southern China.

The high-speed rail network linking the once war-ravaged Asian nations, is the vision of Malaysia's Prime Minister Mahathir Mohamad who has received the backing of Singapore's Prime Minister Goh Chok Tong. Government leaders at March's Asia-Europe meeting in Bangkok endorsed plans that the pan-Asia link should go to the Chinese capital, Beijing, and link up with Siberia and eventually nations of the European Union.

"This is not a pipe-dream. It will be reality by the year 2010," said Stanley Low, Singapore country manager of Adtranz, which is a merger of the rail divisions of

Daimler-Benz of Germany and ABB of Sweden and Switzerland..

Low, who is studying the South-East "Asian project," currently 'undertakeii' by the Malaysian government, reportedly said a high-speed train link "can be expected to add to the lifestyles of its users."

Giving the example of the high-speed inter-city express service between the German seaport of Hamburg and landlocked Berlin, 280 km away, he said: "In the morning, Berliners can take the train to Hamburg, hop on to their boats and go sailing, and head home on the train to enjoy the theatre in the evening." Anyone in any South-East Asian nation can also do likewise in intra-South-East Asian rail travel by the year 2010.

Work on phase one of the proposed multi-billion US dollar fast luxury train service throughout South-East Asia was scheduled to start in 1998 between Singapore and the Malaysian capital Kuala Lumpur along a 400 km stretch of winding roads. It will incorporate tilting features so as to negotiate bends with ease and travel at an adequate speed to cut travel time from over six hours now to about four hours, according to Dr Ismail Rejab, the corporate services director of Malayan Railway (KTM).

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China raises concerns over ^Japanese military build-up

BEIJING (AFP) - China gave a frosty reception Thursday to the newly- signed US-Japan joint security declaration, warning both countries against using the accord as a power-brokering tool in the Asia-Pacific region.

At the same time, the English- language *China Daily* published an interview with defense minister Chi Hao- tian that contained a bitter attack on western notions of China as a military and economic threat.

"We hope the bilateral defense arrangement between Japan and the United States will not go beyond its bilateral nature and will not touch on any third party," foreign military spokesman Shen Guofang said.

"Any attempt to have a security arrangement going beyond its bilateral character would certainly be cause for vigilance and concern by other Asian nations," he added.

US President Bill Clinton and Japanese Prime Minister Ryutaro Hashimoto signed their declaration, entitled "Alli

ance for the 21st Century," in Tokyo on Wednesday.

The declaration calls for cooperation between Tokyo and Washington in "areas surrounding Japan" and for keeping about 100,000 American troops in Asia- Pacific region, including "about the current level in Japan," which is some 47,000 personnel.

Shen warned both Tokyo and Washington to tread warily and not to forget the relative stability enjoyed by the Asia-Pacific region in recent years.

"It is out hope that when making efforts for defense cooperation, the US and Japan will take note of such elements and their efforts should be conducive to peace and stability in the region."

Shen explicitly raised concerns over any significant military build-up by Japan, urging Tokyo to "move with caution."

At the same time, he voiced China's willingness to strengthen cooperation with the United States and Japan in or

der to contribute "to the maintenance of peace and stability in this region and the rest of the world."

Asked whether the US-Japan pact would push Beijing into a similar agreement with Moscow, Shen stressed that Sino-Russian ties were "not based on either confrontation or alliance and not directed against any third state."

Nevertheless, Russian President Boris Yeltsin is due to sign a treaty on Central Asia security - also involving Kazakhstan, Tajikistan and Kyrgyzstan - with his Chinese counterpart Jiang Zemin in Shanghai later this month.

Meanwhile, the Chinese defense minister dismissed the foreign concept of a so-called "China threat" as consisting of "strange tales and absurd arguments" in an interview published Thursday.

"There are some people who are unwilling to see China grow stronger, and there are also some who harbor ulterior motives and attempt to sow discord between China and its neighboring countries and regions," Chi said.

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Chinese govt, moves to control Internet

By RENEE SCHOOF

In a country where the state runs newspapers and broadcast stations and censors the arts, it came as no surprise when the government declared it wanted to regulate the Internet.

Since the government started allowing commercial Internet accounts last spring, the number of Internet users in China has grown from a few thousand in the universities to 100,000. Hundreds of thousands more are expected to get online in the next few years.

"It can broaden our vision," says Shi tlong, a 26-year-old having a look at computers set up in a Beijing coffee shop to demonstrate links to the Internet.

But the government sees too much freedom of information as a dangerous thing.

It announced in February that China's laws against social disturbances and breaches of state security apply on the Internet. All are offenses that can carry long prison terms.

People with Internet accounts now must register with the police and report if they switch private service providers or cancel their links.

The new regulations make the ministry of posts and telecommunications the sole provider of connections to the Internet, a global, often anarchic web of interconnected computers.

People who apply for accounts must sign an agreement to abide by Chinese law and not endanger state security. They also must promise not to put business ads on the Internet or delay their monthly payments.

The registration fee is 400 yuan, or about \$50, which is what the average urban Chinese earns in a month. The

People who apply for accounts must sign an agreement to abide by Chinese law and not endanger state security. They also must promise not to put business ads on the Internet or delay their monthly payments. The registration fee is 400 yuan, or about \$50, which is what the average urban Chinese earns in a month. The monthly fee is 100 yuan for six hours online.

monthly fee is 100 yuan for six hours online.

Although the government is wary of the Internet, the information it brings in is simply too important for economic development. And China's leaders reportedly met several months ago and concluded that full control of the Internet was impossible in any case.

The government's monopoly on access enables it to keep certain news groups - for example, those that post documents and appeals about human rights abuses in China - off china's personal computer screens.

However, new sites are being added to the Internet by the minute. If one site is blocked, material can be switched to another.

While it is not hard to close certain sites, "there's no way to automatically detect the content," said Chi Chihong, a computer science professor at the Chinese University of Hong Kong.

Still, China's state security apparatus

is formidable. It already is well equipped to selectively monitor telephone calls and faxes. It would have no problem watching some Electronic Mail messages as well.

The tiny dissident community that remains outside prison in China is not known to use the Internet very much, partly because it is not a secure way to exchange ideas.

Chi and other analysts don't think the government plans to restrict the number of Internet users.

Martin Hu of the Beijing Internet-Networking Institute predicts one million people could be using the Internet in China by 2000.

The government has invested heavily in telecommunications and is promoting computer education from grade schools up. It also uses the Internet. Zhejiang province, for example, posts projects that are open for foreign investment.

Government coordination could be helpful in some respects. For example, it may encourage the development of stan-

dards for how Chinese computer systems handle Chinese characters, Chi said. Unless these systems are compatible, people using Chinese software programs cannot communicate.

The cost will be a strong brake on average Chinese logging on to the Internet. Spending 16,000-yuan (\$2,000) for a computer and modem is only a dream for most.

But surveys say computers are on many families' wish lists and those who can afford them are buying.

Of the one million personal computers sold in China last year, about 20 percent went to families. Telephones, needed to connect to computer networks, also are becoming more common in urban homes - 17 percent have phones now and up to 40 percent are expected to have them by 2000.

For now, the strongest demand for the Internet comes from businesses, said Yang Jie, a telecommunications expert for the World Bank.

"The price is low, and Electronic Mail is the cheapest, fastest and most convenient way to communicate," he said.

The government prefers that business users opt for an internal network on a leased line that would offer Electronic Mail but very limited access to Internet sites outside China.

China Internet Corp., a Hong Kong-based joint venture of the state-run Xinhua news agency and foreign investors, hopes to offer this network soon.

