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GENERAL

Academicians Look at Post-Soviet World

93CM0230A Beijing XIANDAI GUOJI GUANXI [CONTEMPORARY INTERNATIONAL RELATIONS] in Chinese No 39, 20 Jan 93 pp 1-26

[Article: "Summary of a Seminar on the International Situation"]

[Text] Editor's Note: At the end of 1992, the editorial board of this magazine held a seminar titled, "The International Situation—A Look Back and a Look Ahead." Attending the seminar were more than 20 experts and scholars from Beijing research institutions. Participants enthusiastically discussed the character and trend of development of the international situation from the global standpoint and from the standpoint of various parts of the world in the wake of the dismemberment of the USSR and the end of bi-polarization, both analyzing and commenting, exploring and forecasting. Some of the main comments have been excerpted for presentation below: [end editor's note]

Nature of the International Situation

Wan Shuyu [8001 2885 3768] (Editorial Board, Contemporary International Relations): I came here today mostly with the idea of throwing out some minnows in order to catch a whale. I hope all of you will offer plenty of comments on what I have to say.

The character of the current international situation may be capsulized in a few phrases: Change in the world pattern from "bi-polar to multi-polar, a change in world contradictions from one to two, great decrease and small increases in the security situation, and internationalization, bloc formation, and regionalization in tandem in economic relations. A discussion of specifics follows.

1) Dismemberment of the USSR marks the replacement of bi-polarity with multi-polarity. Although the monopolar United States does not have the strength to dominate the world, a great difference exists in the strength of the multipolar states (generally meaning the United States, Europe, Japan, Russia, and China). In overall power, the United States ranks first. Japan's superiority lies mostly in the economic and in the scientific and technical fields, but its GNP is only 60 percent that of the United States. Although the EC's GNP (more than $6 trillion) is about the same as, or slightly higher than, that of the United States', the EC is, after all, not a single country. Its financial integration and political integration are far from complete, and it has substantial internal differences; thus, it still cannot be viewed on a par with the United States. Despite its powerful military strength and potential, Russia is extremely weak economically. It lags behind the United States, Europe, and Japan. The momentum and the potential of China's development makes people gasp, and its political influence is also steadily increasing; nevertheless, its overall strength, and particularly its economic level, is far from that of the United States, Europe, or Japan. In 1991, China's GNP (the equivalent of $360 billion) was still only one-fifth that of the United States and one-eighth that of Japan. Because they are unequal in strength, except for being able to exercise a certain amount of restraint on an attempt by any one of the multiple poles to dominate the world, in other regards the individual poles would not necessarily be very effective in restraining each other. Although the United States has declined somewhat, and is no longer able to order others about, it is still the major power in the western world, occupying its old dominant position; therefore, in major matters in the west, it plays a leading role either behind the scenes or openly. In controversies and conflicts among the United States, Europe, and Japan, it is frequently the one that applies pressure in an effort to maintain its vested interests or to obtain a beneficial tilt in its direction.

2) With the end of the cold war, the main contradiction in the world—the confrontation between east and west led by the USSR and the United States—has been transformed into two main contradictions: One is the west-west contradiction, and the second is the contradiction whereby some western countries try to push the western value system and development model on the vast majority of other countries, and the latter adhere to independence and keeping the initiative in their own hands, and to the protection of their sovereignty. Each of these contradictions has the following characteristics: 1) They differ in scale. The west-west contradiction is limited to western nations, while the scope of the second contradiction is very wide. Not only does it affect nations having different social systems, but it also affects the third world and the former Soviet Union and eastern European nations as well. Not only do some western nations use human rights as a pretext for applying pressures on China, but they attach the western value system as a condition for providing assistance to developing nations as well as to eastern Europe and the CIS. 2) They differ in nature. The west-west contradiction involves a conflict for the readjustment of mutual relations and the redistribution of interests that rises out of uneven political and economic development, but the aforestated contradiction between western nations and the vast number of other nations over the value system is often manifested in meddling in the internal affairs of other countries and confrontations over maintenance of the country's sovereignty. 3) The outcomes differ. Although there is an aspect of friction and mutual elbowing in the west-west contradiction, there is also an aspect of conciliation and compromise. At the present time, the conciliation and compromise aspect is dominant. The "Tokyo Declaration" and the "Action Plan" reached in early 1992 during Bush's visit to Japan, and the agricultural products trade accord reached between the United States and Europe on 20 November of the same year, as well as the agreement reached between Germany and France not long ago whereby the combined Franco-German forces (35,000 men) would be placed under NATO command under certain circumstances were a product of bipartisan conciliation and

compromise on frictions between the United States and Japan, arguments between the United States and Europe over agricultural products and trade, and conflicts between the United States and Europe about defense matters. Countries having different systems and different value concepts should co-exist in peace, but a small number of nations make the global spread of the western value system their own strategic goal. Flouting international norms, they force their views on others, or even intentionally interfere in the sovereignty of other countries. This cannot but impair normal relations between nations. Unless the western nations abandon this strategy and tactic, this kind of contradiction will not be readily solved. Of the two foregoing contradictions, the west-west contradiction cannot be presently regarded as being the main one, but the second one may become more pronounced.

3) The danger of a global military confrontation and major war has greatly diminished, but regional clashes and elements for insecurity have increased. Regional conflicts during the past several years have exhibited the following characteristics: 1) Unevenness in the areas of occurrence of regional conflicts. Latin America and Asia have been relatively stable, while in the former USSR and eastern European nations, as well as in the African region, conflicts have been fairly serious. 2) Clashes have been an accompaniment to disturbances, riots, coups d'etat, and changes of regime. Occurring one after another, some have gone on endlessly. Like a raging fire, they are hard to extinguish. 3) Some former hot spots cooled down only to become hot again, peace being followed by a revival of warfare. Examples include Afghanistan and Angola. 4) The scale of conflict has been largely limited within a single country or to part of a region.

4) Global economic relations exhibit development in tandem with internationalization, bloc formation, and regionalization, and economic growth is characterized by exhaustion in the west, backpedaling in the east, and a low ebb in the south. Thanks to the further decontrol of the economy in all countries, and a speed-up in the global circulation of capital, internationalization of the world economy has advanced by leaps and bounds. In 1990, direct world investment totaled $1.7 trillion in an approximately 166 percent increase over 1985. In 1991, financing through international finance capital markets totaled $500 billion, an all-time high. Transnational corporations number 35,000 with 170,000 subsidiaries. The trend toward formation of blocs is also on the rise. The EC set January 1993 as the date for the founding of a large unified market encompassing a population of 350 million and a GNP of $4.37 trillion, and it has agreed to establish a European economic zone with the seven nations of the European Free Trade Association. In December 1992, the United States, Canada, and Mexico formally signed the "North American Free Trade Agreement," which provides for the building of a North American free trade zone within 15 years beginning in 1994. Although East Asia has no formal economic blocs, economic relations among individual nations are becoming increasingly close. In particular, first order regional economic cooperation in secondary areas is on the rise. In Africa and in Latin America, marked economic regionalization has also occurred. Preliminary statistics show more than 20 rather formal economic cooperation organizations or mechanisms of fairly large size in the Africa and Latin America regions.

World economic growth suggests that some developed western countries are in decline, and also that some have come out of a trough but lack the strength for recovery. In some cases, economic growth has slowed. In 1991, the economic growth rate of western nations fell to 0.9 percent, and in 1992 and 1993, it will be 1.7 and 2.9 percent respectively. Eastern Europe and the CIS nations continue to decline, the growth rate falling 16.9 percent in 1991, and declining another 16.8 percent in 1992. The situation in developing nations has improved, a good situation in development occurring in Asia, and readjustment, reform, and cooperation in Latin America is beginning to show results. Africa remains in straitened circumstances, however. For the developing nations as a whole, the economic growth rate in recent years has been higher than the low approximately 1 percent world growth rate. The growth rate for developing nations is generally estimated at approximately 3 and 3.3 percent respectively for 1990 and 1991, and it will be somewhat higher for 1992 and 1993.

Several Trends Apparent for International Situation During the Remainder of the 1990s

1) The trend will be toward further political and economic multi-polarization. For the rest of the present century and on into the beginning of the next century, the differences in strength among each of the multipolar nations will narrow as a result of the economic advance of Japan, Germany, and China at a faster speed than the United States, and a rise in the EC's overall strength resulting from greater integration, the position of the United States as a single pole declining relatively. The narrowing of the gap among the United States, Europe, and Japan may both increase mutual jostling and frictions, but may even more advance mutual restraint and interdependence, the coincidence of the two abetting world stability and development.

2) Friction and coordination among western nations will increase at the same time, harmony and compromise among them remaining dominant during the foreseeable next several years, conflicts not intensifying to the point where they impair the political alliance relationship. The reasons for this prospect are: 1) The west's "international fusion" of the former USSR and eastern European region is far from complete; a joint effort is still required. 2) Western military and political wariness of Russia has not yet completely disappeared. 3) The west feels that regional threats to western interests still exist that require a concerted response. 4) Japan and Germany are not yet fully fledged powers; they will not have the power during the 20th century to oppose the United States.

Furthermore, Japan needs the help of the United States in becoming a major political power, and it will take the rest of the present century for Germany to complete the task of digesting the eastern zone. Until this task is completed, a take-off will be difficult, and security considerations will also remain a consideration. Germany needs the United States and NATO.

3) Differences between north and south in value concepts will develop together with economic conflicts, and the value concept conflict may be more prominent for a time. The economic gap will continue to widen between north and south as well as among the various southern nations. For some southern nations, the degree to which the gap widens will be greater than the average degree of widening of the north and south gap. With a further upturn in the economy of Latin America, continued general high speed growth of Asia's economy, and a slight upturn in the economy of Africa, the economic growth rate of the world's developing countries during the remaining years of the 1990s will be markedly higher than that of the developed western nations. International Monetary Fund statistics show an average 3 percent growth rate for developed western countries between 1990 and 2000, but a greater than 6 percent average growth rate for developing countries.

The widening of the south-south gap shows up in two main regards: 1) The gap between Asia and Latin America and Africa is widening. During the 1990s, Asia's economic growth rate will be between 8 and 10 percent or more. Latin America's will be about 4 percent, and Africa's will be between 2 and 3 percent. 2) The gap is gradually widening among different types of developing countries (newly industrializing countries, fairly high income and low income developing countries, and least developing countries). Statistics show that between 1990 and 2010, per capita income will increase 1.04 fold in the newly industrializing countries of South Korea and Singapore, and in the relatively high income countries of Thailand, Malaysia, and Indonesia. In African countries, it will increase only 0.06 fold. In 1991, the economic growth rate in Singapore, South Korea, and the ASEAN nations was between 6 and 7 percent. In China it was 7 percent. In Ethiopia, however, it was only 1.2 percent. Singapore per capita GNP is $13,600, but in Cambodia and Ethiopia per capita GNP is $110 and $113 respectively, a more than 100 fold difference.

4) The possibility of a global conflict will remain very small, but regional disturbances may occur with varying frequency, sometimes strong and sometimes weak, and repeatedly.

In short, for the next several years or longer, as multipolarity develops, the power gap among the various poles will gradually narrow while mutual competition and restraint will gradually increase. Following the change in the confrontation between east and west, both the west-west conflict and the conflict between some western nations and numerous sovereign nations will escalate, but west-west conflicts will not intensify to the point where they cannot be reconciled. However, the meddling of a small number of developed nations in the internal affairs of other nations and the conflicts with numerous independent and sovereign nations that they arouse can poison international relations.

Chen Qurong [6186 0648 2837] (Contemporary International Relations Institute): Sever characteristics of current world situation merit close attention.

First, all countries of the world are trying to avail themselves of the opportunity that the end to the cold war between the United States and the USSR presents to devote more energy to domestic affairs in order to rest and recuperate. However, for most major countries, this is frequently more easily said than done.

For the countries concerned east and west, the demise of the Soviet Union and the weakening of the United States means an easing of foreign aggression and an intensification of internal disturbances. At the same time, for many countries the end to bi-polarity means new opportunities and new challenges, new enticements and risks, and new rights and responsibilities in the outside world. Under these circumstances, many major powers feel caught in a dilemma, unable to move forward or backward.

Actually, Russia began to draw back even before the dismemberment of the USSR in 1985, but today when it has no choice but to concentrate energies on solving serious political, economic and social problems, it must also wrack its brains about the loss of its western buffer zone, the possible loss of its southern security screen, and how to enter fully into the Asia-Pacific region. Since the middle and late 1980s the United States has repeatedly gone through a great debate about whether it is better to look inward or to look outward, or a combination of the two. The general election of 1992 seemingly produced an initial mini-conclusion to this debate with the election of a new president who emphasizes "reform." When he was running for president, he criticized President Bush severely for ignoring domestic problems, but he recently also admitted that "whether we like it or not, our government will have to spend a great deal of time on foreign policy." The EC originally intended to use the collapse of the Berlin Wall as an opportunity for accelerating progress in the integration of Europe, but since integration has a profound bearing on the fundamental rights and interests of nations and peoples, conflicts broke out, and internal controversies occurred frequently. Internal adjustments are needed, but at the same time energies must be directed toward preventing the creeping spread to Europe of the chaos of war from the Balkans and other areas. Japan too must pay attention to both internal and external affairs. Internally, it faces the eradication of political scandal, stemming the economic slide, and readjusting the economic structure. Externally, it wants to realize its plan for becoming a major political power "to make a contribution to the establishment of a peaceful world order."

Second, with the end of the cold war, the west-west conflicts that the east-west conflict kept without bounds have markedly escalated. An unprecedented readjustment of relations among western nations has begun, but relations among the great western powers still have the character of a strategic alliance.

In recent years, the EC, the United States, and Japan have accelerated their efforts to establish their own economic spheres. Economically, the trend is toward a three way division of the world. The seven western nations heads-of-state conference, the controversy between the United States and Europe over the farm products trade, and exchanges of a structural nature between the United States and Japan suggest that a trade war, a financial and monetary war, and economic model competition is increasingly reaching the point where reconciliation is difficult. At the same time, the open strife and veiled struggle in assisting eastern Europe and Russia, in building independent European defense, in controlling the conflict in Yugoslavia, in finding a political solution to the Cambodian problem, and in assisting Vietnam show that a struggle to seize political dominion from the United States is developing in Germany and Japan. In short, the foundation for the western alliance has been seriously weakened by the collapse of the Soviet Union, and Japan and Europe are "becoming increasingly independent, or are even adopting a challenging posture" toward the United States. America's relations with Japan and Europe have already begun to change from an alliance relationship to an adversarial relationship.

At the same time, the basic pattern of both competition and coordination among the western nations led by the United States has not been broken. On numerous major problems, the major western powers continue to seek points of convergence of their rights and interests, and they maintain a certain cooperative division of labor and tacit understanding. Their means differ in promoting the "democratization" of the world, but they emphasize that "only capitalist democracy means peace." On the issue of assisting Russia, they each keep their own counsel, but they want to prevent a resurgence of Russian imperialism. They have staked out economic realms all over the globe, but they do not want to see the geoeconomic sphere change into isolated blocs. Clashes over their economic interests are becoming increasingly sharp, but they may ultimately reach a compromise in order not to cause a major upheaval of the world economy. The overall relationship among them has changed in the direction of a mutually adversarial one, but they still want to maintain the character of a strategic alliance, to a certain extent, to deal with various imponderables during the transition period, to make use of each other, or to keep each other within bounds.

Third, some areas are in serious disarray, and this will continue for a considerable period of time. It currently appears that this is mostly the after shock rather than the harbinger of a major earthquake.

A series of major shocks, including the dramatic changes in eastern Europe, the disintegration of the Soviet Union, the collapse of the bi-polar system, and the division of Yugoslavia into five parts have turned the area extending from the Balkan peninsula through the Middle East and the Caucasus to central Asia and southeast Asia into a disaster zone. Various hot spots in Africa and the Asia-Pacific region that were on the way to a political solution, or where a political solution had been largely worked out, have flared anew because of the failure to eradicate internal causes.

Since the epicenter is farm from stable, ethnic clashes, religious conflicts, territorial squabbles, and fights over resources overlap in the areas directly impacted. Furthermore, some major powers seek to exploit the imbalance between the United States and Russia, between eastern and western Europe, between capitalism and socialism, as well as the serious development gap, and the wealth and poverty gap between north and south, and the gap among southern nations. The upheaval in some areas positively cannot be solved in a short period of time, and the outbreak of new upheavals is also possible.

However, bringing regional clashes under a certain degree of control is also possible for four main reasons: 1) Following the end of the American-Soviet confrontation and the Gulf War, for a period of time neither global powers nor regional powers have the will or the ability to undergo a new global confrontation or large scale regional conflict. 2) Ensuring no major upheaval in the former territory of the USSR, keeping Europe unbalkanized, keeping up the Middle East peace talks momentum, guarding against a widening of the limited conflicts in Africa, and maintaining the relative stability of the Asia-Pacific region is both consistent with the interests of the major powers, and is also in keeping with the interests of the regions concerned. 3) The security mechanisms of the United Nations and the areas concerned have been readjusted, and now they are still able, to a certain extent, to play a role in maintaining peace that cannot be ignored. 4) The general desire of international society is to solve controversies through peaceful means, and to use economic development to solve problems peacefully.

Fourth, the hot spots about which the world is universally concerned have turned to economic development and economic security. At the same time, the degree of militarization of international society remains very high; the disarmament road is still a very long one.

A series of events in recent years further demonstrates that the center of international life has shifted from the military realm to the economic realm. For example, nations that once practiced a centrally planned economy are furiously seeking to join the international economic system. Economic exchanges and cooperation in small areas, secondary areas, general areas, and even areas that are bound together by geographic, ethnic, and religious ties are booming on a global scale. The 10th unaligned

heads-of-state conference decided to shift its work focus to economic problems. Large and small countries of the world, including the United States and Russia, have given important place to economic diplomacy and environmental diplomacy, etc.

At the same time, military competition and military security have not, and cannot, disappear from the international stage. It now appears that implementation of the agreements already reached between the United States and the USSR, and the agreement presently being negotiated between the United States and the USSR for the large scale reduction of strategic nuclear weapons may very well be more difficult and take more time than previously imagined. Once the declarations and promises contained in these agreements for the reduction of conventional forces collide with the major interests of defense industry groups, they may encounter roadblocks. Moreover, simultaneous with the sale abroad of armaments that they have eliminated, the United States and Russia will continue to apply new and high technology to improve their own armaments. The entire world is in a period of transition during which many areas are still in tumult. All these factors increase the difficulty and the uncertainty of arms cuts, arms control, and the prevention of arms proliferation.

Fifth, the factors that determine how the world situation develops are far more numerous than just the collapse of the USSR; thus, the situation during the transition period will be highly complex.

The factors that play a decisive role in today's world situation may be divided into three types. First is the important trends that already existed, or took shape, during the 1980s or earlier, such as the rise of the world's new science and technology revolution; readjustment and reform of national industrial structures, economic systems, and development strategies; a shift in the focus of international competition from military competition to competition in overall national strength; the simultaneous concurrence of the globalization and regionalization of the world economy; a shift in the major conflict between the United States and the USSR, and between east and west; and evolution of the world's bi-polar structure toward a multi-polar pattern. Second is the changes in the USSR and eastern Europe, the end of the cold war between east and west, the enormous clashes brought about by the collapse of the USSR and the bi-polar system such as the splintering and reorganization of the world's basic political forces, the accelerated development of the multi-polarization trend, the escalation of nationalism and national interest-first views, the increase in limited conflicts, the further prominence of development problems, and the general spread of the market economy system. In addition is the struggle to build a new international pattern and a new international order, such as readjusting and reforming the existing security mechanisms and development organizations, the readjustment of international economic behavior norms, improvement of the international political consultation mechanism, and the democratization of international relations.

The interrelationship and the interplay of all these various factors combines to determine the direction of movement of the world situation, which make it seem frequently as though the world trend is toward mutual confrontation during the transition period. The economies of socialist states are practicing market methods, and the economies of capitalist countries are seeing greater government interference, the two running parallel. Every country seeks to maintain sovereignty and independence, and all pursue their own national interests, even while coordinating and relying on each other. One superpower has withered away, but the other superpower still exists so, to a certain extent, mono-polarity exists within multi-polarity. The cold war order has collapsed, but the UN charter and the five principles of peaceful co-existence continue to play a role within certain limits, and numerous nations are exploring a new order on this basis; therefore the world is not entirely without order; both disorder and order exist at the same time.

Xie Yixian [6200 4135 7359] (Foreign Affairs Academy): With the end of bi-polarity, a trend toward multi-polarity has appeared, but is a new pattern in process of formation or is it not yet taking shape? The key reason for the contention that it has not yet taken shape is that Russia's international coordinates have not yet been plotted, but no matter whether it has taken shape or not, I believe that the basis for surveying international issues remains analysis of basic international forces and their make-up.

In my view, the basic international forces should include the United States, Europe, Japan, the third world, China, and Russia. The United States is the only superpower, and the United States, Europe, and Japan are the major nations in the world's three main economic spheres. These are real situations that must be taken into account when examining the make-up of the three basic international forces. The position of the EC in the changing international pattern is rising, but numerous conflicts and difficulties still exist in its building of an economic, monetary, and even a political alliance. It is still limited in its ability to render a full performance on the international stage. Japan's international position will rise markedly, but for the time being, it is unable to depart from the path of taking the United States as its main partner politically, economically, and on security matters. Japan has explicitly selected the road of cooperation with China in economic development, and this holds major significance for the maintenance of economic development and political stability in the Asia-Pacific region. China carries a certain amount of weight in the international setup. It is widely acknowledged to be a major factor in the maintenance of world peace and stability. What I want to emphasize is the international position of the third world. The third world's population accounts for four-fifths of the world's total. Failure to

realize this great spread while looking only at several major powers is a serious error. **The third world cannot be bypassed in the study of the international setup.** As for Russia, it positively will not become a dependency of the west. Because of the serious predicament it is currently in, the role it can play on the international stage beyond the sphere of the former Soviet Union is limited now, but it remains a basic force internationally. In summary, I believe the basic international forces are the United States, Europe, and Japan, the third world, China, and Russia.

The World Economy

Li Changjiu [2621 7022 0036] (XINHUA): Following the end of the cold war, the world's main battlefield has shifted to economic competition. Therefore, I would like to review world economic matters.

With the advent of the 1990s, world economic growth slowed markedly. International Monetary Fund statistics and forecasts report a nearly 3 percent average annual world economic growth rate during the 1980s, but only a 1.8 percent growth during 1990, a drop to 0.4 percent in 1991, and an only 1 percent growth rate in 1992. Economic growth was even more uneven in different regions. During 1990, 1991, and 1992, the economic growth rate in the west was 2.6, 0.9 and 1.7 percent respectively. In the former Soviet Union and eastern European region, the economy fell 5, 15.9, and 12 percent respectively. In developing countries, the economic growth rate averaged 3.2, 3.4, and 4.5 percent respectively.

The main reasons for the slowing of world economic growth are as follows First is the effect of cyclical factors. Beginning with the second quarter of 1990, the economies of Canada, the United States, the UK, and Australia continuously declined, and it was not until the first half of 1992 that the American economy began to recover, showing a slow upturn. The UK's economy remains in decline, and growth of the Japanese and German economies has slowed. Second is the lack of coordination of economic policies among the western nations, economic and trade frictions intensifying. Third, many nations are held back by structural problems. In particular, the dramatic changes in eastern Europe and the dissolution of the USSR have an enormous impact on the economies of those regions.

In surveying the world economic situation, we must both look at problems, and also look at the trend of development of the mainstream. The end of the United States-USSR bipolarity, the outbreak of the Gulf War, the Yugoslavian civil war, and the clashes between some countries or within some countries in the CIS, and riots in South Africa all show that the post-cold war world remains troubled. However, an increasing number of nations are turning their attentions to peace and development. Most countries are devoting more serious attention to straightening out, readjusting and developing their own economies. Among major nations, in particular, extremely fierce economic competition has begun. The world' main battlefield has shifted toward economic competition.

To increase their overall national strength, improve competitiveness and their position in the world economy, many nations are making adjustments in the following five realms:

1) Perfection and enhancement of macroeconomic control, exploring the optimum mechanisms and models for controlling the macroeconomy and enlivening the microeconomy.

The modern market economy that has gradually taken shape in the wake of the development of a social division of labor, commodity production, and socialized production has become a historical stage that cannot be skipped in economic development now and for a long time to come. The modern market economy has at least three points in common: 1) The basic feature maintaining and sustaining the market economy: competition. Fullest use of the market mechanism is the primary force powering socio-economic development. Therefore, enterprises must truly become commodity producers and operators who make their own operating decisions, are responsible for their own profits and losses, are responsible for their own development, and who are responsible for placing limits on their activities, the fittest surviving, and the laggards not being artificially protected. 2) No direct government interference in the economic activities of enterprises, the main way in which government controls the economy being through the formulation of economic policies, and the application of fiscal, monetary, and social welfare policies and methods for macroeconomic regulations, doing all possible to control the degree of economic passivity and decline, and ameliorating inequities resulting from competition to reduce their social impact. 3) Drafting of laws and regulations to support the implementation of economic policies and competition among enterprises in accordance with regulations. However, inasmuch as the situation and the level of economic development of individual countries varies, economic mechanisms and models cannot be the same. The British-American model and the German model, the German model and the Japanese model, and the Latin American model and the East Asian model all differ. In the future, even more market economic mechanisms and models will be fashioned.

2) Accelerate development of science and technology to gain scientific and technical superiority.

During the past 30 years, scientific and technical inventions and discoveries have been more numerous than during the previous 2,000 years. Increasingly, world economic competition is embodied in the degree to which science and technology are translated into material form in commodities, and modern warfare is expressed, to a certain extent, in a high technology contest of strength. Consequently, competition in "raw

strength" as part of overall economic power is actually competition in the level of science and technology.

To accelerate the development of science and technology, many countries have drawn up medium and long-term science and technology development plans, have increased their investment in research and development, have reformed and vitalized education, have built high technology development zones, and have competed for human talent.

The serious attention to science and technology of many countries has inevitably brought about the rapid development of science and technology. During the 1990s, major breakthroughs were made in high technology and in high technology industries led by micro-electronics technology, biotechnology, and new materials science and technology. These breakthroughs had a major effect on the development of the world economy and on changing the overall national strength of all countries.

3) Continue readjustment of the industrial structure for an upgrading and a softening of the industrial structure.

Most nations will continue to play close attention to agriculture, but the development of agriculture depends increasingly on science and technology. American government agencies concerned forecast that by 2000 five-sixths of the world increase in agricultural products will depend on biotechnology and other technologies, only one-sixth depending on an expansion of cultivated area.

In industry, and particularly in manufacturing industries, a shift from labor-intensive and capital-intensive to technology-intensive and knowledge-intensive will continue to play an increasingly important role.

Tertiary industries (also termed labor service industries or service industries) will continue to develop, becoming the main industries in many nations, and the main one where employment will be expanded. Among tertiary industries, the position of the information industry will become increasingly important, and it may possibly develop into a quatenary industry.

4) Rapid progress in improving regional economic cooperation, regionalization, and the formation of economic blocs.

Beginning in 1993, the EC will realize a virtual free flow without borders of commodities, capital, talent, and labor in the founding of the world's largest regional, unified market, which will gradually expand from this foundation. The leaders of the United States, Canada, and Mexico have signed an agreement for the establishment of a North American free trade zone. This agreement provides for the building within 15 years, beginning from 1 January 1994, of a North American free trade zone having a population of 363 million and a GNP of $6.6 trillion. America's objective is the establishment of an American continent free trade zone stretching from Alaska to Tierra del Fuego. The United States also intends to establish a fan-shaped "Pacific Ocean Community" led by it and based in North America that radiates toward Asia.

Impelled by the rapid progress of western Europe, the North American Zone regionalization, and the formation of blocs, economic cooperation among the regions and secondary regions of East Asia, Africa, and Latin American is on the rise.

5) Methods used in gaining world markets are undergoing change. Simultaneous with the widening of commodity exports, numerous countries are actively expanding capital export and technology transfers to engage in transnational production, operation, and sales.

During the last half of the 1980s, world transnational direct investment increased by an annual average 29 percent. By 1990, world transnational direct investment increased from $53.3 billion in 1985 to $225 billion, the accumulated investment going from $638.6 billion to more than $1.7 trillion. In 1990, there were 35,000 transnational corporations in the world with annual sales totaling $4.4 trillion (not including trade among transnational corporations), more than total world exports for the same year.

The dramatic increase in transnational direct investment has resulted in increased interweaving and interdependence among the economies of all countries. The main concern of entrepreneurs is not national frontiers but product costs, quality, and competitiveness. Transnational production, operation and selling by enterprises has led increasingly to "internationalized products" (meaning products assembled wholly or partially from parts supplied by very many countries). The International Forecasting Corporation predicts that by 2000 manufacturing industries in developed countries will depend on foreign corporations for the production and supply of nearly 40 percent of their parts.

In summary, the beneficial factors spurring world economic development are greater than the limiting factors. The world economic situation in 1993 will be better than it was in 1992, the growth rate possibly approaching 3 percent; and the world economic growth rate for the last half of the 1990s will be higher than for the first half. This kind of world economic climate poses both challenges for all countries and also provides the finest opportunities since the end of World War II.

Ke Juhan [2688 1446 7281] (Contemporary International Relations Institute): The world economy in 1992 has not yet extricated itself from the grim situation into which it sank during the early 1990s, but a turn for the better will occur in 1993. During 1992 some glaring problems appeared in the world economy. The situation is rather grim. This has been manifested in the following main regards: 1) Continuation at a very low level of the global economic growth rate. The International Monetary Fund estimates that the world economic growth rate will increase from the 0.3 percent of 1991 to only 0.8 percent in 1992, much more slowly than the previously forecast 1.8 percent. Thus, the economic growth rate for

the whole world has been lower than 1 percent for two consecutive years, an event unprecedented since the end of the war. Economic growth in different types of nations varies. In developed western nations, the growth rate increased to 1.5 percent from the 0.9 percent of 1991, less than the predicted 2.2 percent. In eastern Europe and the CIS nations, the situation was worse. In the wake of a negative 15.9 percent growth in 1991, the growth rate fell another 12 percent in 1992. In developing countries, the economic growth rate increased from 3.4 percent in 1991 to 4.5 percent in 1992, the growth rate in Latin America increasing from 2.8 percent in 1991 to 3.4 percent in 1992. The Asia-Pacific region maintained a greater than 6 percent high speed growth, but in Africa the growth rate increased only 2.5 percent.

2) The unemployment situation in a large number of countries either did not improve or worsened. In the United States, Europe, and Japan, the number of unemployed generally increased. This produced a climb in the unemployment rate in 24 Organization for Economic Cooperation and Development countries from 7.1 percent in 1991 to 7.5 percent in 1992. The unemployment rate in developed western countries, which had fallen for many years in a row, turned upward, total unemployment breaking the 30 million mark. Mired in an economic crisis, eastern European and CIS countries experienced an unemployment that was more ferocious and more abrupt than in western nations. The International Labor Organization estimates an unemployment rate close to 12 percent for the eastern European and CIS countries, a higher percentage that in the western countries, unemployment totaling more than 20 million.

3) Financial storms in western Europe will worsen turbulence in the international monetary situation. During the last half of 1992, western Europe went thorough a financial storm that was the worst crisis during the past 13 years in Europe's monetary system, the main reason was the too great a rise in the value of the deutschmark. The tremendous rise in the value of the mark resulted in the currencies of all other European nations taking a pounding from ever increasing market speculation. The Italian lira, the British pound, and the Spanish peseta were the first to come under fire. Their exchange rates steadily slid below the floor that the European monetary system had set. When the joint intervention of the governments concerned and western nations had no effect, on 12 and 16 September 1992, the European monetary system twice readjusted the system's internal exchange rates. The lira and the peseta were tremendously devalued, and the British pound and the lira "temporarily" left the "system." On 19 November, the Swedish krona also unhooked from the "system." The two forced readjustments of the European monetary system, and the departure from the "system" of several leading currencies showed this to be the "worst single crisis" since the founding of the system in 1979.

4) International commodity markets remain soft; multilateral trade system faces serious threat. Reportedly, the growth rate for world trade volume increased to approximately 4 percent in 1992 from the 3 percent of 1991. It did not revive to the 5 percent level of 1990. Thus, the increase in trade volume from 1.5 to 4 percent was much lower than the 13.5 percent of 1990. The trade imbalance among major nations was re-accentuated. For example, Japan showed a cumulative trade surplus of $88.36 billion for the period January through October 1992, up 44 percent from the same period in 1991 and exceeding the all-time high whole year surplus for 1986 of $82.7 billion. Its foreign trade surplus for the whole year for 1992 will be more than $100 billion. Germany's foreign trade surplus increased from $13.6 billion in 1991 to about $18 billion in 1992, but by comparison with the $55.8 billion of 1990, this was a very great reduction. America's adverse balance of foreign trade increased from $65.4 billion in 1991 to $80 billion in 1992 in a reversal of the consecutive year decline in its adverse trade balance. The foreign trade imbalance resulted in an increasingly intense struggle among developed countries in the international trade field, thereby posing an enormous threat to the world's multilateral trade system. One example was that the GATT Uruguay round negotiations had to be postponed several times. The intensity of the impact of this round of talks on the United States, Europe, and Japan was greater than in the previous several rounds of negotiation.

On the other hand, some positive factors also appeared in the world economy such as the continued control of, or further decline in, inflation in developed western countries and most developing countries. The third world's debt crisis eased, and successes were scored in readjusting the economies of Latin American countries. In addition, financing activity in international financial markets was more lively than in 1991. For example, during the first three months of 1992, total credit increased 16 percent over the same period in 1991, rising from $380 billion to $439.1 billion.

The main reasons for the fairly grim world economic situation in 1992 were as follows: First, the economic situation in the main part of the world economy—the western nations—was generally bad. Second, for various reasons, the key nations—the United States, Germany, and Japan—tasted the bitter consequences of excessive debt inflation, but they were also unable to find relatively effective short-term methods for dealing with the structural crisis. Faced with the serious negative consequences for the economy of a currency contraction, each one resorted to countervailing policies thereby causing a decline in the role of the coordination mechanism that weakened the ability of the governments of all nations to intervene in the economy. Second, efforts to change the economies of the eastern European and CIS nations encountered difficulties that the leaders of these countries had not foreseen. Finally, although the overall economic situation in developing countries was somewhat better than it had been in 1991—particularly the economies of the Asia-Pacific region, which were "outstanding"—these were not a large percentage of the total

world economy, and their influence was fairly small. They did not count for much, and they were restricted by western economies.

The outlook for 1993 is for an acceleration of the speed of economic development in developed western countries thanks to signs of an upturn in the economies of the United States and other western countries, a not very high rate of inflation in western countries of only about 4 percent, and maintenance for a fairly long period of time of the international oil price at the fairly low level of below $20 per barrel. However, because of structural problems in western economies, such as enormous debt, for which no satisfactory solution can be found, the effectiveness of economic stimulation is limited. This makes substantial economic growth impossible. It is estimated that economic growth will increase from 1.5 percent in 1992 to around 2 percent in 1993. This will include a 3, 1.5, and 2.5 percent respective increase for the United States, the EC, and Japan. The intense upheaval in the economies of the eastern European and CIS nations will decrease, but it will be difficult to eliminate entirely obstacles in the way of changing from a planned to a market economy. It is estimated that during 1993, these economies will continue a negative growth rate of 5 percent or more. In developing countries, favorable factors will increase, but the basic difficulties encountered in economic development will remain. Therefore, the economic growth rate for 1993 will be at best just somewhat better than in 1992. The Asia-Pacific region will maintain a high-speed growth momentum. The growth rate for the entire world will increase from the 0.8 percent of 1992 to 2.5 percent in 1993.

The Situation in Eastern Europe and the CIS

Wu Renzhang [0709 0088 1757] (Eastern Europe and Central Asia Institute, Academy of Social Sciences): For the CIS and eastern European countries, 1992 was a time of tribulation. The overall situation may be capsulized in three phrases: change of direction, independence, and upheaval.