"China is not dosing the door to all information," said James Chu, the venture's chief executive. "It's just requiring that all information coming in Has to follow Chinese laws." - (AP)

Dole clarifies stand on MFN for China

WASHINGTON, April 19 (AFP) — Senate Majority Leader Robert Dole backed away yesterday from supporting unconditional renewal of China's U.S. trade privileges, saying trade should fit into an overall China policy.

"I want to see if the president comes forward with a China policy, and I'll see how MFN may fit into that policy," Dole said after a brief meeting with Martin Lee, a key member of Hong Kong's elected legislative council.

Before early June, President Bill Clinton "will have to make a decision on MFN status, and it ought to tie in to overall China policy and we haven't heard what that policy is," Dole told reporters.

The Clinton administration has in fact vowed to fight for renewal of China's most favored nation (MFN) trade status, despite resistance in Congress over Beijing's hu-

man rights record and war games near Taiwan.

Dole, the presumptive Republican nominee to challenge Clinton for the White House in November, has historically supported economic engagement with China as a means of influencing its behavior.

But he has reportedly come under pressure from the ultra-conservative wing of his Republican Party to turn what will likely be a bitter debate over MFN into a broad referendum on Clinton's China policy.

China could prove a vulnerable spot for the president, who reversed his own campaign pledges by formally separating MFN from human rights issues in 1994.

Critics also say it has failed to crack down hard enough on factories producing pirated U.S. music and software, for which Washington has threatened sanctions that could cost China more than \$1 billion a

year. So far, only far-right candidate Pat Buchanan — a former White House speechwriter with a populist, protectionist message — has openly and aggressively staked out China policy as a campaign issue.

Buchanan took aim at Beijing again this week in a televised news conference at which he described China as "potentially... the greatest rogue nation on earth."

Clinton's policy of "comprehensive engagement" with China "has failed on all counts," Buchanan said, urging Republican legislators to withdraw MFN and oppose multilateral loans to Beijing.

Lee, a pro-democracy advocate in the Hong Kong legislature that China has said it will dissolve after taking control of the territory next year, has voiced concern during his visit over the future of Hong Kong, including MFN.

His meeting with Dole steps up pressure on the White House to follow suit, although a White House official who asked not to be named said no appointments had been scheduled as of yesterday with Lee.

But that may change as senior Asia hands begin returning here from traveling in Asia with Clinton over the weekend, she said.

Hong Kong, caught in the crossfire between Washington and Beijing, has a great deal at stake in the MFN debate and is lobbying hard in Washington to renew the trade privileges.

The Hong Kong Trade Development Council estimates that the territory stands to lose 31-45 percent of its re-exports from China to the United States if MFN is withdrawn.

That amounts to \$8.5 billion to \$12.3 billion in the first year without MFN, along with 61,000 to 89,000 jobs.

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 Now the new evidence of a crack-
 Continued on Page 12, Column 1

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China's Crackdown on Births:



To Punish Births: Fines, Beatings, Ruined Homes

III

By SHERYL WUDJUN
Special to The New York Times

GUIYANG, China, April 24 — Four days after the birth, a brigade of 10 men and women came from the town-ship to spoil the celebration.

They demolished the parents' hut, stirring stones and straw all over the place. Then they demanded the equivalent of \$45, and when the family could not pay, they smashed the couple's chest of drawers — their only furniture aside from a bed.

"Then they took away our family cow," said Feng Dagui, a 60-year-old peasant who is the grandfather of the baby boy. "I wouldn't let the cow out of my sight. I followed it all the way to the township and pleaded with the officials there. But they didn't care."

The Peng family had the misfortune to be caught up last year in a nationwide crackdown by the family-planning authorities. The baby was a second child, a boy, and the parents did not want the four years before a second child is allowed in this area.

Instead, the baby was born five months before the time limit, so the local authorities destroyed the home and took the cow. And that was not the end of it.

A Forced Sterilization

Three months after the birth, two dozen officials appeared in the village, in southern China's Guizhou Province, to take the baby's mother, Wang Zhenqun, 27, to the clinic to be sterilized. Mr. Wang did not dare refuse, and in any case, she was told that she would get \$250 if she had the operation.

She had a tubal ligation, but the officials never gave her the money, she said.

At least rebuilding a home is in some respects a bit easier in a poor Chinese village than in a big city: the father, Peng Fagang, rebuilt the hut in a month from stones and dry grass collected in the fields.

The only solace the Pengs had was that they were not alone: the officials had done the same thing to another family in the same village, locked in a hilly region outside Guiyang, more than 1,100 miles southwest of Beijing. The same plight has befallen many of China's 900 million peasants. Some victims are educated, some illiterate, and some have barely enough to eat.

Peasants Often Isolated

From visits to rural villages in many areas of China, a picture emerges of a family-planning policy that sometimes seems capricious. The victims, mostly peasants, often seem intimidated, angry and bewildered.

"Please, can you tell me, ultimately, what is the nation's family-planning policy?" a 45-year-old grade-school teacher surreptitiously asked a visitor.

In 1983 he and his wife had a second child, three years after their first. He thought this was permissible. But the policy had apparently changed, he said, and so officials fined him \$2,000, about 17 times his annual salary.

Since he did not have the money, they deducted it from his salary, docking about 80 percent of his wages for a decade, until the end of last year, when he finally got a vasectomy. Such fines by an installment plan seem common, perhaps because otherwise nobody could pay them.

Fines Seem Arbitrary

What puzzles the peasants is that the fines often seem arbitrary. Some families seem able to have three or four babies; others are punished for having two.

Villagers say that if they cannot pay the fines, officials confiscate a cow, a pig, an important farm tool or household belongings like furniture or a television. Sometimes they simply smash the items, and often they knock down the house as well.

In another village, Luo Wanyun said the authorities had somehow agreed to let his wife have a third child. This

has only a first-grade education, and it may have been a misunderstanding.

In any case, after the baby came, a brigade from the township knocked down his house. The team also confiscated his wooden thrasher, used to prepare the rice after it is harvested. Mr. Luo said his family had to live in the hills until they could borrow straw to rebuild the house.

"They often take things, your furniture, your cow, your pig, your chickens, your preserved meat," said a 35-year-old woman in another Guizhou Province village. "If you get sterilized, they take your stuff, and if you don't get sterilized, they beat you."

"Some people have been beaten badly, family members and women," she added. "They take electric batons and they hit whomever they see."

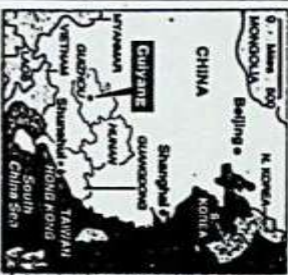
Collar Is Confiscated

She and other villagers were gathered in the house of Huang Guohua, a 37-year-old peasant who has two children, six years apart. For some reason, he never got a marriage license when he married 11 years ago.

Because he had no license, the peasants said, a brigade of 10 people, wearing sticks and screwdrivers, came to his house one night last year at 10 o'clock in the morning and took away his wash basin and black-and-white television. What upset Mr. Huang even more was that they confiscated the coffin and funeral clothes he had prepared for his aged mother, to be used when she dies. Why didn't he resist? Mr. Huang explained, "If you don't let them take your things, you'll just get beaten."

To the east, in Guangdong Province, peasants tend to be much richer and can often afford to pay the fines. Some manage to defuse the authorities.