First, all the nations either began or continued the difficult process of changing direction.

1) Most nations adopted "shock therapy" in the transition to a market economy. Poland started "shock therapy" in 1990, and during 1991 and early 1992, the other nations of eastern Europe began, one after another, to emulate Poland. At the beginning of 1992, Russia took the lead in implementing "shock therapy" in the territory of the former Soviet Union. Under its influence, virtually all the CIS and eastern European countries took this road. However, the degree, the steps, and speed with which all the countries conducted "shock therapy" differed. Generally the therapy took one of two forms as follows: First was the radical, complete "shock therapy" as represented by Poland and Russia, meaning the decontrol lock, stock, and barrel of the prices of an overwhelming majority of commodities within a very short period of time. Second was the somewhat reserved "shock therapy represented by Kazakhstan, the Ukraine, and Hungary, meaning the controlled and gradual decontrol of the prices of most important commodities. Other nations, such as Turkmenistan took more prudent steps.

2) For most nations, the change in direction was rather difficult, and in a small number of nations a turn for the better began to occur. After nearly one year of "shock therapy," Russia "started up a market mechanism" without any major social upheavals. Nevertheless, the price paid was very great, and the economic situation is rather grim. It is estimated that in 1992, GNP fell between 20 and 22 percent, the inflation rate reached 2,000 percent, and the fiscal deficit amounted to more than 800 billion rubles. The social situation in Russia is also fairly tense.

After some other nations in the former Soviet Union and in eastern Europe applied "shock therapy," the economic situation also became rather straitened. In Kazakhstan, Kyrgystan, Bulgaria, and Romania, for example, estimates call for a between 15 and 20 percent, or even greater, drop in GNP. After between two to three years of changing direction, an initial turn for the better began to appear in a small number of nations such as Poland, Hungary, the Czech Land, and Slovakia. In 1992, the speed of decline in GNP in Hungary slowed and is expected to fall betweens 3 and 5 percent. A 25 percent inflation rate is forecast. Hungarian economists estimate that the slide in production will halt or there may be some upturn during 1993. During the third quarter of 1992, Poland's industrial production showed some upturn. GNP in the Czech Land and Slovakia during 1992 is forecast to decline 3 percent, a 0.3-1 percent inflation rate is forecast for January through August. The Czech prime minister made an optimistic estimate as follows: "The economy has bottomed out."

Second, steady rise in the ethnic independence tide.

During 1992, a "federation crumbling tide" appeared in the former Soviet Union and eastern European region. The USSR disintegrated into 15 states, the Yugoslav federation disintegrated into five states, and the Czechoslovak federation parliament has already passed a resolution calling from a division into two countries as of 1 January 1993. Thus, the nations of the former USSR and eastern Europe have increased from 10 to 29.

The primary characteristic of the "federation disintegration tide" is a direct transition to a completely independent nation. Both the USSR and Yugoslavia tried unsuccessfully to become federated states. This was also the case for the Czech Land and Slovakia. Boris Yeltsin proposed the founding of the CIS, hoping to use it as a means of establishing some federated or semi-federated countries. However, following the trials and tribulations of 1992, the CIS's "unified military space" and "unified economic space" have broken up. All of the nations in the CIS are establishing their own armed forces, and

some are preparing to issue their own currency. The founding of completely independent nations has become a tide.

The second feature of the "federation disintegration tide" is the steady widening of the scale of ethnic conflicts. In the process of disintegration, the old historically accumulated enmities, and new "family break-up" disputes (territorial division, apportionment of assets, dealing with mixed ethnic communities, and separation of military authority), and ethnic conflicts intensify. In some areas, armed ethic conflicts erupt or even turn into regional limited wars. In Yugoslavia, there is the Serbia and Croatia War, the Serbia and Slovenia War, the three faction war in Bosnia-Herzegovina, and now the winds of war are blowing in Macedonia and Kosovo. In the former Soviet Union, there is the war between Armenia and Azerbaijan over Nogorno Karabakh, the war between the Georgian authorities and the Abkhaz nationality, the war between the Georgian authorities and the Russian nationality in Noniausiti Oblast, the Dniester River area war inside Moldova, and the Tajik civil war. In short, after decades of tranquility, gun smoke has risen again over this large tract of land.

The third feature of the "federation disintegration tide" is rampant ethnicity. The influence of communist ideology, which formerly held sway in these regions, has rapidly declined. Ethnic ideology and religious ideology in combination have rapidly spread to become a serious factor for instability in these areas.

Third, turbulent situation continues.

As a result of the difficulties in changing direction, as well as the intense ethnic conflicts and clashes, the political situation in Russia and the eastern European nations continues in a state of upheaval, which may be divided into three types as follows: 1) A state of war or semi-state of war, as is the case in Bosnia-Herzegovina, Croatia, Serbia, Tajikistan, and Georgia. 2) An unstable political situation with constant government crises, but without the outbreak of major social upheavals. This is the situation in most countries such as Russia, Bulgaria, and Lithuania. 3) A fairly stable government with little social antagonism, but a complex and difficult political and economic situation in prospect, as is the case in Hungary, Poland, and Kazakhstan.

How will the situation in Russia and eastern Europe unfold? This is a question that very much merits examination. I believe the following estimate may be made:

1) Turmoil to continue over the next three to five years in Russia and Eastern Europe. Three conditions are necessary for a change from upheaval to stability: 1) Formation of a market mechanism and its normal operation, including: substantial completion of the privatization process, establishment of a market infrastructure, and the building of a new market economy system on this foundation. In Russia, the difficult task of transforming the production of military industrial enterprises (40 percent of all enterprises) also has to be completed. However, the privatization process is proceeding rather slowly today in Russia and in most of the eastern European nations in which more than 80 percent of industries are state-owned. 2) Perfection and normal operation of the multi-party system in the political mechanism. Although these nations have instituted multi-party systems, they lack a well-developed multi-party system political operating mechanism. 3) Formation of a new pattern of ethnic relationships, first cooling off the hot spots where ethnic clashes occur, and then rationally apportioning rights to all nationalities. At the present time, the tide of ethnic independence is still running high in these areas; they are a long way from establishing a new pattern of ethnic relationships.

Without the foregoing conditions, it will be very difficult for Russia and the eastern European nations to move from a period of turmoil to a period of stability, and it will take three to five years, or even longer, to create these conditions. Poland and Hungary may be first to get out of the trough in 1993 or 1994, but more time will be required for them to stabilize. Generally speaking, throughout the 1990s, this vast area will remain in the tumultuous and difficult process of changing direction. After the beginning of the 21st century, a new pattern of development will appear.

2) In the process of changing direction, different kinds of nations will appear in the former Soviet Union and Eastern European area. This trend will become more marked beginning in 1993.

The trend suggests that independence, diversified democracy, and a market economy are irreversible in Russia and the eastern European region. However, different circumstances in these countries will produce different socio-economic patterns: the free market economy model and the social market economy model. The latter model is characterized by the retention of substantial public ownership components and a rather large number of social security measures. Currently, Romania and Bulgaria are in process of overhauling their economic reform measures, giving attention to greater macroeconomic regulation in a trend toward the establishment of a social market economy model. The recently convened Russian Seventh Congress of Peoples's Deputies announced that Russia too would move toward the establishment of a socialist market economy model.

The socialist system has existed for a long time in the former Soviet Union and eastern Europe, and the cultural and historical traditions of most of these countries are substantially different from those of western European nations. Therefore, a completely westernized social system is unlikely to take root in this region. In the process of changing direction, different types of nations, or socio-economic models different from those of western nations are likely to appear.

3) The Balkan situation may become more complex.

Nowadays people are very much concerned lest the flames of war from the former Soviet Union and eastern Europe spread elsewhere. It appears that although the flames of war in some parts of the former Soviet Union will not subside quickly, they may be brought under control. Since Russia still holds the only powerful military forces, and foreign influence is only just beginning to enter some areas and has not yet struck root. Thus, Russia still possesses the strength to control the scale of clashes.

However, the ethnic conflicts in the Balkans are like wheels within wheels. External powers such as the United States, western Europe, Turkey, and the Muslim world vie with each other to get into this region, nor will Russia sit idly by. Therefore, the factors controlling the ethnic conflicts in this region are fairly complex, and the flames of war that have erupted there will be difficult to quell. Even though all the nations will not permit war in the Balkans to become a major war that destroys the peace of Europe, the situation there may be further complicated; 1993 is a crucial year. We must pay close attention.

Guo Simian [6753 1835 0517] (Peace and Development Study Center): All sorts of estimates have been made of Russia's economic situation and its future prospects:

Yeltsin's estimate is fairly optimistic. He believes there are signs of an initial turn for the better in Russia's economy, that the trend toward decline in production has halted, that production of civilian goods has increased, that the ruble crisis has been surmounted, that debt problems among enterprises have begun to ease, that good harvests are being brought in, and that new market relations are being formed among enterprises. Nevertheless, he acknowledges that the "tempestuous period is not over yet." Yeltsin's remarks may be an attempt to arouse the public, which has lost confidence in the "shock therapy" to stabilize the political situation.

The estimates of Russian scholars tend to be pessimistic for the most part. During my visit to Russia in 1992, I contacted a number of scholars, and I have also had talks with Russian scholars visiting China. Most of them feel that the deterioration of Russia's economy has not yet hit bottom; the end of 1992 and the first half of 1993 will be the most difficult period for Russia's economy. A scholar from the Economics Department of the Russian Academy of Social Sciences believes that even if Russia's economy is at the bottom of a trough, an immediate upturn will be impossible. This trough is not pointed but flat, which is to say the economy may hover there for two to three years before an upturn begins. He believes that it will take five to six years before Russia's economy recovers to the 1988 level. The deputy chairman of the Russian Academy of Sciences Standing Committee, Kudeliyafucaifu [phonetic], estimates that it will take 10 years for Russia's economy to recover. The head of the Russian Academy of Sciences Far East Studies Institute, Titarenko, says the recovery will take five years.

Russia's vice-president, Rutskoy, is also pessimistic. He said that commodity circulation in Russia has declined 40 percent, production is off 30 percent, national income has dropped 18 percent, and agricultural production has fallen 27 percent to a crisis state. It will take Russia eight years before revival to the 1990 level.

The western nations have lost confidence in Russia's economic situation. Some people believe that Yeltsin's economic reforms are doomed to failure. Major western countries are very circumspect about taking specific actions to help Russia. They have now halted humanitarian aid. The west has promised $24 billion in aid, but so far the United States has come up with only $1 billion. Japan and Russia are deadlocked over the northern territories issue, so Japan cannot give a large amount of aid now. Yeltsin also visited South Korea where he was also unable to obtain a firm promise of assistance.

I personally believe that Russia's economic situation will be unable to take an upturn quickly. It will take three to five years for the outlook to change. The reasons are as follows:

First, Russia's economic system cannot be changed within a short period of time. Russia differs from most nations in eastern Europe. It covers a vast area in which ethnic conflicts are numerous; it has had a planned economy for a long time; and economic reform began late. Today the old economic mechanism lies in ruins, but a new mechanism has yet to be built. The entire economy is out of order; it is in an extraordinarily difficult predicament.

Second, a shift in military industrial production is difficult to achieve within a short period of time. Forty percent of Russia's industries are defense industries. Converting them to civilian use requires a large investment of money and a fairly long period of time. However, at the present time, the only Russian goods that can compete in international markets and create foreign exchange are military goods. The Russian government plans to expand armament sales to obtain urgently needed foreign exchange. These two circumstances suggest that the conversion of military industrial production cannot be completed within a short period of time.

Third, the leadership level in Russia is plagued with rivalries; it does not coordinate action; and the political situation is unstable. The Seventh Congress of People's Deputies suggests that Yeltsin has been forced to give way, making accommodations regarding personnel and reform matters and the speed of their implementation. He has accepted some of the views of the "Public Alliance." This will adversely affect a change in economic direction.

Fourth, within the Russian federation, ethnic rivalries are on the increase. This inhibits a change in direction of the entire economy as well as the formation of a new economic integration. In addition, the traditional economic ties among the various federated republics of the

former Soviet Union have been sundered, and new economic ties among the countries in the CIS can be formed only with difficulty.

Fifth, western assistance has not been forthcoming, making prospects dim. This is detrimental to a change in direction and a revival of Russia's economy.

On the other hand, we must realize that Russia holds enormous economic potential that cannot be underestimated. Russia's economic woes have come about during the transition period in changing the direction of the economy. After a difficult period, it may revive and develop.

Russia's enormous economic potential lies in: First, its vast territory and abundant resources. It has extremely plentiful natural resources. Second, Russia's economic strength is vast. It has strong iron and steel, fuel, and power industries, as well as war industries. Third, Russia is a major scientific and technical power in the world. Its education is well-developed, the cultural caliber of its citizens' is high; it has abundant scientific and technical forces, and it stands in the front ranks of the world in the fields of space navigation and nuclear power. Its present problems are difficulties in changing its economic system, an economy that is out of order, an apathetic citizenry, and inability to revive within a short period of time. It must also be realized that the tolerance of the Russian people is quite strong. Despite the impact of shock therapy, soaring prices, serious shortages of goods, and a dramatic fall in the people's standard of living, large scale social upheaval has not occurred, nor has the economy collapsed. Over the intermediate term, Russia remains a world power. Once it has a chance to catch its breath, it will revive and develop.

Gu Guanfu [7357 7070 4395] (Contemporary International Relations Institute): One year following the dismemberment of the Soviet Union, all of the nations of the CIS are in a period of varying degrees of hardship, and a small number of them have become mired in conflict and internal disorder. Throughout the region, the situation is unlikely to take a new turn for the better for the time being.

1) Nationalism is spreading widely creating frequent conflicts that will be difficult to contain and solve in a short period of time. Not only are the ethnic conflicts that occur in the CIS large in number, but the scale of conflict is gradually escalating and developing into hot wars in which fighting is continuous. International efforts at mediation are fruitless. The background to the conflicts is complex. Some result from historical territorial disputes and contentions among nationalities, and some stem from the meddling of outside forces. Still others involve religious influences. The goal of nationalism is to build nations of a single people; thus, the result of the conflicts in some countries is the exclusion of all but the dominant nationality or the splintering of the nation, which produces a tide of refugees. This means that for the present and for a long time to come, the CIS and its neighboring territories will not likely be at peace, and resolution of this problems will also be rather difficult.

2) No possibility of a turn for the better in view of the deepening of economic crisis and a drop in the people's standard of living. During the dramatic 1992 decline in the economy of the former Soviet Union, Russia's economy fell by approximately 20 to 30 percent. The degree of decline in all the nations of the CIS ranged from 15 to 45 percent. Price rises and inflation reached alarming proportions, inflation in Russia reaching more than 2,000 percent. In the Ukraine, prices rose 27 fold between early 1991 and May 1992, and in the other republics, prices increased at least seven to eight fold, and generally more than 10 fold, causing a drop in the people's standard of living. In the CIS countries today, between 70 and 80 percent of the residents live below the poverty line.

The main reasons for the deterioration of the economy are as follows: 1) Serious damage to the economic ties among the various republics following dismemberment of the USSR, leading to a serious decline in the production, or even the bankruptcy, of many enterprises and production units in each nation. 2) Improper handling of reform measures or policy mistakes. An example was the use of "shock therapy." Tightening of government finance and currency in accordance with western monetarist theory, while simultaneously decontrolling prices both hurt production and also caused prices of commodities in short supply to soar, the ruble steadily depreciating in value. 3) A change in economic direction out of impatience to achieve quick results brought in its wake various conflicts and problems that added to difficulties in straightening out the economy. According to the forecasts and estimates of various parties, it will take at least three to five years for the CIS nations to get out of their economic predicament, and eight to 10 years for most countries.

3) Political upheaval and constant changes of the government in many nations, and a trend toward intensification of the struggle for power. During the past year, seven or eight nations in the former Soviet Union changed their president or prime minister. The government that was founded in some nations following independence has been overthrown by opposition factions, and some nations are in the midst of a "power crisis." During the recently held Seventh Congress of Peoples's Deputies, a sharp struggle occurred over the rights of the president and the parliament, thereby giving rise to the great problem of a presidential system versus a parliamentary system. A situation similar to that in Russia also occurred in Kazakhstan. Currently, none of the nations in the CIS has solved problems pertaining to the political system. The distribution of authority among the president, the government, and the parliament is unclear. In addition, in every nation different political factions and powers continue to develop making maintenance of the power structure difficult in each nation.

4) Two tendencies—coalition and separation—are developing within the CIS. In the wake of the dismemberment of the USSR, 11 nations quickly joined together within a short period of time. During the past year, they have held many deputy heads of state meetings and passed more than 100 documents, yet the CIS nations remain independent and difficult to unite. The CIS has no accomplishments to its credit. The basic reason is that following independence, all of the nations hoped to begin to establish with all possible speed their own truly independent political, economic, and military systems. In the economic and security areas, in particular, only through interdependence can most nations ensure their own greatest interests. Consequently, this conflicting state of affairs enables the continued existence of the CIS, but it is unable to become a super-national entity. Each nation has elected a policy toward the CIS that is in keeping with its own ability to be independent and its own interests. One situation that may come about is that some nations will increase cooperation outside the CIS to form new partnerships having a bilateral and multilateral basis. Alternatively, some nations may only continue their "registration" with the CIS, becoming affiliated nations or observers. At the same time, all of the CIS nations are in process of improving their ties and cooperation with neighboring states on the basis of individual geopolitical situations. For example, the nations of the southern Caucasus and the Middle East are both members of the Caspian Sea Economic Cooperation Organization and the Turkey, Pakistan, and Iran Economic Cooperation Organization. Both the Ukraine and Byelorussia are trying to join the European economic sphere.

The Situation in Europe and the United States

Zhou Rongyao [0719 2837 5069] (Western Europe Research Institute, Academy of Social Sciences): 1992 was a year in which Europe faced all sorts of difficulties, which were manifested in the following main ways:

1) Situation in Europe depressed; economy of most nations either stagnating or in crisis. In the major countries, the employment rate rose steadily, the unemployed numbering more than 2 million or even close to 3 million. The growth rate for the entire western European economy is estimated at only 1.1 percent, some countries showing negative growth. A change in this state of affairs depends not only on improvement in America's economy, but more importantly on whether the formal inauguration of the unified European market will bring new vitality to the European economy. The outlook is not optimistic.