In Shunshui, a hamlet in Taishan County, Wu Tianyuan said he and his



A family in Guiyang paid a high price for an unauthorized birth.

wife, 23, hid for several months while she was pregnant with their third child. She finally gave birth in February 1992 to the son they had always wanted.

"We kept moving around from village to village," Mr. Wu said. "I was very hard, and I was scared."

Fruitless Attempt to Escape

Wu Xianlan, a 30-year-old peasant whose dream was to have a son, thought she too could escape the policy. She has two daughters, and so the authorities insisted she be sterilized.

When the authorities swept into her village a year ago, preparing to take her and other women to the hospital for tubal ligations, Mr. Wu fled to Shunshui, where she grew up. She stayed with her parents, planning to meet her husband secretly and become pregnant. But the authorities discovered her whereabouts and sent two dozen officials to take her to a hospital for her tubal ligation.

"I have no idea how they found out. I was here," Mr. Wu said as she carried her younger daughter on a visit to her parents in Shunshui. She added wistfully,

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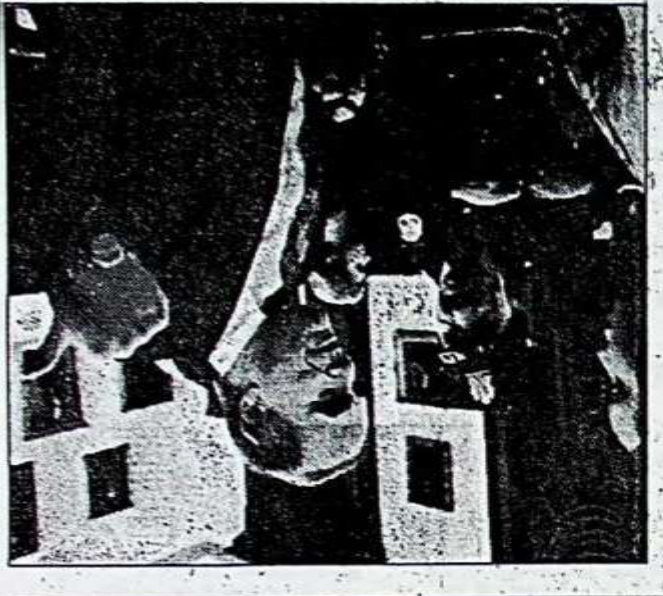
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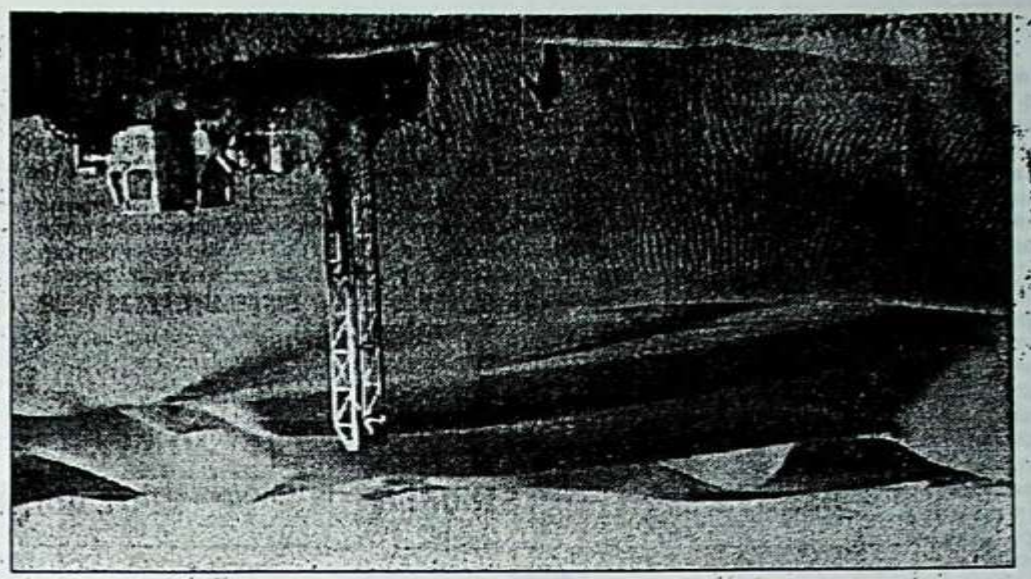
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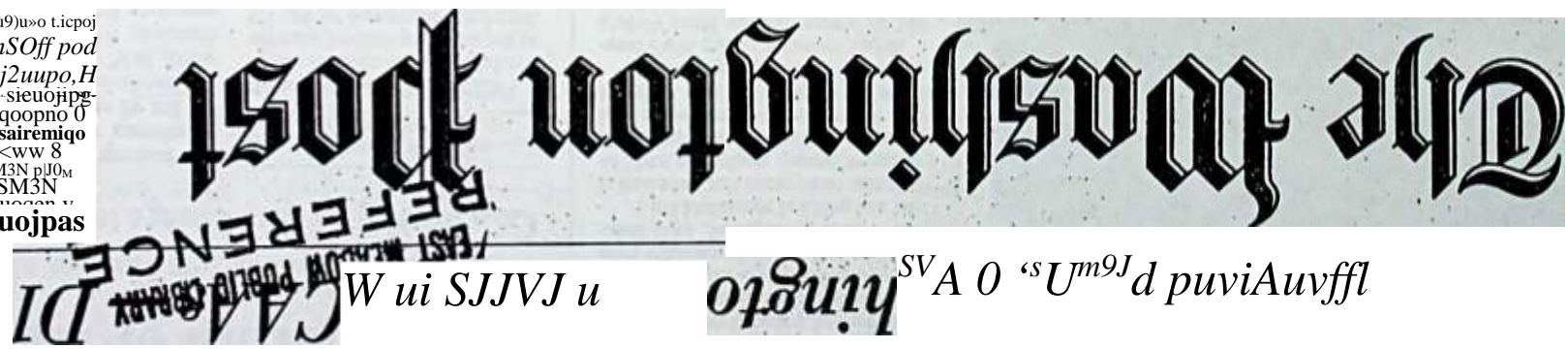
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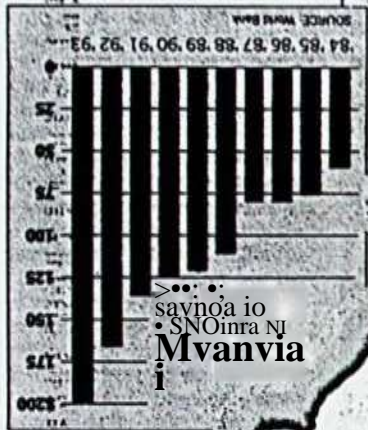
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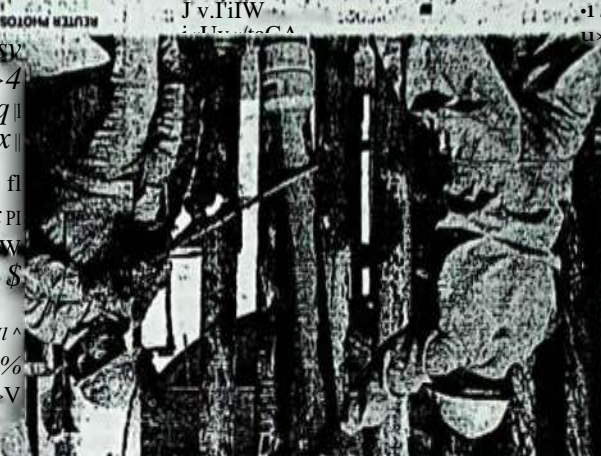
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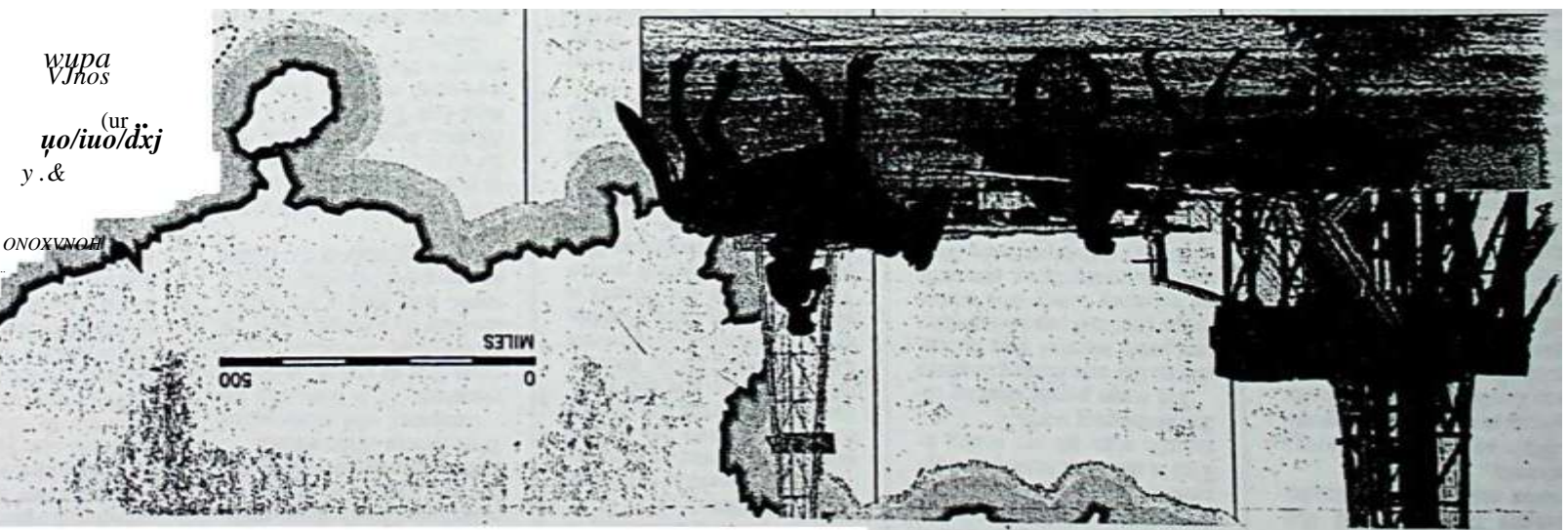
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 03 oĵ saĵoqs saBuiq3 UIOĴJ
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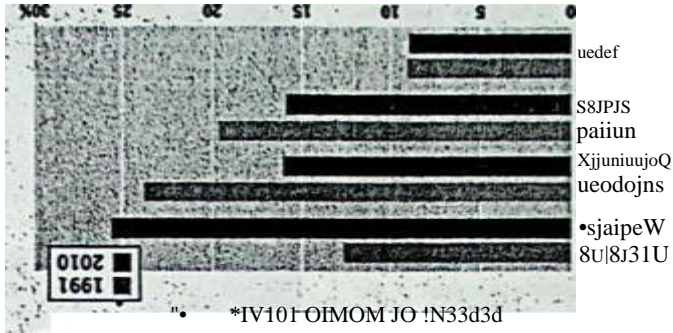
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 . i -Xjjsnpui RO oqj ui soureu
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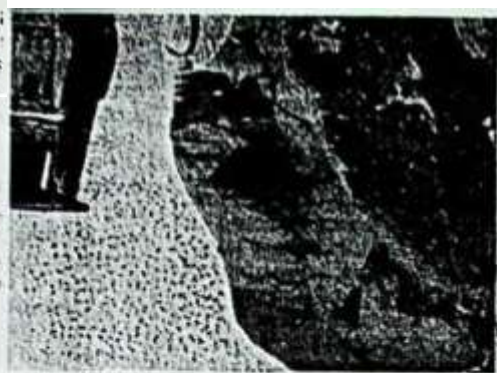
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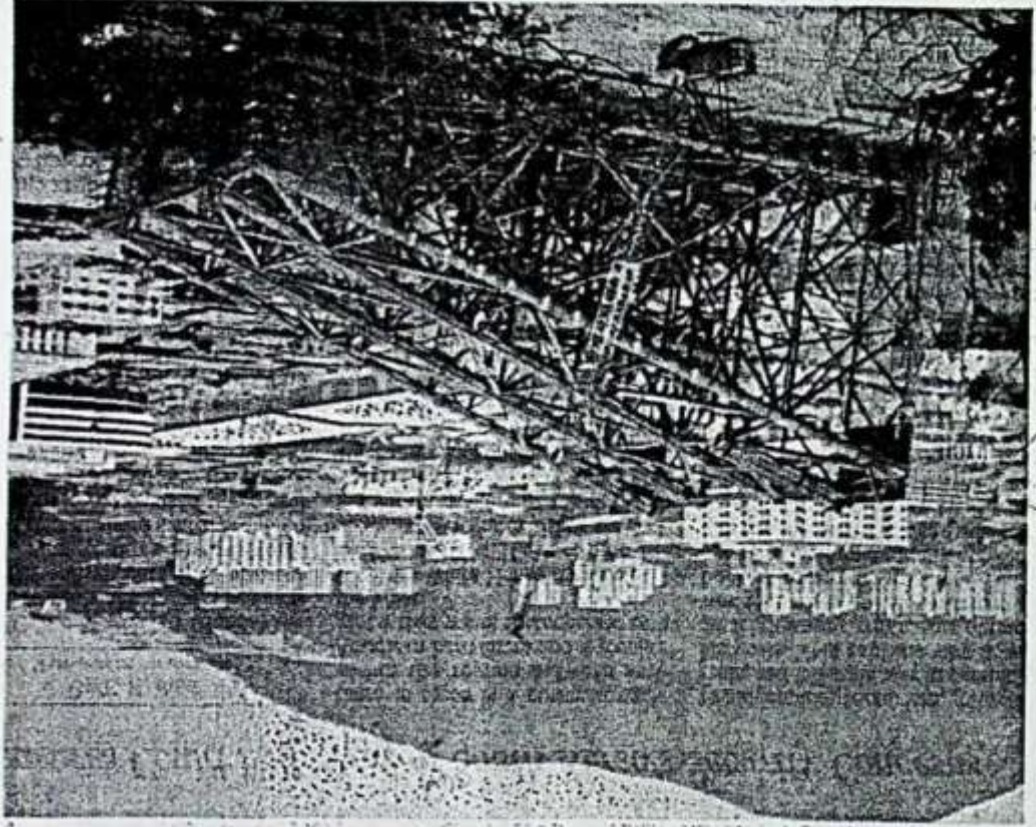


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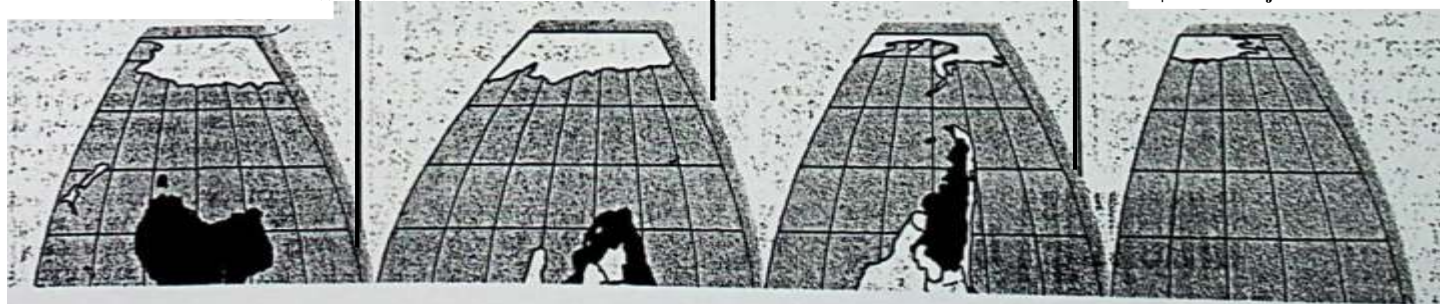
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Beijing puts priority on agriculture in five-year plan

BEIJING (UPI) - China's communist party leaders finalized their blueprint for the next five years Thursday and said agriculture would take priority in economic development to the year 2000.