2) Major changes in Europe have occasioned many clashes. The existing situation is that the worsening of the economy and no abatement in the disaster of war in some parts of the former USSR and eastern Europe, particularly in Yugoslavia have caused a large tide to refugees to surge into western Europe. (In Germany alone, refugees number between 320,000 and 400,000 annually). This not only increases these nations' economic burdens, but also gives rise to social and political problems, including anti-foreign incidents in Germany and Italy. Continuation of civil war in Bosnia-Herzegovina has greatly jolted Europe.

3) Frictions between Europe and the United States, particularly the intensification of economic and trade frictions. Even though the United States and Europe have recently reached a farm products trade agreement, and the Uruguay round of talks has been revived, this does not mean that problems between the United States and Europe have been solved. First of all, the European-American farm products trade agreement has not yet won final approval, and France has formally stated its intention to use its veto power against it. Second, trade conflicts between Europe and the United States have caused quarrels inside the EC. These quarrels are manifested not only between nations in the EC, but even between one faction and another within a single country. Recently, Spain, the Netherlands, and other countries in which the percentage of trade in farm products is fairly large, joined France in its campaign of opposition to the agreement within the EC. In France, even though the government, from top to bottom, unanimously opposes the agreement reached between the United States and Europe, the opposition parties still criticize the government position as being not firm enough and contrary to the farmers' interests. They refuse to give the government a vote of confidence. Some even propose bending every effort to convince Europe likewise to oppose the United States unanimously.

4) A pall over the building of the European Alliance symbolized by the Maastricht Treaty. Salient incidents were as follows. The citizens of Denmark voted to veto the Maastricht Treaty; the citizens of France approved the Maastricht Treaty by only the slimmest majority; and the UK postponed approval of the Maastricht Treaty until the first half of 1993 after the citizens of Denmark voted again. No matter whether the Maastricht Treaty is accepted by all member nations in 1993, the problems revealed in 1992 about the establishment of the European alliance will adversely affect Europe for many years. These problems are principally the following: 1) How to control the speed and depth of the building of Europe? Should attention be given first to expanding the member nations or more emphasis placed on deepening the level of integration? 2) The conflict between national sovereignty and integration, and between national identity and unity. Should future building of Europe be based in a single Europe or on nations? Some people say categorically that this is a question that can keep Europe on tenterhooks for the next decade or more. 3) The German problem is a problem within the EC, and it is also a problem about which all Europe is anxious. Some people say: Are we trying to build Europe, or are we trying to close ranks with Germany? 4) The European monetary crisis that erupted in September further exposed the fragility of the European monetary system. Not only did this crisis

damage the economy, but more importantly it also reflected the problems that have appeared in people's confidence in the European monetary system. Some people believe that this monetary crisis has virtually ruined the basis for a unified European currency. Some people say that Europe will have a unified currency and a unified bank, but it will not likely have a unified government in control. Thus, will a future unified European bank be able to force all countries to implement its policies? The answer is negative.

In short, the real difficulties that Europe faced in 1992 were much more serious than what people predicted, and it is very unlikely that thee difficulties will be completely eradicated in 1993.

Wu Fanggui [0702 2455 2710] (Contemporary International Relations Institute): During 1992 Europe was in an economic slump, the Maastricht Treaty was blocked, and many matters did not move along smoothly. In looking ahead to 1993, the situation offers no reasons for optimism.

1) The economy: continuing decline or slowing; lackluster upturn. Beginning in 1990, the economies of all the EC nations were generally depressed. In the summer of that year, the decline appeared first in the UK after which the economies of EC countries like Germany and France entered a stage of excessively slow growth or decline that has not turned around to this day. According to the most recent EC evaluation, the estimated growth rate for the EC in 1992 is 1.1 percent, and the unemployment rate is estimated at close to 10 percent. Estimates also call for an economic growth rate for 1993 of only 1 to 1.5 percent. The unemployment rate will exceed 10 percent, increasing to 15 million people. The main factors limiting the speed of revival of the EC are: The very high demands on monetary union of the Maastricht Treaty. Every country is striving to lower its budget deficit, reduce public debt, control inflation, and implement cutback policies. These efforts increase the funds shortage making stimulation of economic expansion impossible. Second, the German "locomotive" lacks pulling power as a result of having accepted the too heavy "German unification load." Furthermore, the high interest rate policy it has adopted to prevent currency inflation also seriously curtails western Europe's economic vitality.

2) Political situation. People anxious; political situation unstable. The worsening of the western European economy, steady rise in the unemployment rate, rampant crime, and serious political corruption have produced popular dissatisfaction, loss of confidence in traditional political parties, and anxiety about the endless influx of refugees. The translation of popular feeling into political action has produced some problems that merit attention: 1) Anti-foreignism has reared its head. Extreme right-wing forces in all countries are using the immigration issue in large scale anti-foreign campaigns in order to widen their effect. In Germany alone, more than 2,000 violent anti-foreign incidents occurred in 1992. 2) Decline in the influence of traditional political parties, and marked rise in right-wing influence. In the several legislature and local elections conducted in Germany, France, and Italy during 1992, the number of votes for traditional political parties—for the ruling parties, in particular—generally declined, while votes for right-wing parties increased, right-wing parties suddenly becoming the third force in national or local legislatures. This may have an effect on political party patterns and future policy trends. 3) Weakening of the position of parties in power; decline in ability to withstand "shocks." The French Socialist Party will almost certainly fall from power following the March 1993 election. After suffering defeat in the April 1992 general election, Italy's "four party alliance" managed to organize a minority faction cabinet, but a crisis of confidence may occur at any time. The Majors government in the UK has come under attack from all sides and is in a difficult predicament. Germany's coalition government is in no danger as yet, but it is also facing numerous difficulties. Its prestige has plummeted. The predicament of western European ruling parties today will cause them to shift their attentions inward, become very cautious about foreign policies, and not dare to take any "unpopular" actions.

3) The Maastricht Agreement: An inauspicious beginning with numerous problems ahead. 1992 marked the first year after passage of the Maastricht Treaty during which difficulties rose repeatedly, and dangers lurked on all sides. In a general referendum held in Denmark during June, the Maastricht Treaty was vetoed. The powerful wind of speculation that blew through Europe's foreign exchange markets in September left the European monetary system in tatters, its vitality greatly sapped, thereby casting a heavy shadow over the contemplated monetary union. In a referendum on 7 December, Sweden rejected participation in the European Economic Zone, thereby placing a new stumbling block in the way of European integration. Plans set for the Maastricht Treaty to take effect prior to 1 January 1993, thereby permitting implementation of the agreement for the establishment of the European Economic Zone that had been reached between the EC and the Free Trade Association, had to be postponed. Although the EC heads of state conference held at Edinburgh in mid-December 1992 made some progress, the goal of European integration will likely be scaled down and slowed.

4) Europe and the United States: A two front battle; tense relations. After the USSR threat vanished, the relationship between the United States and Europe of the protector and the protected no longer existed. A struggle between the two for dominance in Europe and a struggle for economic hegemony ensued. The current focus of the struggle for dominance in Europe is over overall control of European security. The United States is extremely dissatisfied with Europe's plans to build an independent defense, and has accused France and Germany of building a "Franco-German army group" to

gain control over NATO. Recently, France and Germany agreed to put the "Franco-German army group" under NATO command, under certain conditions, to perform certain missions. Only then was the struggle between the United States and Europe eased for the time being. In the economic field, however, the battle has become more and more intense. Only by using the threat of mutual boycott was the United States able to force the EC to sign a farm products agreement, but this angered farmers in France and the EC nations. France took the lead in opposing the agreement. It proposed that a "comprehensively balanced overall agreement" be reached on 15 issues in the Uruguay round, a proposal that has gained support from quite a few EC nations. This means that the United States and Europe will begin a stage of more arduous and intense all-out crossing of swords in the Uruguay round of negotiations.

5) Crisis in Yugoslavia: Failure of intervention; outlook worrisome. Intervention in the Yugoslavian crisis was a major action of the EC to establish its leading position in Europe. In the end, however, Yugoslavisa was dismembered, the flames of war burn ever brighter, and they may spread. If the war continues, surrounding nations may be dragged in, and Moslem nations may also intervene, turning this ethnic conflict into a more complex international controversy. None of the EC's efforts so far have contained the dangerous momentum of this crisis. Now the United States is preparing to take the EC's place in "playing a leadership role." Some people advocate use of the Gulf War as a model, using armed force to solve the Yugoslavian problem. However, in Europe, quite a few people also believe that the Balkans are no Persian Gulf. Were such a war to begin, its disastrous consequences would be difficult to predict.

6) Eastern Policy: Anxious to spur "change"; opposition to others' involvement. The EC's plan for making the changes in eastern Europe and the former Soviet Union irreversible calls for the use of every possible means of influence in an effort to impel them to adopt "shock therapy" in the conduct of intense economic and political reforms in accordance with western demands. As a result, the old mechanisms are in ruins, and new mechanisms are slow in building. This occasions political disturbances, economic bankruptcy, a dramatic fall in the people's standard of living, and the surge into western Europe of large numbers of refugees, which have a tremendous impact on the politics, economy, and society of western European nations, and create increasingly intolerable burdens. The eastern European and CIS nations that are in this predicament wait anxiously for western Europe to provide economic assistance. Western Europe has also made no small effort, but its abilities are limited and far from able to satisfy the needs of these nations. This has aroused dissatisfaction with the west in these nations. Today, an increasingly large number of people are beginning to suspect that the west's prescription for them is "self-serving," and they are thinking about the future course they should pursue.

Liu Xu [2692 4825] (Contemporary International Relations Research Institute): 1992 was a year of major political changes in the United States. Politicians of all stripes were the subject of intense controversy and repeated attacks. In the end, in the first general election year since the end of the cold war, William Clinton of the Democratic Party, who advocated "reform and change" was elected America's 41st president in 42 terms of office, and 52 elections.

Clinton's election marks a new turning point in American politics. 1) **Change in Decision-Making Generation** Both President Clinton and Vice-President Gore are only slightly more than 40 years old. They are from the post-war generation. The old statesman Bush, who ran for another term as president, was not re-elected despite the contributions he made to winning the cold war and the Gulf War. 2) **Large Number of New Faces in Congress** The House and the Senate have more than 120 new members. The number of women, black, and ethnic minority members has markedly increased. The social foundation of the new Congress has broadened. 3) **Readjustment of Partisan Political Pattern** The Democrats continue their dominance in both the House and the Senate, while simultaneously gaining power in the White House, thereby bringing to an end the situation that has existed since the early 1980s in which the Republican Party was in control of the executive branch and the Democratic Party was in control of the legislative branch of the government. Clinton, who belongs to the moderate faction of the Democratic Party, gained the support of the independent faction and the conservative faction of the party. The situation of the Reagan era in which the Republic Party won over the electorate from the southern Democrats has also changed. 4) **Economic Background of Decision Making Level Has Also Changed** Clinton still represents the interests of the large transnational corporations and banks, but he also has close relations with the corporations and businesses that have fairly numerous interests with the civilian sector within the country, as well as with the medium and small businesses that are newly emerging and whose level of technology is fairly high.

Once Clinton takes office, America's strategic plans will see new adjustments. Viewed historically, this adjustment will be no less than or even greater than the adjustments after Nixon and Reagan took office. The changes during the Nixon era were made to meet the situation resulting from America's fall from the summit after victory in World War II. Reagan's policy adjustments were for the purpose of dealing with the economic stagflation of the 1970s, as well as to deal with the Soviet Union's aggressive military expansion and expansionism. Clinton's adjustment, however, will be for the purpose of meeting the new situation following the cold war, to meet the challenges of the 1990s and on into the 21st century, and to increase America's overall strength based on its economy, and its science and technology so that the United States can maintain its international standing as the sole superpower in a pluralistic world.

Therefore, both because of its domestic background and its international background, this adjustment will attract extremely great attention.

Clinton's strategic thinking requires across-the-board advances on both the domestic and international fronts, and it also requires simultaneous strengthening of the two main pillars of the economy and science and technology, and military strength. However, **Clinton emphasizes that American ability to remain powerful is rooted within the country and founded on the economy and science and technology.** Following his election, Clinton first concentrated on the building of an economic team in the selection of his cabinet. Even before formally taking office, he convened a national economic conference. This shows that even while seeing internal and external economic and military balance, he will place substantial emphasis on the "domestic" and the "economic." This also shows that although the strategic thinking of the post-war generation American president maintains continuity with that of previous presidents, the point of emphasis will see new adjustment.

Clinton's thinking on economic policy both aims at stimulation of an economic upturn and sustained growth as well as at reducing the deficit and the tremendous size of the national debt, both of which are obstinate economic maladies that have built up over a long period of time. He advocates increased investment and increased labor productivity rates to bolster international competitiveness. Not only does he want to use tax preferences and credit expansion to encourage private investment, but he also wants the government to expand investment in infrastructure and in intellect (education, training, and scientific research). Because Clinton emphasizes government's role in regulating and controlling the economy, and also stresses the stimulation of supply and nonconsumption demand, **some people term "Clinton economics" "new Keynesianism," or the "Democratic Party supply side school."**

As a member of the Democratic Party, Clinton's foreign policy thinking emphasizes the need to promote throughout the world the American value system of freedom, democracy, and human rights. Nevertheless, he is a realist and a statesman whose policies are flexible; thus, he will **seek a balance between idealism and realism.** The members of the cabinet that he has appointed to diplomatic and national security posts are fairly experienced old hands who will help him both maintain continuity with the Bush administration's foreign policy, and also make appropriate adjustment to meet changes in the situation. Clinton stresses the economic and the political, advocating cutbacks in military expenditures and troop strength. Nevertheless, he still wants to build high quality, high caliber, "first-rate armed forces." He not only wants to maintain nuclear deterrence, but he also devotes greater attention to strengthening the ability of conventional forces to make a rapid response and, when necessary, to intervene in regional conflicts.

After taking office, Clinton will face daunting and difficult problems: Not only will Clinton have to deal with economic competition and challenges from Europe and Japan, but he will have to prevent the collapse of Russia's change in direction, or the staging of a comeback, and he will also have to control the vast third world area. He will have to stimulate economic growth and increase investment, and he will also have to reduce the deficit, prevent inflation, improve the condition of the economy, and maintain America's dominant economic, political and political position around the globe. His front is very long and his strategic goals are very high. He is bound to feel that the spirit is willing but the flesh is weak, or frequently become mired in a predicament in which attention to one matter means sacrificing another, feeling that any choice he makes presents difficulties.

On the other hand, however, possibly the thing to which more attention should be given is that Clinton will have a rather good opportunity to accomplish various things during his term of office. One is that with the conclusion of the cold war, the United States may be able to devote more energy to strengthening its domestic economic foundation. A second is that America's ninth economic recession since the end of the war is about to end. The economic cycle is poised to reach new heights. Third, America's economic potential is great, its scientific and technical foundation is good, and there is plenty of leeway for converting industries from military to civilian purposes, and for increasing income while reducing expenditures. Fourth, the Democratic Party's simultaneous control of both the government and the Congress helps the president to promote his plans. Fifth, the United States is the strongest nation in the world in terms of overall national strength. In all manner of bilateral, triangular, and multilateral relationships, it possesses substantial negotiating strength. Therefore, one cannot rule out the possibility that over the next several years America's position in international politics and the world economy may improve somewhat. According to forecasts, even if America's economic growth rate for 1993 is not as good as that of many Asian nations, it will still be higher than the EC's or even Japan's. Therefore, **the view that holds that America can only decline relatively in a pluralized world and cannot rise relatively at a certain time or in certain fields is flawed.**

The Situation in Asia

Liu Liandi [0491 6647 4574] (Contemporary International Relations Institute): Since the dismemberment of the USSR and the end of the cold war, the following has taken place in the Asian situation:

1) Economic development is the world's fastest; it is the area that has greatest vitality. Asia's economic growth rate for 1990 and 1991 averaged 5.8 percent annually. In 1992, it will be 6 percent, and for the next several years the growth rate is expected to break 6 percent. Trade has developed rapidly, its position rising. In 1991, the Asia region's volume of trade was more than one half total

world trade. Asia's trade with the United States totaled $310 billion, or approximately 50 percent more than America's trade with western Europe. Exports of Asia's "four tigers" plus Malaysia and Thailand accounted for 10.9 percent of the world total. Japan accounts for 8.9 percent. Economic cooperation among the nations and territories of Asia is booming; ASEAN has formed a free trade zone, and economic spheres are in process of formation in the northeast Asia, Yellow Sea, Tumen River, and south China areas.

2) Political situation is fairly stable. By comparison with the increased turmoil in Europe, and the frequency of war-borne chaos in the Eurasia border area, Asia is a relatively stable part of the world. Thanks to the breaking of some new ground in north-south talks, a further easing has occurred on the Korean peninsula, which has an important influence on the stability of the region. The establishment of diplomatic relations between Russia and South Korea, and between China and South Korea, the visit of the Japanese emperor to China, the Japan and South Korea heads-of-state conference, and Russian President Boris Yeltsin's visit to Beijing have produced a stability in northeast Asia such as has been rare in recent years. The situation in southeast Asia is also fairly stable except for the stalemating of progress toward peace in Cambodia and limited clashes in Afghanistan. ASEAN and Indochina are improving relations. The steady improvement and development of relations between China and surrounding countries has become an important element in the preservation of stability and development in Asia.

3) Trend toward multipolarization in the Asia region. American influence in Asia has declined relatively, but it still plays the most important role in Asia's major power relationships. The trend of relations between Asia and the United States is as follows:

1) Founding of a "global partnership relationship" with Japan. Clinton pays close attention to the position and role of Japan as a major economic power. He hopes it will make a contribution, and he wants Japan to open up further its domestic markets and reduce its trade surplus with the United States. In the defense area, the United States regards Japan as the keystone to the Asia-Pacific region's security defense, but it wants Japan to assume more responsibility in a "nonthreatening" way. The United States cannot withdraw more military forces from Japan if it is to maintain its dominant security role in northeast Asia. Economic frictions between the United States and Japan will increase, but the relationship between the two nations will continue to be one of partnership in which both competition and conciliation exist.

2) Building of an unequal "cooperative partner relationship" with Russia. Because of their separate national interests, the United States and Russia desire to advance relations between the two countries to a new stage. Both parties have signed the "United States-Russia Partnership Relationship and Friendly Relations Charter." The United States intends to help Russia realize a free market economy and political pluralism, thereby making Russia a member of the "great western family" that plays the part of an "assistant" to the United States on major international issues. With support from western nations, including the United States, Russia hopes to revive its economy and maintain social stability. It will have to respond more to the United States, giving first place to the development of relations with the United States. In view of the challenge to Yeltsin's political position resulting from Russia's current economic difficulties, the United States is worried that the hard line faction forces will raise their heads. Thus the Clinton government will provide Yeltsin with a certain amount of support. However, since the United States is itself in economic difficulties, it cannot provide substantial assistance.

3) Both maintenance of contacts with and increased pressures on China. After he becomes president, Clinton will generally continue to pursue the policy toward China of the final period of the Bush administration, but adjustments may be made in some regards. For various reasons, the Clinton administration will do all possible to avoid a regression in Sino-American relations to a situation in which the two countries are principal mutual adversaries and in which confrontation reappears. Nevertheless, the United States will exert pressure on China on human rights, the trade surplus, and weapons sales, as well as on the Taiwan and Hong Kong issues. Consequently, Sino-American relations "may become more difficult." (Eagleburger's words).

In the Asia-Pacific region, as well as in the multi-polar global pattern, the relationship among the United States, China, and Japan is an extremely important triangular relationship. The building and maintenance of good and stable relations among the three nations is of crucial importance to future peace, development, and prosperity in Asia and the world. Sound relations between the United States and Japan, good relations between China and Japan, and stable relations between China and the United States are important to the United States, China, and Japan. The opposite is detrimental to all three. Once the new Clinton government comes to power, opportunity will exist to create conditions and lay the foundation for the building of benign and mutually dynamic relations among the United States, Japan, and China. United States improvement of coordination and cooperation with Japan and China will help it in the attainment of its strategic goals of invigorating America's economy and protecting America's international position.

Xia Liping [1115 4539 1627] (Strategic Research Institute, National Defense University): The situation in the Asia-Pacific region today is relatively stable, but the balance of power and combinations are undergoing change in the Asia-Pacific region as well, and some elements of uncertainty exist. Several problems that merit attention are as follows:

1) New changes in the pattern of major power relations in the Asia-Pacific region. For a long time, major power relationships in the Asia-Pacific region have been manifested in a triangular Chinese-American-Soviet pattern. With the dismemberment of the Soviet Union, Russia has no choice but to devote its major energies to the solution of domestic problems. Therefore, it will not be able to play a major role in the Asia-Pacific region within the near future. At the same time, Japan has become a major economic power, and is in process of moving quickly toward becoming a major political power. Under these circumstances, a new triangular major power relationship pattern among China, the United States, and Japan is taking shape. This new triangular relationship is quite complex. Although one aspect of the relationship among these three nations is interdependence and cooperation, mutual restraint and conflict is another aspect. Furthermore, economic factors hold an increasingly important position in their consideration of mutual relations.

The coordination aspect of American-Japanese relations still occupies the dominant position, but conflicts between the United States and Japan over trade are becoming increasingly prominent. Political conflicts will also gradually increase. Sino-American relations are currently at a crossroads. The United States is in process of overhauling its policy toward China, emphasizing priority position for economic and human rights issues. The United States will exert pressures on China on the human rights issue. However, in the solution of regional conflicts, and the prevention of arms proliferation, the United States still needs the cooperation of China, and it has to continue to invest in China and expand markets. Newly elected President Clinton acknowledges that America's relations with China are "very important." Sino-Japanese relations are currently at a relative good period historically. Friendship and cooperation is rapidly developing between the two nations in the political, economic, scientific and technical, and cultural realms, but some differences and conflicts requiring solution also exist between the two nations.

2) Under the new circumstances, the development of armaments shows a trend toward increase in the Asia-Pacific region. Japan's defense budget for the period 1991 through 1995 totals 22.76 trillion yen (approximately $172 billion) for an average annual 3 percent rate of increase. Japan's military expenditures in 1992 were second only to the United States'. India's South Korea's, and Taiwan's defense expenditures for 1991 were respectively $9.033 billion, $7.826 billion and 6.89 billion for second, third and fifth place respectively among developing countries (and territories). The expansion of arms sales abroad by the United States, Russia, and European nations during arms reductions in their own countries has resulted in the Asia-Pacific region becoming one of the principal international arms transfer markets. In 1991, Asia-Pacific region arms imports (not counting Australia, New Zealand, and other large Oceania countries) amounted to 35 percent of total world arms imports. It is noteworthy that these imported weapons tend to be at the high technology end. Countries (or territories) other than the United States, Russia, and China that have ballistic missiles include India, Pakistan, Afghanistan, Taiwan, South Korea, North Korea, Kazakhstan, and Japan. Kazakhstan has nuclear weapons that were deployed by the former Soviet Union. India and Pakistan may have nuclear weapons. Japan and Taiwan possess the technology needed to produce nuclear weapons. The foregoing trends and developments may bring new factors into play that are detrimental to stability.

3) Outbreaks in the Asia-Pacific region of territorial, resources, ethnic, and religious conflict formerly covered up by the cold war. Some of the conflicts inherited from history are like wheels within wheels; they will be difficult to solve within a short period of time; thus, the possibility cannot be ruled out that these conflicts will intensify and produce border clashes and small scale limited wars. However, for various reasons, these conflicts will not likely have a major overall effect on the strategic situation in the Asia-Pacific region.

Xu Zhixian [1776 0037 0341] (Contemporary International Relations Institute): In 1992, the situation in the northeast Asia region was relatively stable having entered a new period of dialogue and cooperation.

1) Historical change in the situation on the Korean peninsula. This change was marked largely by the following: 1) The triangular United States-China-Soviet Union strategy on the Korean peninsula ceased to exist. All the powers in the four-way relationship that replaced it—the United States, China, Russia, and Japan—want the peninsula to remain stable. Each of them adjusted its peninsula policy to promote a relaxation of the situation there. 2) More than 40 years of hostility between China and South Korea came to an end with the normalization of relations between the two nations. This historical conciliation between China and South Korea helps the dialogue between north and south Korea and improves American and Japanese relations with North Korea. 3) The dialogue between north and south Korea scored major advances. After both parties signed the "North-South Agreement on Conciliation, Mutual Nonaggression and Exchange Cooperation" in 1991, the prime ministers of the two nations signed a series of attendant subordinate agreements in 1992, and set up corresponding enablizing agencies, the dialogue between north and south thereby moving from the negotiation table to the stage of preparation for real action.

2) Political dialogue scores ground-breaking advances. 1992 was a most active year for diplomatic activity in the northeast Asia region. In the course of the year, American President Bush visited Japan and South Korea; CPC General Secretary Jiang Zemin visited Japan; the emperor of Japan visited China, and the Japanese prime minister visited the United States and South Korea; the South Korean prime minister visited China and Japan; and the Russian president visited Korea and China.

Such a large number of high level dialogues in this region within the short space of a single year, and the scoring of some ground-breaking achievements is historically unprecedented. With the unfolding of high-level dialogue, all countries actively readjusted relations with each other in response to the new circumstances: 1) Sino-Japanese relations entered a new era of development. Japan further escalated the position of Sino-Japanese relations in Japan's foreign relations. Bilateral relations, which heretofore centered around economic cooperation, moved in the direction of "Sino-Japanese relations on the world stage" that are not subject to the influence of the changing international situation and that are increasingly mature. 2) New steps were taken in Sino-Russian relations. During the past year, China and Russia followed the principle of "letting bygones be bygones and looking ahead to the future" for the maintenance of a momentum for steady development of bilateral relations. Russia has given an important position to Russian-Chinese relations in its foreign policy. 3) Japanese-Korean relations improved. For historical reasons, the gulf between Japan and China is very deep, but in 1992 South Korea began to readjust its policy toward Japan, emphasizing that South Korean-Japanese relations form the foundation for South Korea's foreign relations in Asia.

Of course, quite a few negative factors also exist in the northeast Asia region. These include continuing difficulties in relations between the United States and China, no new progress on territorial issues between Japan and Russia, stalemating of American and Japanese relations with North Korea, obstacles in the dialogue between north and south Korea, etc., all of which will require efforts to overcome.

The outlook for 1993 is that dialogue and cooperation will continue as the mainstream in the development of the situation in Northeast Asia.

1) The situation on the Korean peninsula will continue relatively stable, but difficulties in the way of new advances are substantial. 1) The key factor impairing the development of the situation on the Korean peninsula—the nuclear inspection issue—remains unresolved. South Korea's harsh conditions for mutual north and south inspections not only lacks flexibility, but it also suggests a linking of hands with the United States and Japan to pressure North Korea. Not only does this not help solve the problem, but it produces staunch opposition on the part of North Korea thereby complicating the problem. 2) Breaking new ground in American and Japanese relations with North Korea is difficult. An official American announcement declared that "unless there is a change in North Korea's basic policy," and until "nuclear uncertainty" is eliminated, relations with North Korea will not improve. Japan would like to improve relations with North Korea, but its actions are greatly circumscribed by the United States and South Korea. Great differences exist between Japan and North Korea on the issues of nuclear inspection and war indemnities. Negotiations between the two have broken off, and they will not be resumed within a short period of time. 3) To solve its increasingly serious economic difficulties, North Korea has gradually opened to the outside world, but it can take only gradual steps in this direction if it is to maintain political stability in the country.

Of course, the winning of new advances on the Korean peninsula, despite the difficulties involved, cannot be ruled out. Since both the United States and South Korea have new presidents, and since North Korea has changed its prime minister, the new governments of all the countries may be able to readjust policies as the developing situation requires. Examples include acceptance of North Korea's nuclear inspection of American military bases in South Korea, or upgrading the level of contacts with North Korea. North Korea also may possibly adopt a more flexible policy regarding the nuclear inspection issue.

2) Several major Northeast Asian countries will continue readjustment of mutual relations. With the end of the cold war, relations among the four major powers—China, the United States, Russia, and Japan—assume a new character: 1) Increased initiative of all parties on the basis of the interests of their own country; 2) coexistence of cooperation and competition in bilateral relations, and both harmony and friction appearing; 3) an increased economic component in relations and greater interdependence limit the worsening and the rupture of bilateral relations; 4) increase in common interests among many nations, a tendency toward mutual limitation and balanced development occurring, and actions by any single nation to gain hegemony restrained by many nations. In view of the foregoing features of relations, the basic posture for the readjustment of relations among the major powers in the northeast Asia region will be as follows:

1) Relations between China and Japan will rise to a new level. The main reasons for this elevation are as follows: 1) Although the development of Sino-Japanese relations is limited by Sino-American and Japanese-American relations, Japan has explicitly stated that Sino-Japanese relations and Japanese-American relations are of equal importance. Japan cannot choose either Japanese-Chinese relations or Japanese-American relations in preference to the other. 2) Following the visit to China of the emperor of Japan, the interference of right-wing forces in the Japanese government's drafting of a China policy will be less. 3) Japan's major power foreign relations strategy during the new era will have to elevate Sino-Japanese relations to a new level. No matter whether in pursuit of a major political power status, or seeking to win a seat in the UN Security Council, and in both the building of economic relations in the Asia-Pacific region and in emphasizing the development of foreign relations in Asia by taking more initiatives separate from American and European foreign relations, Japan will have to cement Sino-Japanese relations further. 4) China pays close attention to relations with

Japan, and correspondingly increases Sino-Japanese relations in its foreign relations policy.

2) Japan and the United States will find ways to mend the cracks in bilateral relations, and may reach understanding on common goals in a new era. To move ahead smoothly with a policy for the invigoration of America's economy, the new Clinton administration will have to find ways to assuage Japan, repairing bilateral relations. This is because not only does the Untied States need Japanese cooperation for the invigoration of America's economy, but America's global strategy and its Asia-Pacific policy increasingly require the support of Japan. For Japan, the Japanese economy cannot do without the American market, and Japan requires the security protection of the United States. Furthermore, Japan's promotion of big power diplomacy in its seeking of big power status also draws support from the power and influence of the United States. Therefore, once Clinton takes office, Japan-America relations may change, the United States possibling making certain promises or satisfying Japan's desire and demand for great power status. Economically, Japan can also make certain concessions, or take over some international responsibilities on behalf of the United States.

3) The impasse between Japan and Russia may relax, but the territorial obstacle cannot be hurdled for the time being. From the Russian perspective: 1) Russia urgently needs financial and technological support from Japan. 2) It cannot play a part in economic cooperation in the Asia-Pacific region without the support of Japan. From the Japanese perspective: 1) In seeking big power status, Japan urgently must resolve its territorial problems with Russia, bringing to an end pending post-war issues. 2) To ensure the security and prosperity of the Asia-Pacific region, Japan must develop regional cooperation that enables Russia to become a constructive force. 3) In the long term, Russia's abundant natural resources and markets hold important significance for Japan. Because of the needs of both parties, when the seven heads of state conference hosted by Japan is held in Tokyo in 1993, to avoid too great a difference with western countries on the issue of assisting Russia, and to improve its own political position, Japan may take a more positive attitude toward Russia. The government of Japan is urging Yeltsin to visit Japan at an early date, and Russia is acting as circumstances require. Yeltsin may visit Japan, thereby breaking in a single stroke the deadlock in relations between Japan and Russia. On the territorial issue, however, although both parties can moderate their individual policies or strategies to resume negotiations, fundamental solution to the problem will require a lengthy process.

Chen Qingliang [7115 3237 5328] (Contemporary International Relations Research Institute): The situation in Southeast Asia following the cold war shows an overall trend toward relaxation and stability. This poses a marked contrast to the tumult in the Middle East and in some parts of Europe.

1) With a political solution to the Cambodian problem, a regional hot spot, and the antagonistic situations that it produced, has disappeared. East Asia is about to enter a new era of cooperation and development free from confrontations, a fine international climate appearing such as has not existed since the end of World War II.

2) The United States and Russia have both carried out huge military cutbacks. In November 1992, the United States formally handed over to the Philippine government the Subic Bay naval base in the Philippines, Southeast Asia thereby gradually becoming an area without long-term foreign military bases and military garrisons.

3) Major changes in regional international relations have occurred. In July 1992, Vietnam and Laos signed the "Southeast Asia Treaty of Friendship and Cooperation," that the Seventh ASEAN Heads-of-State Conference passed in 1976, and Vietnam and Laos won positions as ASEAN observer nations. This marks the beginning of progress in the integration of Southeast Asia.

4) Progress in economic cooperation has accelerated. In addition to the rapid development of economic and trade cooperation between Indochina and the ASEAN countries, in January 1992, the Fourth ASEAN Heads-of-State Conference reached agreement on the establishment of an ASEAN free economic and trade zone within 15 years beginning from 1993. This means that the formation of a Southeast Asia economic bloc is in the offing.

Nevertheless, this is not to say that Southeast Asia is a peaceful region without conflicts and friction. Following the disappearance of the world bi-polar pattern and superpower antagonisms, the region's former balanced relationships were destroyed and new balanced relationships have not yet taken their place. Regional antagonisms that have existed for a long time have gradually surfaced, and some new problems have appeared at the same time, notably as follows:

1) A rise in conflicts over the demarcation of territorial seas and sovereignty over islets. The dispute over the Spratly [Nansha] Islands is the most conspicuous of these. Forces hostile to China internationally have availed themselves of the opportunity that this issue provides to add fuel to the flames, driving a wedge between China and the nations of southeast Asia. It is a matter for rejoicing that the tense atmosphere over the Spratly Islands issue has abated in recent months. Both China and nations concerned have arrived at a consensus that advocates the solution of the controversy through peaceful mediation. None of the nations concerned wants this problem to impair the concentration of energies on the development of its domestic economy.

2) Increased trend toward an expansion of military forces. In recent years, a vying to increase expenditures for national defense, to update weaponry, and to accelerate the modernization of naval and air forces has occurred in Southeast Asia. Not only is this completely

at variance with the overall trend toward world disarmament following the cold war, but it also differs fundamentally from the armaments race between the superpowers during the cold war. The main reasons for this situation are as follows. Beginning in the 1980s, the security strategy of Southeast Asian nations gradually turned from primarily internal security to primarily external security; the enormous American and Soviet military cutbacks following the cold war made Southeast Asia nations, which had long relied on the superpowers for defense of their security, to feel their defense forces were not sufficient. They feared that another big power might fill the "vacuum." Most countries had replaced and updated their weaponry from time to time, but the weapons made available as American and Soviet arms cuts were not only fairly sophisticated and low-priced, but also suited their needs. It now appears that the southeast nations' weapons augmentation may be at an end, but this trend and influence bears further watching.

3) Cambodian peace process has run into trouble. The appearance of differences among the four parties in Cambodia has resulted in no progress in the second stage of the Cambodian peace plan. The Khmer Rouge has made two main demands: 1) The United Nations Transitional Authority [UNTAC] must inspect whether foreign military forces have fully withdrawn; and (2) greater authority and role for the Supreme Council. At the end of November 1992, the United Nations passed a resolution calling for the institution of trade sanctions against the Khmer Rouge as well as the holding of a general election in the area controlled by the other three parties to the Cambodian conflict. The complex situation in Cambodia is detrimental to relaxation and stability in the region.

4) The advent of economic blocs in the Americas and Europe means that Southeast Asian nations face severe challenges. In August 1992, the United States, Canada, and Mexico formally reached agreement on the establishment of a North American Free Trade Zone. This will have a definitely negative affect on the nations of Southeast Asia. According to a report published by the Pacific Ocean Economic Cooperation Council, as a result of Canadian competition in raw materials-intensive products, and Mexican competition as a labor-intensive producer, some of the products that developing Asian nations ship to the United States will be displaced. America's import trade will "change direction." Southeast Asian nations such as Thailand already fear that their exports of textiles, ready-made clothing, and rubber products may be adversely affected. Some nations such as the Philippines have proposed greater economic integration as a means of meeting the challenge. Malaysia has also emphasized that the United States has no reason to oppose its advocacy of the "East Asian Economic Grouping."