"We must earnestly place top priority on agriculture in the development of the national economy," said a communique issued by the 301-member central committee at the close of their fifth plenum.

The statement, carried by the official Xinhua News Agency, also listed the reform of the state sector and the narrowing of wealth gaps as important policies in China's modernization plans towards the 21st century.

By the year 2000, China hopes to eliminate poverty among the 70 million people who still do not have enough to eat for up to six months a year, so that "the people's life will reach a relatively comfortable standard."

Despite unprecedented economic growth in the world's most populous nation, there will be 1.3 billion mouths

to feed by the turn of the century, and China's main priority will be to boost

grain production to 520 million tons from last year's 444.5 million tons.

But both western and Chinese experts predict such a hike will be difficult to achieve.

Grain production fell by 2 percent in 1994 and despite a 25 percent rise in agricultural investment this year, grain imports have already risen.

China imported 6.4 million tons of grain in the first six months of 1995, compared with 3.3 million tons a year earlier. Grain exports fell to 400,000 tons from 6.58 million tons in the same period in 1994.

"Almost overnight, China has become the second largest grain importer in the world," said Lester Brown, founder of the US-based worldwatch institute, warning the amount of grain on the world market was limited.

Reform of China's state sector is also a thorny problem.

According to Chinese economists, around 30 percent of China's 100

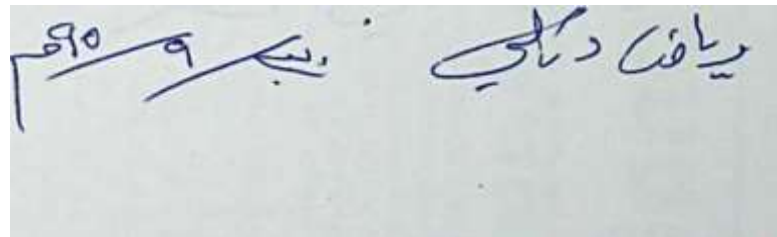
million state workers are surplus and 46 percent of government enterprises reported a loss in the first half of 1995.

But reform could send millions into unemployment lines and spark social unrest, and Beijing has therefore been unwilling to cut off support to floundering companies.

China's economic achievements should not be allowed to cover up the fact it remains a developing country facing major challenges, Vice Premier Li Lanqing told a regional economic conference here Friday.

While listing the successes of China's economic in terms of national economic growth and a general boost in living standards, Li took pains to point out that such statistics belied grassroots reality.

"China is a populous country and, in per capita terms, its gross national product (GNP) is only \$500, far below the world average," Li said in his address to the closing session of the three-day Pacific Economic Cooperation Council (PECC) general meeting in Beijing.



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US-China ties take turn for the better

NEW YORK (AP) - Relations between the United States and China have gone from bad to better, leading to discussions of a possible meeting between President Clinton and Chinese President Jiang Zemin.

At the White House on Wednesday the word was that a meeting was likely.

In New York, where Secretary of State WaiTen Christopher met Chinese Foreign Minister Qian Qichn the atmosphere was friendly, but the expected announcement of a presidential get-together in October never took place.

For a while it looked like it was going to happen. Two podiums were set up in a large briefing room, an indication that Christopher and Qian would appear — presumably to announce plans for a Clinton-Jiang meeting.

But in the end, a senior administration official conducted the briefing, talking about the meeting only on condition he not be identified.

“Having a summit meeting and where it would take place is still under discussion,” the official said. “Both sides believe that before we fix a summit that

we ought to make sure that the atmosphere is good, that the momentum is fully restored, and that there are prospects of substantive success.”

He said Qian delivered a letter to Clinton from Jiang and that it had “a very constructive tone.” He refused to discuss the contents.

Jiang and Clinton had previous private sessions in Seattle in 1993 and in Jakarta, Indonesia, in 1994.

In Beijing, a foreign ministry spokesman said consultations were under way to arrange a meeting between Jiang and Clinton, Chen Jian, a foreign ministry spokesman, told reporters at a briefing.

“The foreign ministers’ meeting between China and the US was held at a moment critical to Sino-US relations,” spokesman Chen Jian told reporters at a briefing. “I believe this meeting was useful for enhancing mutual understanding and promoting the improvement of Sino-US relations.”

The US administration official reported on a marked upturn in relations between the two countries, saying Qian told Christopher that China has canceled

plans to sell two nuclear reactors, to Iran.’

In Beijing, Chen refused to confirm that China had agreed to scrap the sale of nuclear reactors.

He merely repeated assurances there had not been any nuclear agreements between the two countries outside the safeguards of the International Atomic Energy Agency.

Relations between the United States and China hit their lowest point in decades this summer after Taiwanese President Lee Teng-hui was allowed to attend his college reunion at Cornell University in New York State.

China reacted with stunning harshness, recalling its ambassador from Washington and canceling several bilateral meetings. The Chinese consider Taiwan a province of China and demanded that the United States promise never to allow Lee to visit again.

The Clinton administration refused to make that promise, but repeated the longstanding US position that it recognizes only one China and considers Taiwan part of China.

Shortly after the Lee incident, China

arrested Harry Wu, a Chinese-born US citizen who has worked to expose human rights abuses in China, Wu was charged with spying in June as he tried to enter China on a US passport. He was released in August.

When Christopher and Qian met briefly with reporters before the start of their meeting, the Chinese official set a far different tone that the harsh rhetoric about Taiwan in recent months.

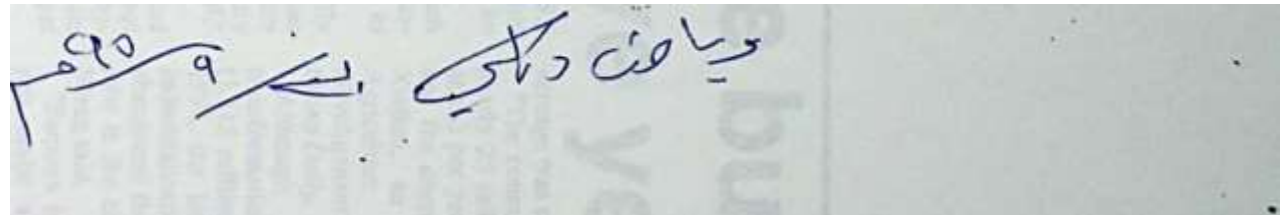
When asked if China was still demanding that the United States bar further visits by Lee, Qian said his government was confident that “the US side will handle this question with great prudence in the future.”