The outlook for the new year is that the trend in Southeast Asia will be toward greater relaxation, dialogue, cooperation, and development. Trends that will bear attention are mainly the following:

1) Three possibilities for development of the Cambodian situation in the wake of the UN sanctions against the Khmer Rouge: First, acting in the spirit of the "Paris Accords," the parties concerned will come to terms on the basis of mutual understanding and mutual compromise in negotiations, continuing to implement all provisions of the "Accords." Second, is the holding of a general election under UN auspices, the four Cambodian factions completely splitting up, thereby creating a separatist and confrontational situation. Third is a result that no one wishes to see, namely the resumption of warfare. It presently appears that the first possibility is slight.

2) Indonesia's President Suharto is trying to take part in the Seven Western Heads-of-State Conference to be held in Tokyo, using this as an important platform for a north-south dialogue. If this gambit succeeds, it will have an important effect on the establishment of new international relationships in the wake of the cold war. The role of ASEAN, and particularly of Indonesia, in international affairs will become greater and greater.

3) Japanese Prime Minister Miyazawa is to visit ASEAN nations: Indonesia, Singapore, Malaysia, and Thailand. Reportedly his specific tasks are as follows: 1) an exchange of views with the ASEAN nations on the post-cold war East Asian security structure; 2) discussions bearing on the Western Seven Heads-of-State Conference to be held in Tokyo; and 3) building of closer relations with ASEAN. Fundamentally speaking, however, Miyazawa's trip to ASEAN is closely linked to Japan's "big political power strategy."

4) Some worries continue about the political situation in some countries. In Indonesia, people generally believe that Suharto will stand for reelection and become president for another term in 1993. However, inasmuch as Suharto is more than 70 years old, who will be the next vice-president—his actual successor—and what actual ability he possesses to control the political situation, are matters about which people are concerned. A demand for political reform has arisen in Indonesia, and how to deal with this challenge is an issue that Suharto must consider and deal with. In Singapore, two vice-premiers were recently stricken with cancer at the same time, thereby dealing a very great blow to the Goh Chok Tong government and to the governing People's Action Party. How to overcome the "cabinet crisis," and how to deal with the opposition party will be a challenge in the coming bi-election that poses an extremely severe test for the Goh Chok Tong government. In Malaysia, within the New United Malays National Organization conflicts and strife is steadily increasing over the succession issue. This will have a negative effect on the stability of Malaysia's political situation.

Middle East, Africa, and Latin America Situations

Gao Bo [7559 0590] (Contemporary International Relations Institute): Generally speaking, relaxation was still the mainstream in the situation in the Middle East

during 1992. During the past year, no large scale armed conflicts occurred, and Arab-Israeli peace talks also showed signs of a turn for the better. Nevertheless, factors for upheaval and instability continue to exist and show signs of increasing. The Middle East will still not be peaceful in 1993.

1) America's dominant position was strengthened, but plans for establishing a "new order in the Middle East" were not realized, conflicts with various forces gradually increased. Following the Gulf War of 1991, Bush proposed a plan for establishing a "new order in the Middle East," the main substance of which was the building of a regional security system to bring about a reconciliation between the Arabs and the Israelis, the limitation of armaments in the Middle East, and the spurring of economic development. America's goal was to use its residual prestige from victory against Iraq to translate military victory into complete political and economic victory, establishing a "pax americana" in the Middle East. After more than a year of work, the United States had something to show for its efforts such as the signing of formal and informal agreements with Kuwait, Bahrain, Oman, and Saudi Arabia, which substantially fulfill its security plan. The United States provides impetus to the holding of a Middle East peace conference to bring about an easing of the Arab-Israeli conflict; and in the economic field, not only does it control Gulf oil, but it virtually monopolizes construction projects, the arms trade, and economic trade with Kuwait and Saudi Arabia. Nevertheless, certain of its plans have not been realized. These include efforts to overthrow the existing regimes in Iraq and Libya as well as to limit the spread of Iran's influence. American relations with western Europe, Japan, and Russia are also not as closely coordinated as formerly. Western Europe and Japan have become increasingly dissatisfied with the United State's monopolization of the Middle East arms trade and economic trade markets, and despite American objections, Russia has sold fighter planes and submarines to Iran.

2) Conflicts involving a struggle for hegemony on the rise in some regions. The area of contention stretches from the Middle East to central Asia in the former Soviet Union, as well as to Bosnia-Herzegovina in the former Yugoslavia. Turkey dreams of establishing a "Turkic Language National Federation" in central Asia. Iran dreams of expanding the influence of Islamic fundamentalism to the Middle East and central Asia. Egypt regards itself as the leader of the Arab world standing in opposition to other countries use of religious factions to influence and intervene in Arab affairs. At the present time, many nations have a composed exterior but are seething inside. They are busy undermining their adversaries, and in some other countries the struggle is fairly sharp. During 1993, conflicts in the Gulf region will continue to develop.

3) Progress in Middle East peace talks; possibility of compromise exists, but complete solution will take a long time. Following the convening of the Middle East peace conference in October 1991, the Arabs and the Israelis entered into bilateral negotiations. No progress at all was made during the first five rounds of talks. However, after the Israeli Labor Party came to power in July 1992 and announced acceptance of UN Resolution 242 and the principle of "exchange of territory for peace," the Middle East peace talks took a turn for the better. Beginning with the sixth round of talks, both sides no longer quibbled over procedural questions, but began a conscientious exploration of plans for solution. Now that eight rounds of talks have been held, the gap between the demands of both sides is very wide: On the Golan Heights issue, Israel is unwilling to give up its strategic position, and Syria insists that it will sign a peace treaty only if Israel agrees to a complete withdrawal from the Golan Heights. On the Palestinian autonomy issue, Israel refuses to accept the demand of the Palestinians that the autonomy mechanism possess legislative authority; it agrees only to "administrative autonomy" for the Palestinians. Nevertheless, given the cirrcumstances in which both parties find themselves, and the attitude of the United States, the possibility of certain compromises during 1993 cannot be ruled out for the following reasons: 1) Both the Syrians and the Palestinians are in a fairly serious predicament following the dismemberment of the USSR and the Gulf War; they want to reach an agreement with Israel. 2) To improve its economic situation, Israel must improve relations with the Arab states as a means of reducing its military expenditures burdens and getting the Arabs to lift their economic blockade of Israel. 3) A stable Middle East is a common desire of both the Republican and Democratic parties in the United States. After becoming president, Clinton said he wanted to promote the Middle East peace talks. However, the actions of the ruling factions in both the Arab nations and Israel are limited by opposition factions. They dare not make any major compromises on territorial issues, so the likelihood of a complete solution to the Arab-Israeli issue remains not very large. Therefore, even if both sides make certain compromises in 1993, the Arab-Israeli conflict will continue as a major factor in Middle East instability.

4) No decrease in the momentum of Islamic fundamentalism. The struggle of the Islamic fundamentalists with secular world regimes, particularly those maintaining close relations with the United States, will continue without let up. Although subjected to constant attacks from Middle East secular regimes, the power of Islamic fundamentalism continues to increase. This is manifested primarily in the following ways: 1) Although declared an illegal organization in early 1992, and despite the arrest of many of its leaders, the Algerian "Islamic Salvation Front" continues underground activities and has gained widespread support. Thus, the government will soon have to declare another curfew in the capital, Algiers, and in seven surrounding provinces. 2) During the general elections of September 1992, the Allah Party in Lebanon entered parliament for the first time, winning nine seats. 3) In the Israeli-occupied zone, the Hamas movement has developed rapidly during the

past year, and has now become an important force hampering solution between the Palestine Liberation Organization and Israel. 4) The influence of Iran on the broad masses of Moslems in the Middle East is increasing. According to reports from western countries, in addition to maintaining close ties with the "Islamic National Front" in the Sudan and with the "Allah Party" in Lebanon, Iran has contacts to varying degrees with fundamentalist organizations in all countries of the Middle East. The targets of Islamic fundamentalism formerly were opposition to the USSR, opposition to communism, opposition to the United States, and opposition to capitalism. Following the Gulf War, they turned more and more toward the United States and Middle East governments having rather close relations with the United States. Because of the increasing dissatisfaction of the broad masses of people in Middle East countries with America's exercise of power politics, this trend will continue to develop during 1993.

Ding Shunzhen [0002 7311 3791] (Contemporary International Relations Institute): During the past several years, the following major changes have taken place in the political situation in southern Africa: First, with the independence of Namibia, a complete end to the colonial regime in that region was declared. Second, for the first time in the history of South Africa, the racial apartheid laws and the racial apartheid system was abolished in the beginning of democratization. Third, the withdrawal of Cuban, former Soviet Union, and South African forces from Angola marked the withdrawal of foreign forces from local conflicts.

Nevertheless, South Africa still faces two conflicts, namely the contests of strength and the violent clashes among factional political forces in the course of democratic reforms in South Africa. As South African talks on the drawing up of a constitution intensify and continue, and particularly following the white majority decision of March 1992, the struggle between whites and blacks, and whites and whites, as well as between blacks and blacks over political rights and economic interests in South Africa has become sharper and more complex. As a result, frequent outbreaks of fairly bloody clashes add a definite obstacle to a political solution of South Africa's problems. After 14 years of civil war in Angola, the government and the opposition Angola Alliance faction signed a peace agreement in May 1991. However, because it lost in the nationwide general election at the end of September 1992, the Angola Alliance resumed warfare with the government forces. Reportedly, the Angola Alliance now occupies 60 percent of the country; thus, the situation in Angola is tense once again.

Since democratic reforms in southern Africa involve fundamental issues of a reorganization of the government power structure and a reapportionment of rights, the outlook for 1993 is for extremely sharp conflicts among the various party factions and tribes. However, the violent clashes provoked by radical blacks and right-wing whites, as well as the fights among blacks from different tribal backgrounds will be ancillary. The de Klerk government has begun talks with the African National Congress, and both parties want to bend every effort to revive multi-party negotiations. The African National Congress is also conducting a "constructive dialogue" with the Inkhatha Freedom Party. As a result the Democratic South African Multi-Party Conference, which split apart in June 1992, may revive in a certain form. One cannot rule out the possibility of the first multi-racial general election in South Africa in late 1993 or 1994. In Angola, because the Angola Popular Movement won the recognition of international society in the general election, thereby denying resumption of popular support for the resumption of warfare by the National Union for Total Independence of Angola [UNITA], UNITA has become fairly isolated. Militarily, UNITA sustained grievous losses in warfare in Luanda causing a wavering within its armed forces and leaving it without the strength to provoke a larger war. Therefore, under certain conditions, UNITA may accept the outcome of the general election and return to participate in the government anew, but the struggle between UNITA and the Popular Movement will continue.

Wang Xinlu [3769 2450 4389] (Contemporary International Relations Institute) Following the end to the cold war, the political situation in Latin American became more stable and the economy began a turn for the better. Nevertheless social ills remain. There are still many imponderables about how the situation will develop.

1) With the advent of the 1990s, the rivalry and confrontation between the United States and the USSR in Latin America came to an end for a marked easing of regional conflicts. In early 1992, the government of El Salvador signed a peace accord with the guerrillas bringing to an end 12 years of civil war. In Guatemala and Columbia, some guerrillas made their peace with the government, and some lay down their arms to take part in elections. Some are still conducting peace talks. Armed conflict is on the decline. In recent years, Latin America has substantially completed the democratization process of making a transition from military dictatorship to civilian government. Despite some upheavals in Latin American in 1992, such as two abortive coups d'etat in Venezuela, the Peruvian president's "self-made coup d'etat" and an abortive military coup d'etat in Peru, as well as the impeachment of the president of Brazil, these did not damage progress toward democratization in Latin America. Regional Rio [6849 4766] groups constantly developed and expanded. They have become important organizations coordinating Latin American nation activities that play an important role in mediating disputes, and maintaining unity. Therefore, generally speaking, the situation in Latin American following the cold war, although not as good as in Asia, is better than in central Europe, the Middle East, and Africa.

2) The Latin American economy has pulled out of the economic recession of the 1980s, once again taking the road to revival and development. The economic growth rate for the region maintained steady rise from the 2.7 percent growth in 1991, and may reach about 3 percent

in 1992. Inflation declined greatly during the past two years, falling from 1,200 percent in 1990 to 202 percent in 1991. During 1992, it continued to decline in most countries. However, because of the sharp increase in Brazil's inflation rate, which reached about 1,500 percent, the regional average inflation rate may show an upturn. Foreign investment has increased steadily; capital that fled abroad has returned, and the foreign debt crisis has eased. Barring major changes in the international situation during the next several years, Latin America's economy will show a rising trend. Therefore, the 1990s are regarded as a "hopeful decade" for Latin America.

The trend toward improvement in Latin America's economy is attributable largely to the following: 1) Success in economic reforms and readjustments that Latin America made during the late 1980s. 2) The advent of a stable situation favorable to economic development after the cold war, the government of all countries turning their main energies to economic development. 3) Changes in the international situation provided Latin America opportunities for development. 4) Increasing regional economic integration. The United States-Canada-Mexico free trade zone will help development of the Latin American economy to a certain extent.

Latin America's economy still faces several problems. One is uneven economic development, the gap continuing to widen. Second, foreign debt remains a major hidden danger for the economic development of Latin America. Third, Latin America's economy is become organically merged with the world economy. Its dependence on international markets has become greater. In the future, it will be subject to a very great extent to the limitations and influence of changes in the world situation.

3) While improving relations with the United States, Latin America is actively developing pluralistic foreign relations with western Europe and the Asia-Pacific region. Following the end of the cold wear, the nations of Latin America readjusted their relations with the United States, tilting diplomatically toward the United States. This was particularly the case for Brazil, Argentina, and Chile, which formerly had fairly deep difficulties with the United States, who now took the initiative in improving relations with the United States. Following the general election in Nicaragua, the nations of Central America also drew close to the United States. At the same time, the United States also made suitable adjustments in its policy toward Latin America, proposing the establishing with Latin America of a new "economic partnership" relationship. It is expected that after taking office, American President Clinton will also have to obtain the support and cooperation of Latin American nations, as well as Latin American markets and resources for the development of America's domestic economy. He will emphasize the development of relations with Latin American to urge Congress to approve the North American free trade agreement. However, the longstanding conflicts between the United States and Latin America have not disappeared. America's practice of power politics may arouse opposition from Latin American nations.

With changes in the international situation, the nations of Latin America are striving to widen their relations and seeking cooperation with western Europe and the Asia-Pacific region so as to avoid complete dependence on and control by the United States. During the past two years, not only have the leaders of many nations visited Europe and improved diplomatic relations with Europe, but marked progress has also been made in collective discussions and cooperation with European countries and blocs. An example is the Rio groups' foreign minister conference with the EC, and the Iberian American Heads of State Conference, which are regularly held to discuss bilateral matters of common concern.

In recent years, the nations of Latin America have also trained their sights on the Asia-Pacific region. They realize that in that region are the countries whose economic development has been fastest: Japan and the "four small tigers" of Asia, as well as the country having rich economic development potential: China. Most nations of Latin America are not only actively developing economic and trade relations with that region, but they are seeking to join various economic cooperation organizations in that region. For example, in 1991, Mexico, Chile, and Peru formally joined the Pacific Economic Cooperation Conference (PECC). In future, as the Asia-Pacific region economy develops, and particularly with the successful reform of China's economy, prospects will widen for the development of relations between Latin America and the Asia Pacific region.

NATIONAL AFFAIRS, POLICY

Roundup on Economic Restructuring Conference

93CE0365A Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA'S ECONOMIC STRUCTURE REFORM] in Chinese No 2, 1 Feb 93 pp 19-20

[Article: "Accelerate Reform To Achieve Socialist Market Economy"]

[Text] Between 5 January and October [as published] 1993, the State Council convened a national economic restructuring work conference at Jingxi Guesthouse in Beijing. Premier Li Peng and Vice Premier Zhu Rongji issued important instructions regarding the main issues in reform today while Chen Jinhua [7115 6930 5478], minister in charge of the State Restructuring of the Economic System Commission, presented a report entitled "Grasp in Earnest the Essence of the 14th CPC National Congress, Accelerate the Establishment of a Socialist Market Economy." During the conference, there were heated discussions revolving around the tasks of economic restructuring in 1993 and the general blueprint of building a socialist market economy among the 204 delegates from the 28 provinces and autonomous regions, three municipalities directly administered by the central government, 15 cities with provincial-level economic decision-making authority, ministries, commissions, bureaus, offices, and corporations at the central level, and news organizations in the capital.

Assess the Current Economic System Accurately and Devote More Energies to Reform.

What do we make of the current economic situation? Will there be a new round of inflation similar to that in 1988? These are questions that interest everybody. The consensus among the delegates is that while economic growth quickened in 1992, accompanied by some problems that call for attention, the current situation is notably different from that in 1988. In other words, China's economic structure and economic operating mechanism have begun to work properly. Macroeconomic regulation and control should not be governed by the notion that investment is getting out of hand. On the contrary, many comrades argue that the last thing we should do is to tighten macroeconomic regulation and control.

Take Guangdong, for instance. In 1992 industrial output province-wide rose 26.7 percent while agricultural output increased 4 percent. Meanwhile, however, the commodity price index edged up less than 6 percent, so the economy was largely in balance. Investment demand grew a tad too fast, but a more detailed analysis shows that of the total investment of more than 60 billion yuan, foreign capital and investment by private citizens amounted to $4.5 billion and 14 billion yuan, respectively, accounting for two-thirds of total investment between them. In other words, state investment was quite modest. As for the mix of investment, one-third went to infrastructure facilities such as power and transportation. Turning to investment returns, inventories of manufactured goods in Guangdong fell 1 percent last year compared to the same period a year ago, the output to sales ratio was 95 percent, and government revenues climbed 30 percent. Although the prices of basic materials jumped sharply at one point during the year, the prices of some raw materials have retreated to their previous levels since then. When prices rise and fall in this manner, it is a sign that the market mechanism is working.

The representatives believe that reform should take even bolder strides this year and that the problems that have occurred in some parts of the economy should not be tackled as issues affecting the overall picture. Even these problems, they argue, should be solved through reform and not by returning to the old beaten path.

Liberate Thinking and Concentrate on Solving the Underlying Problems in Reform.

It is agreed that since the 14th CPC National Congress has set the goal and defined the principles of reform, our task is to make the goal and principles more specific, to experiment and explore boldly. To begin with, as far as reform measures already explicitly endorsed by the 14th CPC National Congress are concerned, we must now go ahead boldly with them. Take the shareholding system, for instance. The 14th CPC National Congress has summed up its uses as three-fold: spurring the separation of enterprise management from government administration, transforming the enterprise operating mechanism, and raising funds. So we should publicize it loudly and clearly and experiment with it energetically based on the demands of standardization. Second, we must proceed boldly with reform measures that are in line with the spirit of the 14th CPC National Congress and are socially manageable. In the case of the social security system, for instance, we should work to build a consensus without delay, break down barriers, and be determined to push ahead with it boldly. Third, as for reforms that are well understood in principle but where details have not been worked out, we should encourage the localities to experiment boldly. For example, a number of locales may be selected to conduct pilot projects in the reform of the property rights of state properties.

Do not try to avoid the underlying problems in reform. Face up to reality courageously. Analyze the causes honestly. Put forward effective solutions that target the problem at hand. Understand the property rights relations in state enterprises, the change of government functions, and organizational reform, among others, in the light of the macroeconomic requirements of a socialist market economy and put forward effective measures. Rise above the traditional framework boldly. Never try to shape the new socialist market economy while still thinking in terms of a planned economy.

To Revitalize Large- and Mid-Sized State Enterprises, We Must Summon the Courage To Tackle Difficult Issues and Explore New Paths.

It is the consensus among the delegates that the rationalization and clarification of property rights relations lie at the heart of the revitalization of large- and mid-sized enterprises. If property rights relations are not clarified, we will have difficulty moving ahead with the shareholding system, the formation of enterprise groups, mergers and acquisitions, or auctioning. For instance, we all agree that the shareholding system can put existing capital to good use and can absorb idle social capital as well as foreign capital. But when it comes to actually operating the system, we will have trouble making it work as long as the property rights issue is not resolved. Concerning the separation of taxes and profits, delegates from cities which have been experimenting with the practice say care must be taken to solve the following five problems. First, since enterprises are the leading players with a lot at stake, we must consider how well they will be able to cope with a system of after-tax loan repayment. Second, it is fine to set the income tax at a certain level, but some of the more unorthodox taxes and fees must be abolished. Piling one new tax upon another will be counterproductive. Third, distinguish between properties resulting from borrowing by enterprises and properties that derive from direct state investment. Otherwise, enterprises' enthusiasm for investment will be dampened. Fourth, as property owner, the state should reinvest its investment returns. Enterprises should not be made to rely solely on loans to finance expanded reproduction. Fifth, after-tax retained profits should be distributed in the same order as that in the shareholding system. Make good any losses first. Next set aside some money as contributions to the accumulation fund and public welfare fund. Only then can the state share profits. If these five problems are resolved, the separation of taxes and profits can be introduced on an expanded scale.

The Only Way To Accelerate the Establishment of a Socialist Market Economy Is To Follow an Overall Plan and Step Up Comprehensive Coordination.

"Crossing a river by groping for rocks," many representatives argue, is absolutely not the way to build a new socialist market economy. There must be an overall plan to guide the healthy development of reform nationwide. All the signs indicate that we can no longer go it alone in reform. Instead of advancing on a single front, we must proceed in a coordinated manner.

As the delegates see it, this should be the guiding philosophy behind coordinated reform. First, make the change of government functions a priority. Right now what is holding up organizational reform is the fact that the functions of the various government departments are not well defined, so they tend to get in one another's way. With the creation of a socialist market economy in mind, we must draw clear jurisdictional boundaries between governments at all levels and define the functions and duties of the departments that regulate and control the macroeconomy. "After a long separation, reunion is inevitable; after a long union, separation is inevitable." Organizational reform must make a clean break with that unhealthy pattern of adjustment. Second, speed up the development of an indirect macroeconomic regulatory and control system. To begin with, reform the traditional statistical system. Change the traditional statistical methods and tools as the market economy requires. Establish a new macro information and statistical network. Next, accelerate coordinated banking, fiscal, tax, and price reforms. In banking reform, we must gradually separate policy-related matters from commercial affairs. Make the central bank fulfill its supervisory and service functions. Commercialize the management of specialized banks over time. In fiscal reform, we used to simply delegate authority and turn profits over to enterprises. Now, instead of adjusting interests in such a limited fashion, we must change the mechanism, reconcile relations, and by building on the success of pilot projects, graduate onto a separate tax system. In tax reform, the most urgent task today is to put a lid on public spending. Only by holding the total volume of government spending at a set level can we slow the trend toward collecting fees and levying charges wilfully by governments at all levels and really use taxation as a lever to ease the excessive tax burden on state enterprises. In price reform, we must move cautiously without missing any opportunity. Judging from public tolerance and the way the economy is operating at present, prices may be decontrolled in stages. Do not overburden the government with excessive price subsidies.

Further Improving the Social Security System Is Essential To Building a New Socialist Market Economy.

The delegates agree that the establishment of a sound social security system is a vital step toward building a socialist market economy. It is what economic development and rising living standards for the public demand and will also ensure the implementation of the "regulations" and continuing enterprise reform. The early establishment of a social security system will do much to reduce the risks associated with a mobile labor force amid economic ups and downs.

The delegates identify three major problems in the current social security system. First, fragmented management. Pensions, unemployment, and medical insurance are run by different departments, reinforcing separatism. Localities are not in a position to coordinate the various services. Second, the lack of uniform rules means that enterprise workers are under different insurance systems, depending on the ownership of their enterprises. This has artificially magnified the differences between enterprises owned by the whole people and collective enterprises, between state enterprises and the three kinds of enterprises that are either wholly or partially foreign-owned, thereby complicating the sound circulation of manpower among enterprises. Third, some

departments in charge mix government with business and dip into the insurance fund arbitrarily.

The delegates believe that the establishment of a single social security management body is inevitable; politics must be separated from business. An agency must be put in charge of supervising the way the social security fund is being used. Moreover, this piece of reform must be coordinated and proceed in tandem with the reform of the three systems within enterprises and the reform of the wage system of administrative units and institutions.

All the delegates at the conference say they will take home with them the central leading comrades' important instructions. They will master them thoroughly and spread the word in earnest. Based on the general philosophy behind "Main Points of Economic Restructuring in 1993" and the "General Idea of Building a Socialist Market Economy," they will make economic restructuring an even bigger success in 1993 by proceeding from realities in their regions or sectors.

PROVINCIAL

Guangdong Province Sets New Investment Record

93CE0395A Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 3, 22 Feb 93 p 28

[Article by Zhou Shude (0719 2885 1795): "Guangdong Has Once Again Made a New Breakthrough in Using Foreign Funds"]

[Text] Promoted by Deng Xiaoping's remarks made during his inspection tour of southern China and the spirit of the 14th CPC National Congress, Guangdong Province has once again made a new breakthrough in using foreign funds. According to preliminary statistics, last year 12,900 foreign-funded contracts of various types were approved by the province. The volume of contracted foreign funds reached $19.857 billion, and $4.86 billion of foreign funds were actually used. Respectively these figures constitute an increase of 51.82 percent, 242.28 percent, and 88.25 percent over 1991. This has effectively promoted the development of an export-oriented economy:

A pattern of all-round opening to the outside world has been further formed. Last year the State Council approved that Shaoguan, Heyuan, and Meizhou cities be listed among the coastal open areas, and approved Dayawan Bay of Huizhou City and Nansha of Fanyu City as economic and technical development zones. This has further developed and deepened the pattern of Guangdong's all-round opening to the outside world. With improvement of the investment environment, the relaxation of policies on the use of foreign funds, the development of a market economy, and strengthening of economic cooperation among Guangdong, Hong Kong, and Australia, more and more foreign transnational corporations, and consortia have come to invest. Cities and counties in the open area of Zhujiang Delta continue to use foreign funds. In mountainous cities and newly established cities increases in investment made by foreign businessmen has doubled and redoubled. Of which Shanwei, Yangjiang, and Chaozhou cities experienced increases by more than 11 times, five times, and nine times respectively.

The structure of foreign funds are becoming more coordinated and optimized. For a year investment has increased for infrastructure, and basic industries including output of raw materials, components, and spare parts, and the tertiary industry enjoyed rapid development. This year 30 new infrastructure projects have been approved, and the volume of contracted foreign funds amounted to $876 million. The use of foreign funds for infrastructure makes up nearly 60 percent of the foreign funds used by the tertiary industry, of which the relatively big projects include Guanghe Electric Power Ltd. of Guangdong, Jiangmen City Ltd. of Off-Shore Power Generating Plant, Fochen Highway Development Ltd. of Foshan City, Hongtu Power Generating Ltd. of Shunde City, Container Docks Lit. of Sanshui Sangang, and so forth.

There has been an obvious increase of large- and medium-sized projects. There are more than 200 projects whose total volume of investment exceeds $10 million. A number of large projects of raw material basic industry have started in Sanshui, Zhanjiang, Qingyuan, Yangjiang, Dongwan, Jiangmen, and other areas....

Various forms of using foreign funds have been developed competitively, and 9,768 projects of direct investment by foreign businessmen were approved. The volume of contracted foreign funds was $18.848 billion, and $3.551 billion was actually used, increases of 114.49 percent, 284.25 percent, and 94.8 percent respectively over the previous year. The business of foreign processing and assembling enjoyed stable development, and project quality is being improved. Compensation trade has started to develop toward investing in infrastructure. Gratifying achievements have been made in using favorable loans from abroad.

Economic efficiency of foreign-funded projects has apparently been enhanced. With the strengthening of the gradual formation of market mechanisms and the strengthening of management and services, more and more foreign-funded enterprises can operate basically in accordance with international practice. Most of the more than 10,000 foreign-funded enterprises in operation have achieved good economic and social benefits, output value, sales (business) income, export volume, and net profits have increased by a big margin over the previous year. Improvement of quality and efficiency of the projects using foreign funds, and expansion of the fields of investment and scope mark a new development stage that Guangdong has entered in using foreign funds.

Guangxi Vice Chairman on Foreign Trade Growth

93CE0370A Nanning GUANGXI RIBAO in Chinese 10 Feb 93 p 1

[Article by Wang Yun (3769 0061): "Breakthrough in the Region's Foreign Trade"]

[Text] Great advances were made in our region's opening up last year. A historical breakthrough was seen in foreign trade. The region's work conference on foreign trade was held at Nanning from 4 to 7 Feb. At the conference Vice Chairman Lei Yu [7191 1342] of the Autonomous Region said that the region's multi-layer and comprehensive opening up structure had taken shape.

He said that the region approved 1,165 foreign-funded projects, obtaining contracts worth $2.78 billion, taking in direct foreign investment of $1 billion, $246 million of the investment was used, and 1,385 foreign-funded enterprises were registered, both doubling those of last year. At the same time, more big projects and big financial groups came to Guangxi. The scope of foreign investment expanded from coastal and river areas to the region's northwest. There was an increase in big project investment. About 50 projects involved investment of $5 million or more, and over 20 projects involved $10 million. Two years ago, there were only five projects involving investment of $5 million or more. Last year, the region's foreign-funded enterprises earned more foreign exchange. Exports last year were worth $109 million, increasing 99.5 percent over the previous year. The total volume of the region's foreign trade reached $ 1.629 billion, of which, exports were worth $1.108 billion and imports $520 million, respective increases of 63.2 percent, 33.1 percent and 2.14 percent over the previous year.

Lei Yu pointed out that achievements were encouraging, but we should also be well alert of existing problems in our work. We have to realize that the absolute value of the high growth was not significant. He emphasized that in regard to these problems we should make improvements in the following six areas:

We should further liberate our thoughts to courageously draw on the advanced aspects of capitalism that follow the law of social development, and introduce advanced productive forces and management, while effectively rejecting decadent ways of life.

We should give ourselves a free hand in revitalizing finance, and making the greatest possible increase in investment. In view of the tight domestic money market, we should think more of turning to foreign funds. At the same time, we should do what we are capable of, should not rashly put up establishments, and ensure key projects.

In opening up, our region should follow the policy of the "four statements and 20 words": "straddle two boats"—taking care of both east and west. On the one hand, we should go all out building the passage to serve the greater southwest and develop Guangxi. On the other hand, we should cooperate with Guangdong, and actively be involved in the "southern economic ring." At the same time, we should "make use of Hong Kong, Macao, Taiwan, and Southeast Asia to integrate into the world."

Frontier trade should vigorously develop barter.

We should further reform the foreign trade structure. This year, all trade quotas and permits within the authorization of our region will be deregulated. Whoever is capable will be allowed to manage them. Foreign trade companies can extend operations beyond respective industries and regions, and should develop companies that combine industrial, agricultural, commercial, and technological trade. These companies will have import and export authority once they are registered and approved. We will loosen control over employees of foreign economic and trade companies in their application for international business travel, and establish "four batches": building a batch of export bases; starting a batch of key projects; transforming a batch of old enterprises, and developing a batch of quality products. We will introduce and create brand name products. Enterprises outside the region must be run well to play the role of "window, bridge, eyes, ears, and cradle." We should make better use of existing foreign trade policies, and be familiar with the "general preferential system" and other policies.

Also attending the conference were Li Jiwu [7812 3444 2976], vice director of the Standing Committee of the Regional People's Congress, and Chen Ren [7115 0088], special advisor of the regional government. A group of model units that made great achievements in last year's export and purchasing was awarded at the conference.

FINANCE, BANKING

Thoughts on Securities Market Development

93CE0297B Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 1-2, 1 Jan 93 pp 78-79

[Article by Hsin Huai-chi (6580 2037 1323): "Basic Lines of Thinking About Development of Securities Markets in China"]

[Text] **Securities Markets on the Rise**

During the steady intensification of China's economic system reform, definite achievements have been made in the development of security markets, which play a positive role in improving efficiency of using funds and in building a flexible financial mechanism. China's security markets are on the rise:

1. Securities Issuance Markets. Since revival of the issuance of state bonds in 1981, China now has several kinds of negotiable securities including share certificates, business firm debentures, treasury bonds, fiscal bonds, capital construction bonds, and finance capital bonds. As of the end of 1991, negotiable securities having a value of more than 330 billion yuan had been issued, a more than 210 billion yuan balance outstanding.

Between January and September 1992, more than 10 million yuan of new negotiable securities were issued. Issuance of securities has increased year by year, raising a large amount of construction funds for the state and business enterprises.

2. Securities Exchange Market. Since the Shenyang City Credit Investment Corporation and the Shanghai Industrial and Commercial Bank Trust Investment Corporation began to operate enterprise bond and share certificate exchanges, the opening up of the treasury bond market and the establishment of securities exchanges have greatly advanced the flourishing and development of exchange markets. As of the end of May 1992, securities totaling more than 210 billion yuan in value were traded. Today, the securities of 46 corporations are traded on the Shenzhen securities exchange, 19 of these corporations simultaneously marketing special renminbi shares having a market value totaling 5 billion yuan. In 1991, the value of shares traded on the Shanghai and Shenzhen securities exchanges totaled 4.3 billion yuan. Development of the exchange markets sets the stage for expansion of China's securities issuance market.

3. Pilot Projects for Special Renminbi-Denominated Shares (B Shares). During 1991, the Shanghai and Shenzhen markets issued premium priced B shares having a face value of 385 million yuan, thereby raising $240 million in foreign exchange funds. In 1992, Shanghai again issued B shares having a face value of 703 million yuan, thereby raising $560 million. The B shares pilot project scored initial success.

4. Preliminary Formation of Securities Market System. In the control organization realm, the State Council Securities Commission and the Chinese Securities Supervision and Control Commission have been set up to improve unified control over the securities business and securities markets. In the brokerage realm, China has approved the establishment of more than 70 securities companies and more than 300 banking and finance organizations that deal in securities as well. Shanghai and Shenzhen have set up securities exchanges. In addition, specialized professional agencies including securities grading units, investment advisors, and investment fund control agencies have been founded in the preliminary formation of a Chinese security market operating system.

5. Gradual Augmentation of Securities Market Laws and Regulations. In conjunction with the running of securities market pilot projects has been the continuous promulgation of some securities market control laws and regulations, notably "Provisional Regulations for Shanghai Municipal Securities Exchange Control, Provisional Regulations for Shenzhen Share Issuance and Exchange Control," and "Provisional Methods for Securities Company Control."

Give Priority to Indirect Financing and Bond Markets

The guiding thought for the development of securities markets that the experts have proposed emphasizes two points: give priority to indirect finance capital and bond markets. They point out that the overall pattern of financial markets in China at the present time is one in which the use of indirect finance capital is the main form of financing while the percentage of direct finance capital is very low, holding second place among the means of allocating funds. Currently, Chinese finance and banking institutions have a balance outstanding of more than 2.2 trillion yuan in credit of all kinds, only somewhat more than 200 million yuan of which is negotiable securities of various kinds, a very small percentage. Future development of finance markets suggests that financing will continue to be done mostly through the use of indirect finance capital; however, the direct finance capital market is also extremely important in the securities market. It cannot be ignored. Since it is small in scale, pilot projects will have to be run to increase gradually the scale of its use in financing so that it plays the role it should play.

In addition, the bond market must be the main entity in securities markets, the stock market being gradually expanded through the running of pilot projects. The experts note that stocks currently account for approximately 10 percent of total negotiable securities financing, bonds accounting for the lion's share. Development of the stock market depends mostly on progress in running stock market system pilot projects. Even so only a small number of stock system enterprises can issue shares openly, and the conditions and standards for issuance are rather stiff. The bond market is somewhat simpler. Neither enterprise requirements nor procedures for issuing bonds are as complex as for stock shares. Consequently, bond markets will move ahead faster and be more numerous while stock markets will expand with measured pace.