Qian said the UniJ-J States “has stated it would continue to pursue a one-China policy.” He also noted US position to independence for Taiwan or its admittance into the United Nations.

“We appreciate these statements,” he said.

“Sometimes we’ve had differences,” said Christopher. “Sometimes we’ve had quite profound disagreements on issues like human rights.”

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China fears huge budget

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China's next five-year plan covers 1996-2000. The deficit grew to 1 (\$1.2 billion) in the first year. Revenues have billion yuan and expenditure

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China is facing its greatest agricultural crisis in a decade, as the population expands by 14 million a year while crop land shrinks. "Farmers have to be convinced they can make a living by farming," he warned. "Farmers have to be convinced they can make a living by farming," he warned.

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Handwritten notes and scribbles.

Handwritten notes and scribbles.

Jiang proves personal clout to rivals and skeptics

By Jeffrey Parker
Beijing

CHINA'S Communist Party chief Jiang Zemin has shown political rivals the army's loyalty is total and Taiwan that China is force to be reckoned with in a display of his army leadership, analysts said on Thursday.

In the most dramatic in a string of media blitzes, national television showed China's leader on Wednesday presiding over spectacular naval exercises, including rocket, missile and torpedo firings and amphibious beach landings.

"The purpose of the navy exercises was two-fold — to show Jiang's authority over the military and show Taiwan China's naval power," a veteran Western military analyst said.

Jiang used the exercises on two unspecified October days somewhere on the north China coast as a backdrop to display his growing clout, analysts said. Surrounding him on a navy ship's deck were all but one member of the newly reshuffled party central military

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commission that Jiang heads, an image intended to show skeptics and rivals the depth of army loyalty he commands. Strong army support is widely seen as essential to Jiang's quest to succeed Deng Xiaoping, now 91 and ailing, as China's paramount leader. However, the fact that such imagery is still needed suggested to some analysts that there are still doubts in the party about Jiang.

"Obviously, this was a very carefully choreographed event to reinforce Jiang's ultimate authority," a Western diplomat said. "If everything were clear, he wouldn't have to do this.

Jiang knows he needs to be seen to be in control of the military and to have the military's public support for his leadership." Similar images dominated all state newspapers on Thursday.

Jiang's message for Taiwan was clear.

The party chief and his clutch of generals watched as amphibious landing craft sped toward a razor wire-strewn beach where they disgorged their cargo of tanks play-acting China's ultimate threat to take Taiwan

by force if necessary. "There are many scenarios for dealing with a Taiwan moving toward independence," the military analyst said. "A land invasion is most unlikely but other options are available." These would include a naval blockade or forcing investors to choose between China or Taiwan, he said.

The display showed China once again giving ultimate priority to domestic politics, coming just two hours after Jiang met with U.S. Commerce Secretary Ron Brown and less than a week before his Oct. 24 summit with President Bill Clinton.

Analysts said the display could weaken Jiang's hand by giving new ammunition to China's critics in the U.S. Congress and the strong pro-Taiwan lobby in Washington. "The United States has already been concerned about these shows of military force," a North American diplomat said.

"This latest one is something that could be seen as belligerence and I would think (pro-Taiwan U.S. Senator) Jesse Helms will be watching

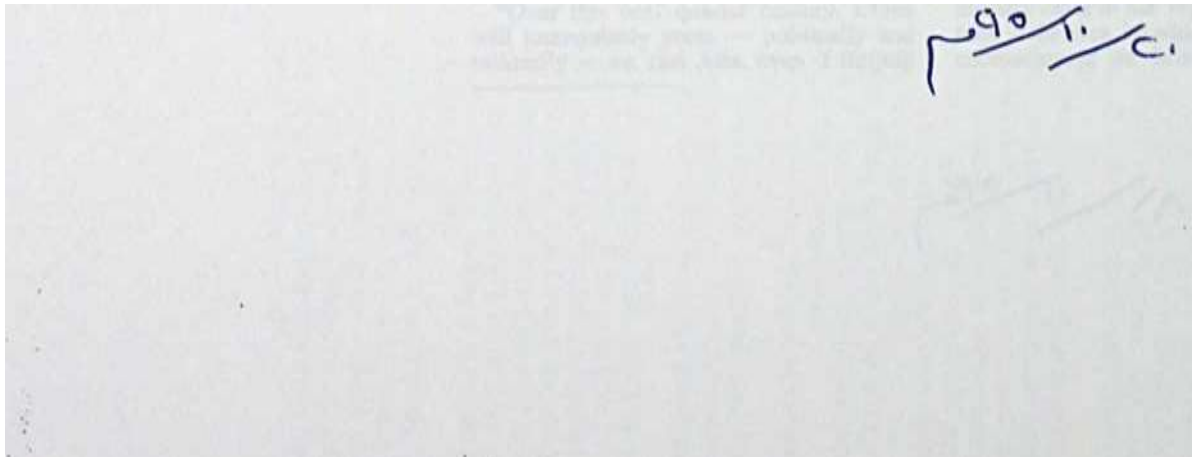
this," he said. In their meeting, Jiang lectured Brown about what he has called U.S. insincerity in its policy on Taiwan, setting a combative tone for the Clinton summit. •

Jiang's saber-rattling has implications for prospects of a meeting between him and President Lee Teng-hui of Taiwan, which Beijing has regarded as a rebel-held province since the ousted Nationalist government took refuge there in 1949.

"Jiang obviously is saying that if he is going to negotiate with Lee he wants to be negotiating from a position of strength," the Western diplomat said.

The most striking image, that of Jiang reviewing troops from the back of an army jeep, was laden with significance, echoing similar poses by the late Chairman Mao Tse-tung and by Deng. Deng hand-picked Jiang as his successor after two earlier choices, Hu Yaobang and Zhao Ziyang, collapsed in disgrace. "The pictures of Jiang Zemin on the back of a jeep is, for a domestic audience, very reminiscent of Deng," another Western diplomat said.

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China is Asia's No. 1 threat: Ramos

MANILA, Oct. 17 (AFP) — Philippine President Fidel Ramos has warned that China's growing might coupled with a U.S. withdrawal from Asia poses a threat to the region's economic miracle and could set off a disastrous arms race, the official news agency said today.

With the end of the Cold War, "China will be cast Asia's most serious concern," the Philippine News Agency (PNA) quoted Ramos as saying at a lecture Monday at the East-West Center in Honolulu. He is on a current 12-day visit to the United States and Colombia.

"Any dilution of the American commitment to east Asian stability will severely undermine regional confidence — put an end to the region's economic miracle — and perhaps set off an arms race that could have incalculable, tragic consequences for all of us," Ramos said.

"I ask you not to underestimate the power of America's democratic ideals to help shape east Asian political systems," he said, adding that U.S. leadership provides an opportunity to bring political morality to international relations.

"This is a chance America must grasp — before it slips away," he added.

"Over this next quarter century, China will unavoidably press — politically and militarily — on east Asia, even if Beijing



President Fidel Ramos

made no effort to build up its capability to project power beyond its strategic borders," Ramos said.

How China exercises its political and military clout in the region concerns countries in the area, he added, citing its alleged encroachment on Mischief Reef, a Phi-

lippine-claimed reef in the Spratly Islands in the South China Sea, and Beijing's development of a blue-water navy.

PNA said Ramos likened China to an elephant learning to swim.

One source of concern is China's claim over nearly two million square miles of land in adjacent countries and its unresolved territorial or maritime disputes with Brunei, India, Indonesia, Japan, North Korea, Malaysia, Russia, Tajikistan and Vietnam, he said.

China and the Philippines are among the six claimants to the strategic and reputedly oil-rich Spratlys, the others being Brunei, Malaysia, Taiwan and Vietnam.

Beijing is believed to have moved into Mischief Reef late last year, two years after the United States ended nearly a century of major military presence in the Philippines.

Ramos said the U.S. presence in the Pacific theater for over 50 years and its mediation of east Asian conflicts have ensured that there would be no repetition of the Korean War, PNA said.

"Economic competition between the United States and east Asia is not 'winner takes all' but a game both sides can win," Ramos said.

"A vigorous American economy is just as good for east Asia as it is for Americans themselves."

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Washington calls on China, Russia to review stance on landmines

WASHINGTON, Oct 14 (AFP)

WASHINGTON called on Russia and China yesterday to review their stance on landmines and to renew efforts to push a global ban when negotiations resume in January.

"China and Russia are two of the countries that are right now blocking progress. And we're disappointed at that," state department spokesman Nicholas Burns told reporters.

"We're disappointed that the conference has been suspended," Burns said, describing a UN conference on inhumane weapons that broke up in disarray on Thursday in Vienna with delegates failing to agree on a ban.

Landmines are estimated to kill or maim injurious or to have indiscriminate effects." some 20,000 civilians worldwide every year. Still *hopeful*: The head of the UN conference on inhumane weapons yesterday said there were still hope that an agreement could be reached in Geneva next year to limit the use of landmines.

Burns noted that the United States had i mack reached in Geneva next year to limit the use of specific proposals that are not being &wely considered.

wd like to call upon the Chinese and Russian governments to entertain those proposals seriously. So it's a serious problem, and we hope very much we'll ' get a greater degree of cooperation in the future," Burns said.

The aim of the conference was to ob- 1 tain January and April, when the task will be to "prohibitions or restrictions on the use of certain conventional weapons • which may be deemed both military and humanitarian con to be excessively ■

siderations, which vary from country to defend the interests of military lobbies. country," Mollander said.

The 44 nations meeting in Vienna were unable to reach an agreement that would limit the use and sale of landmines. There was likewise no consensus on banning certain types of particularly lethal mines, on international controls and on extending a convention on landmines beyond international conflicts to civil wars.

Jody Williams, coordinator of an international anti-landmine campaign that groups 350 non-governmental organisations in 25 countries, denounced the "incredible cynicism" of certain states that she said had expressed lip service opposition to landmine use but continued to

While the overall conference on inhumane weapons may have failed to curb landmines, Molander said, it score^^ success in a plenary session yesterday* approving a ban on laser weapons designed specifically to cause blindness.

The United States, anticipating the decision, announced just hours earlier that it had instructed its armed forces to halt research into such weapons on October 5.

A US defence spokesman argued that the development programme had proved too costly and said the weapon would have been cumbersome for use in combat, notably as a soldier using it would be unable to carry more load.

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China hopes to bring

Hong Kong Democrats to fight China over threatened council

HONG KONG, Sept. 19 (AFP) — Hong Kong's newly elected pro-democracy firebrands said today they would press China to let the territory's threatened Legislative Council carry on past the 1997 handover.

Lawmakers knew when voted onto the new Legislative Council in Sunday's polls that China plans to dissolve the assembly when it takes back the British territory in less than 20 months.

"Of course, we will fight for it," said Christine Loh, a high-profile politician, of the Campaign to Preserve the Council. "I don't believe that China will never talk to us (pro-Democracy legislators)," she added.

Loh, an independent, has been branded pro-British by the Beijing media for supporting Governor Chris Patten's electoral reforms, which led to Hong Kong's most democratic elections.

Leaders of the Democratic party and their allies, who emerged the largest single group, have vowed to fight for the council and strengthen press freedom and free speech in the runup to July 1 1997.

Emily Lau, an independent, who scored the biggest victory in the elections, said China should not be allowed to replace the assembly with the nominated parliament of "yes men and women" feared by many Democrats.

Martin Lee, chairman of the Democratic party, has also called for Beijing not to dis-

mantle the assembly. He said the results of elections were "a clear message" to Beijing that Hong Kong "cannot be intimidated into submission."

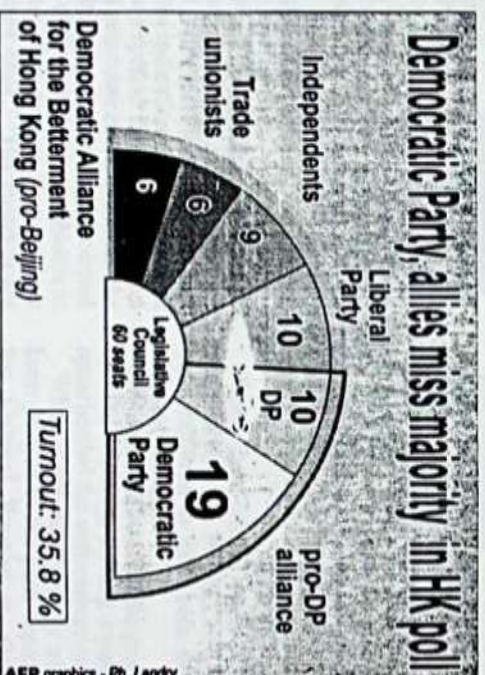
"We hope that the Chinese government will accept and respect the election result as the clearly expressed wishes of the people of Hong Kong and work together with Hong Kong's elected representatives to maintain Hong Kong's freedoms and way of life," said Lee. But China reaffirmed its intention within hours of the election results being announced. Premier Li Peng said nothing that China considers against the joint agreement with Britain on Hong Kong's future would be permitted.

The Hong Kong branch of the Xinhua news agency, Beijing's de facto embassy, said the elections were "unfair and unreasonable."

The governor said of China's threat, "they have to explain why that's in the interest of Hong Kong, why that wouldn't lead to social disharmony and disruption."

Beside the six seats won by the Beijing-backed Democratic Alliance for the Betterment of Hong Kong, at least eight members of the council also belong to the influential Preliminary Working Committee (PWC), set up by China to prepare Hong Kong's takeover. Some editorials also foresaw conflict on the new council between its members and the governor. The English-language Hong Kong Standard emphasized how the Democratic party and Patten had previously seen "eye to eye on several political issues" but that its chairman and the governor had more recently been "on collision course."

The Chinese press largely backed their pre-election political affinity. The Beijing-funded Wen Wei Po accused Patten's government of trying to "manipulate the polls so that the results will serve its purposes."



AFP graphics - Ph Landy

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oistralian-Chinese businessman James Peng during his sentencing at a Shenzhen court on Thursday.

na jails Australia's Peng for 18

SHENZHEN, China, Sept. 28 (R) — A Chinese court sentenced Australian-Chinese businessman James Peng today to a total of 18 years in jail for corruption and embezzlement, sparking an immediate protest and clemency plea from Canberra.

The judge ordered Peng, 35, to be deported, but it was not immediately clear whether he would serve his sentence first.

A spokesman in Canberra for Bob McMullan, Australia's acting foreign affairs minister, said he understood Peng would be deported after serving his jail term.

Peng, a naturalized Australian, defended himself in a 10-minute statement to the court.

But a court official told reporters Peng later said he agreed with the sentence and would not appeal.

Legal experts in Hong Kong drew parallels with the case of American-Chinese dissident Harry Wu, who drew a heavy jail

sentence for spying but was deported immediately having humbly agreed with his sentence.

Peng's wife, Lina, seemed to expect her husband would have to serve the remaining 16 years of his 18-year sentence. Peng has already spent two years in jail on remand.

"I don't know how to face my life from now on as a mother with three children," she said, biting back tears as she spoke to Reuters television at her home in Hong Kong. "How can I tell my children they will not be able to see their daddy for 18 years, and that their daddy has been locked up for 18 years for doing nothing wrong?"

A foreign businessman living in China said he expected China to try and recover money from Peng before expelling him.

"The difference was Harry Wu didn't owe any money," he said by telephone from his office in southern Guangdong province. Australia's Foreign Affairs Minister Gareth Evans would appeal personally to Chinese

Foreign Minister Qian Qichen to deport Peng swiftly, McMullan said.

Both Evans and Qian are in New York attending the United Nations General Assembly.

"The Australian government is extremely disappointed at the severity of the sentence," McMullan told parliament. "The Australian government will be making strong representations to the Chinese authorities."

Peng's friends and family said the 35-year-old businessman was abducted by police from his hotel in Portuguese-run Macau two years ago and bundled across the border into the hands of the Chinese authorities.

The former chairman of Shenzhen Yuan Ye Co. was accused of transferring \$1.4 million botTowed to finance company investments in Australia into his personal account and using part of it to finance his family's emigration to Australia.

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Chinese party plenum opens

BEIJING, Sept. 25 (AFP) — The Chinese Communist Party launched a plenum here today to endorse a five-year economic blueprint and also consider replacements for disgraced Beijing party chief Chen Xi-tong, Chinese sources said.

The fifth plenum of the party's 14th congress is a closed-door affair attended by more than 200 members of the Central Committee, held in the Jingxi Hotel west of the capital, a journalist there reported.

During the session, which is expected to last several days, delegates will endorse the ninth five-year plan (1996-2000) calling for sustained economic expansion, but also seeking to peg growth to below 10 percent per annum. The government's aim is to sustain the growth which has been booming since 1992, yet not allow the economy to boil over to the point where inflation could once more bust the 20-percent mark and fuel public discontent.

The meeting will also look at the disparities between the rich coastal provinces

and the poorer interior ones, an issue crucial to stability in China, political observers said. "Filling the widening gap is one of China's greatest challenges for the year 2000, and it is undoubtedly the most difficult to resolve," a Western diplomat in economic affairs said.

The government is hoping the wealthier coastal provinces will contribute more to the development of the poorer regions.

The case of sacked Beijing Communist Party Secretary Chen Xitong, detained for alleged involvement in economic fraud, might also be discussed and his possible successor to the Politburo announced.

Chen was arrested in April, three weeks after the suicide of Beijing's Deputy Mayor Wang Baosen, who had been accused of economic crimes.

Chen Xitong, who is being held in Beijing's Qingsheng Prison, continues to deny that he was involved in any of Wang Bao-sen's wrongdoings and says he was a victim of political revenge, Chinese sources said.



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China tells Taiwan unification inevitable

BLITTING, Oct. 1 (R) — China marked national day today with a reminder to rival Taiwan that reunification was unavoidable, even if by force, and accused the island's President Lee Teng-hui of plotting independence.

The warning, slightly softer than recent furious attacks on Lee, was timed to coincide with the 46th anniversary today of the formal Communist takeover when national unity is a major theme.

Premier Li Peng told a formal reception yesterday that recent military tests in the sea just north of Taiwan underlined Beijing's determination to reunify the world's most populous country.

"Taiwan will surely return to the embrace of the motherland," said a national day commentary by the official Xinhua news agency titled "reunification of the motherland must be accomplished".

China has regarded Taiwan as a rebel province since its Nationalist rulers fled there in 1949 after losing a civil war on the mainland.

China's army carried out two rounds of guided missile tests in the sea off Taiwan in July and August that sparked panic on the island just weeks after President Lee made a landmark private visit to the United States.

Beijing was enraged by Lee's visit, which it saw as an attempt to boost the island's international standing. China says Taiwan has no right to conduct international relations and has worked to ensure the island is a virtual diplomatic pariah.

Top military staff have said the tests, given unprecedented publicity by China's



Premier Li Peng, foreground second left, President Jiang Zemin, second right, and Politburo Standing Committee member Li Ruihuan, right, are joined by Queen Monique of Cambodia, left, at a reception on Saturday to celebrate the 46th anniversary of the People's Republic of China.

secretive army, have proved the ability of the People's Liberation Army to reunify China. The Xinhua commentary tried to sidestep the issue of whether China would invade Taiwan if the island declared independence with a vague threat left open to interpretation.

"On the question of not being committed to the non-use of force to resolve the Taiwan issue, the Chinese mainland has reiterated that this is aimed at safeguarding

the territorial integrity and sovereignty of China," it said. It tried to avoid spreading popular panic in Taiwan, saying the threat of force was directed against foreign interference to prevent reunification and against those plotting independence. "It is not directed at Taiwan compatriots whatsoever," the commentary said. It accused Lee of jeopardising unification and putting a freeze on slowing thawing ties between China and Taiwan by his U.S. visit

China calls for long-term war against

BEIJING, Oct. 6 (R) — One week after sacking a Chinese Communist Party elder for graft, party chief Jiang Zemin branded corruption a social disease today and said fighting it required ceaseless vigilance.

Opening the seventh international anti-corruption conference, Jiang quoted his main benefactor—aging paramount leader Deng Xiaoping — on the need for an enduring war against graft.

“We must fight against corruption, not for a day or two or for a month or two, but in the entire process of carrying out reforms and opening to the outside world,” he said.

Jiang only alluded to a Sept. 28 decision to expel disgraced former Beijing mayor and city party chief Chen Xitong from the party Central Committee and its elite Politburo.

“We have focused our efforts on trying to make the leading cadres honest and clean in performing their official duties,” said Jiang, also China’s president and head of the army. “Corruption is a disease of the healthy body of society, which all kind-hearted people upholding justice and sensible statesmen hate bitterly,” he said.

Jiang and other leaders often say the virus of graft could shake the party’s 46-year-old grip on power and undermine China’s high-stakes economic reforms. They have made corruption-busting a key priority.

The Communist Party has touted the purge of the disgraced Chen as evidence of its intolerance of graft, but revelations about Chen’s case also underline the vulnerability of a rigidly authoritarian system in which the party is often above the law.

Chen’s fall began with the sensational April suicide of an ex-aide implicated in a \$37 million embezzlement scandal.

Documents circulating among officials now say Chen amassed 200 million yuan (\$24 million) in unauthorized funds, doled out nine apartments to his mistress and her kin and pulled strings to shield his son’s dubious commercial activities.

The anti-corruption conference is being held at the New Century Hotel, of which Chen’s son was president until he was detained in April for investigation of financial irregularities.

Top prosecutor Zhang Siqing told the 89-nation meeting the party and state were “fully capable of weeding out corruption”.

However, foreign speakers hinted that China’s million-strong police force and other institutions were vulnerable to bribe-paying organized criminals.

Interpol President Bjorn Eriksson said countries that pay police paltry salaries create “the soil in which corruption can grow” and that citizens often sympathize with underpaid officers who accept bribes.

Chinese police cadets earn just 600 yuan (\$72) a month or less.

“We must realize that it is impossible to eliminate corruption by making laws if the laws are not in conformity with public morality,” Eriksson told the 900 delegates at the first international anti-corruption conference in China.

Swiss Attorney General Carla del Ponte said tough anti-corruption laws would have little effect in societies lacking a framework of democracy and social ethics. She did not single out any country by name.

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