At the present time, securities exchange pilot projects are being operated only in Shanghai and Shenzhen, but many jurisdictions are clamoring to set up securities exchanges. Experts believe that securities exchanges should be decontrolled, but without allowing each jurisdiction to run them. A unified nationwide pattern is needed. However, inasmuch as securities exchanges are pilot projects operated as an adjunct to securities market pilot projects where successful experiences have yet to be gained and many aspects must be improved, the establishment of securities exchanges in other cities should not be considered for the time being. Whether the number of pilot projects will be expanded in the future depends on opportunities and conditions. It depends on the level of development of the commodity economy, share system enterprises, and securities markets, and it also depends on the level of scientific and technical equipment that is available.

The experts also state that the Shanghai and Shenzhen exchanges should suitably increase the open issuance of shares elsewhere in the country. They feel that with the intensification of economic system reform, consideration must be given to the needs of other areas for economic development, the raising of capital, and running share system pilot projects. Therefore, some other provinces and municipalities should be permitted to issue a certain volume of shares and operate share

system pilot projects for openly issued shares. The shares could be marketed in the Shanghai and Shenzhen securities exchanges.

Emphasis of Current Pilot Project Work

The process of development of Chinese security markets and the present state of their development suggest that numerous problems still exist such as speculation, poorly trained personnel, no regulations to follow, failure to follow regulations, the not very high standards of operating companies, not very strict examination and verification, etc. These problems have become obstacles to the further development of securities markets on which a great deal of work must be done through legislation, supervision and control, and the training of personnel.

The experts feel that the key areas to be given attention in pilot project work at the present time are as follows:

1. Close Attention to Legislation. Until such times as securities laws make their appearance, securities issuance and exchange regulations and provisions must be drawn up to regularize the issuance and exchange of securities. Control regulations and detailed regulations for the operation of securities institutions must be drafted to standardize the conduct of securities institutions, accounting offices, and others involved in the market process. Standards for professional securities personnel must be drawn up to ensure a superb securities corps.

2. Improvement of the Supervision and Control System. The experts feel that China's supervision and control system should be divided into two tiers: On the first tier is civilian, self-disciplined agencies such as the required independent accountants, auditors, assets evaluation agencies, and security brokers who examine and verify, evaluate, and approve. A certain control function should be conferred on self-disciplined organs such as securities exchanges and securities associations, thereby attaining the goal of controlling market actions. On the second level is government and quasi-government agencies. The State Council has already announced establishment of a securities commission and the Chinese Securities Supervision and Control Commission. These two commissions exercise centralized, unified, and complete control over Chinese securities businesses from the angle of legislation, planning, supervision, and control.

3. More and Better Personnel Training. The experts note that China's securities markets have developed for only a short period of time. They have little practical experience and they lack professional personnel. This has become an obstacle to their further development. They believe that the training of personnel should become a major task in the development of securities markets. A Chinese securities business training center has been set up in Beijing and has made heartening progress. Various means must be used to train securities professionals; attention must be given to combining theory with actual work, and more and better personnel must be trained.

4. Greater Cooperation; Use of Advanced Foreign Experiences. The experts note that securities markets have developed abroad for several hundred years, and they have rich theoretical and practical experiences, whereas China's securities markets have been in existence for only a short period of time. Therefore, greater international cooperation and exchange is necessary; advanced foreign experiences must be studied; the lessons of others' experiences must be summarized; and the tortuous road that others have taken must be avoided so as to be able to develop China's security markets at low cost and for high benefit.

Chinese Enterprises To Be Marketed Abroad

With the development of China's security markets, and particularly with the rise of stock markets, foreign businessmen have exhibited great interest in the purchase of shares to invest in Chinese enterprises. Thus, the issuance of shares to attract foreign capital has been placed on the agenda. Experts note that comparison shows that both direct investment and the purchase of shares in Chinese enterprises can bring benefits from investment in China and sharing in economic growth, the results being basically the same. However, the purchase of shares makes the investment of foreign businessmen more elastic. Foreign investors can select the direction of their investment through the buying and selling of shares to gain higher returns. Likewise, when China's policies are readjusted or change, they can immediately reduce or abandon their plans for investment in China. This is an advantage that direct investment does not possess.

The experts point out that B-shares are a new channel, but not the only channel, that the stock market employs to raise foreign capital. Recently China has been earnestly considering and studying permission for Chinese enterprises to be marketed directly abroad. The advantage of direct marketing of Chinese business enterprises abroad are: greater effect, all investors can invest, and greater potential for raising capital.

Reportedly, the place being considered for the marketing abroad of Chinese enterprises is Hong Kong. As to whether there will be other places, that is a matter for the future. Planners believe that through the marketing of Chinese enterprises abroad, Chinese business concerns can learn the advanced experiences of foreign securities businesses, which will help improve control over securities markets in China.

However, analysts believe that the marketing abroad of Chinese enterprises does not at all mean that China will market most of its enterprises abroad, nor does it mean that China will halt or curtail its B-share market pilot projects. They note that some Chinese experts have said that B-shares may also be marketed abroad, and they feel that this is also a form of marketing Chinese enterprises abroad. Some Chinese economists have also noted that it would be preferable for China's main enterprises to be marketed in China. The development and improvement of long-term capital markets in China remains their main task in opening to the outside world and the development of security markets.

INDUSTRY

Light Industrial Output Value by Area in March

HK1504135393 Beijing CEI Database in English
15 Apr 93

[Text] Beijing (CEIS)—Following is a list of the light industrial output value by area in China in March 1993, released by the State Statistics Bureau:

			(Unit: 100 million yuan)
Area	3/93	3/92	Change Over 3/92 (pc)
National total	1348.81	1106.69	21.9
Beijing	30.02	29.02	3.4
Tianjin	29.59	27.15	9.0
Hebei	44.96	41.09	9.4
Shanxi	11.46	10.92	4.9
Inner Mongolia	8.89	9.58	-7.2
Liaoning	41.62	39.11	6.4
Jilin	19.09	19.28	-1.0
Heilongjiang	23.64	25.79	-8.3
Shanghai	94.82	87.01	9.0
Jiangsu	218.36	142.17	53.6
Zhejiang	122.90	91.34	34.6
Anhui	40.86	32.92	24.1
Fujian	40.68	30.22	34.6
Jiangxi	23.56	18.42	27.9
Shandong	117.73	97.37	20.9
Henan	48.38	43.38	11.5
Hubei	52.33	43.56	20.1
Hunan	31.28	28.33	10.4
Guangdong	185.37	141.41	31.1
Guangxi	31.38	26.69	17.6
Hainan	5.32	4.21	26.4
Sichuan	56.15	51.26	9.5
Guizhou	7.69	7.92	-2.9
Yunnan	23.03	22.26	3.5
Tibet			
Shaanxi	17.06	15.29	11.6
Gansu	7.78	7.17	8.5
Qinghai	1.49	1.22	22.1
Ningxia	1.56	1.49	4.7
Xinjiang	11.81	11.01	7.3

Light Industrial Output Value by Area in Jan-Mar

HK1504135493 Beijing CEI Database in English
15 Apr 93

[Text] Beijing (CEIS)—Following is a list of the light industrial output value by area in China between January and March 1993, released by the State Statistics Bureau:

			(Unit: 100 million yuan)
Area	1-3/93	1-3/92	Change Over 1-3/92 (pc)
National total	3520.21	2975.47	18.3
Beijing	77.27	79.74	-3.1
Tianjin	74.74	73.17	2.1
Hebei	112.07	107.94	3.8
Shanxi	30.35	29.29	3.6
Inner Mongolia	23.74	25.98	-8.6
Liaoning	104.30	102.62	1.6
Jilin	49.79	51.76	-3.8
Heilongjiang	64.77	69.58	-6.9
Shanghai	251.39	236.12	6.5
Jiangsu	573.09	375.39	52.7
Zhejiang	314.56	240.06	31.0
Anhui	102.51	86.60	18.4
Fujian	105.61	84.22	25.4
Jiangxi	58.00	49.31	17.6
Shandong	306.78	260.04	18.0
Henan	125.83	114.81	9.6
Hubei	128.07	115.61	10.8
Hunan	76.60	74.93	2.2
Guangdong	498.23	387.99	28.4
Guangxi	88.65	73.98	19.8
Hainan	15.52	12.58	23.4
Sichuan	148.56	136.77	8.6
Guizhou	20.31	21.50	-5.5
Yunnan	62.76	58.62	7.1
Tibet			
Shaanxi	44.84	44.02	1.9
Gansu	20.14	19.27	4.5
Qinghai	3.39	3.09	9.7
Ningxia	4.08	4.58	-10.9
Xinjiang	34.26	35.60	-3.8

Note: Industrial output value is measured in 1990s constant yuan.

Volume of Transport, Post, Telecom Service in Mar

HK1604123193 Beijing CEI Database in English 16 Apr 93

[Text] Beijing (CEIS)—Following is a list of volume of China's transportation and post and telecommunication service in March 1993, released by the State Statistical Bureau:

	Unit	3/93	3/92
Cargo carried	100mt	2.30	2.25
Railways	100mt	1.34	1.32
Auto	100mt	0.45	0.47
Ships	100mt	0.51	0.46
CAAC	10,000 t	5.0	4.1
Cargo carried in 100 million tons/km		2104.59	2009.14
Railways		1017.74	988.45
Auto		24.97	28.53
Ships		1060.62	991.18
CAAC		1.26	0.98
Passengers carried in 100 million persons		4.55	4.72
Railways		0.90	0.82
Auto		3.48	3.72
Ships		0.15	0.16
CAAC (10,000 persons)		236	188
Passengers carried in 100 million persons/ km		484.83	474.44
Railways		292.56	249.72
Auto		176.36	184.76
Ships		15.91	13.11
CAAC		34.57	26.85
Cargo handled in major ports in 100 million tons		0.52	0.45
Volume of civil aviation in 100 million tons/km		3.79	2.94
Volume of post and telecom in 100 million yuan		33.43	17.8

Note: CAAC refers to Civil Aviation Administration of China.

Transport, Post, Telecom Service in Jan-Mar

HK1604123293 Beijing CEI Database in English 16 Apr 93

[Text] Beijing (CEIS)—Following is a list of volume of China's transportation and post and telecommunication service between January and March 1993, released by the State Statistical Bureau:

	Unit	1-3/93	1-3/92
Cargo carried	100mt	6.42	6.47
Railways	100mt	3.72	3.74
Auto	100mt	1.28	1.37
Ships	100mt	1.43	1.36
CAAC	10,000 t	13.20	10.8
Cargo carried in 100 million tons/km		5921.30	5976.53
Railways		2794.74	2792.85
Auto		71.21	83.35
Ships		3052.16	3097.81
CAAC		3.19	2.52
Passengers carried in 100 million persons		13.45	14.31
Railways		2.63	2.47
Auto		10.28	11.32
Ships		0.48	0.47
CAAC	(10,000 persons)	595	478
Passengers carried in 100 million persons/ km		1455.72	1437.64
Railways		886.56	775.88
Auto		521.83	552.64
Ships		47.32	39.99
CAAC		87.33	69.13
Cargo handled in major ports in 100 million tons		1.45	1.31
Volume of civil aviation in 100 million tons/km		9.56	7.57
Volume of post and telecom in 100 million yuan		90.04	54.6

Note: CAAC refers to the Civil Aviation Administration of China.

TRANSPORTATION

Guangdong's Shantou Opens New Air Routes

OW1704133593 Beijing XINHUA in English 1232 GMT 17 Apr 93

[Text] Shantou, April 17 (XINHUA)—Shantou City, one of China's special economic zones in Guangdong Province, has opened two new air routes and resumed a suspended one.

Flights from Shantou to Hangzhou in Zhejiang Province started today. The 920-km flight takes two hours and 40 minutes.

Another route, from Shantou to Beihai City in the Guangxi Zhuang Autonomous Region, will start April 20, taking 90 minutes to complete the 800-km distance.

Meanwhile, flights from Shantou to Fuzhou, capital of Fujian Province, resumed today.

All these flights are twice weekly.

Shenzhen-Jinan Air Route Formally Opens 28 Mar

SK2304093893 Jinan DAZHONG RIBAO in Chinese 30 Mar 93 p 1

[Text] The Shenzhen-Jinan-Shenzhen air route, cooperatively organized by the Shandong Provincial Civil Aviation Administrative Bureau and the Shenzhen branch of the China Southern Airline, formally opened on 28 March. A Boeing-737 passenger airplane, provided by the China Southern Airline, will make the round trip every Tuesday. The flight distance totals 1,828 kilometers, and each trip takes two hours and 40 minutes.

Changchun-Chengdu-Kunming Air Route Opens

SK2104124793 Changchun JILIN RIBAO in Chinese 3 Apr 93 p 1

[Text] Although there is a distance of 3,341 km between Changchun, the spring city of northeast China, and Kunming, the spring city of southeast China, people can make a round trip between them in a day beginning 31 March. This is a convenience provided by the opening of the Changchun-Chengdu-Kunming air route by the Jilin branch of the China Northern Airlines. A round trip service is provided once every Wednesday. The time needed in the flight is four hours and 50 minutes. The opening of the air route will make it more convenient to transport between Changchun, Chengdu, and Kunming and will play a positive role in promoting their economic and cultural exchanges.

Press Articles Note Greed of Medical Doctors

93CM0222B Hong Kong MING PAO in Chinese 27 Feb 93 p 8

[Article by Ch'an Ming (4407 2494): "Unscrupulous Doctors Nicknamed White-Collar Criminals, Extort Money on the Operating Table"]

[Text] It has almost become a Beijing custom for doctors to ask for money from patients on the operating table. Beijingers call such unscrupulous doctors "white-collar criminals."

Some years ago, the mainland Chinese press repeatedly and severely criticized the doctors and nurses in some hospitals for having poor skills and lacking a sense of duty. This was protested by many doctors and nurses, who pointed out that they were low-paid and overburdened, so that such public criticism was very unfair. Later the concerned department of the Ministry of Public Health ordered the media to stop focusing its reports on this matter. So who would have guessed that the problem would grow in intensity to the point where the doctors and nurses in famous Beijing hospitals actually extort money openly from patients on operating tables, generally 2-3,000 yuan.

A retired bureau-level cadre went to Beijing and found a famous doctor to perform a glaucoma operation, and the doctor demanded 2,000 yuan in the operating room. This was very surprising to the patient and his family, because he had free medical care, and his work unit had a contract with the hospital for all costs to be transferred and reported for reimbursement. But the doctor persisted in demanding the money, refusing to perform the operation without it.

Another slightly well-known 70-plus-year-old nonparty figure ran into the same problem on the operating table in this hospital, being asked for 3,000 yuan. While his family was angry about this, they simply responded that in future they hoped such charges would be up front, so that they could get the money ready in advance. Finally, as the patient lay on the operating table receiving the operation, the family asked someone to get the money, which they quickly delivered to the operating room.

Even when the operation is for a family member of a hospital worker, money is still required. In a certain national-level top-rated Beijing hospital, an employee's wife needed a cervical operation, so had it performed by a doctor that she knew. But when no one provided her with medicine or care 24 hours after the operation, it was actually discovered that the doctor had not listed clearly on the patient's medical chart her medication or the type of nursing that she should receive. Investigation led to the discovery that this was because an extra "operating fee" had not been paid in advance.

Another covert method among hospitals is to insist on introducing the patient to another hospital, for which an "introduction fee" is obtained. A fellow from one unit suspected he was suffering some brain problem, went to his designated hospital where he had a free medical-care contract for diagnosis and treatment. But the hospital refused to see him, demanding that he be transferred to a small lesser-known one, for which an "introduction fee" of 3,000 yuan was demanded, and for which he was told to report for reimbursement.

Such extortion is also prevalent in military hospitals. One military doctor reports that in his large military hospital, many surgical operations are performed, making it very easy for doctors and nurses to "get rich" there through demanding fees, while those in internal medicine rely on insisting on selling patients a wide variety of "nutrition drugs," from which they can earn "pocket money."

Critique of Nonideological, Apolitical Entertainment

93CM0215A Beijing ZHENLI DE ZHUIQIU [PURSUIT OF TRUTH] in Chinese No 2, 11 Feb 93 pp 26-29

[Article by Shi Mang (0670 5462): "Free Discussion on Functions of Literature and Art"]

[Text] I

What, in the final analysis, is the social function of literature and art? From a look at the history of China's new literature, we see that there have always been different views.

In the twenties there was the confrontation between "art for art's sake" and "art for life." In the thirties Liang Shiqui maintained that literature and art were the "special gifts for a small number of rich people" and that "appreciation of literature was also a kind of innate good fortune." Lu Xun thought that literature and art were "effective measures" for changing the "foolish and weak" spirit of the nation. He went on to advocate that literature and art should strive to serve the light for the sake of the resistance to darkness by the oppressed and the injured. This confrontation and this demonstration expressed different views of the social function of literature and art.

In the forties Mao Zedong said: Literature and art are "powerful weapons to unite and educate the people, to attack and destroy the enemy," and he meant that this was also a question of function. This was at a time when enemies from foreign nations and class enemies in China held razors to the necks of the people, and it was a profound understanding of the function of literature and art.

Coming to the eighties, the times are different. Therefore, Deng Xiaoping has said: Literary and artistic works, "provided they can educate and enlighten people, can give them entertainment and the enjoyment of beauty, should take their own places in our field of literature and art." I think that this epitomizes to a high

degree the function of literature and art in the new period of socialist construction. It is also what everyone now acknowledges: literature and art possess education, understanding, aesthetic, entertainment, and many other social functions.

II

I don't know when some people greatly "tilted" the social function of literature and art by oversimplifying, onesidedly, and excessively stressing the entertainment function of literature and art, as if, provided people had a happy evening, nothing else mattered.

Entertainment is truly a function of literature and art; this is common knowledge, and there is no need to stress it again and again. However, entertainment is not the main function of literature and art, and even less is it the only function—this is the case at least in the initial stage of socialism. Therefore, we cannot demand that there be a department of literature and art function that would act as the boss of the entertainment field.

If the social function of literature and art is "tilted," oversimplified, onesidedly, and excessively toward entertainment, then practice proves that the social results (or social benefits) will not be good. In some cities and towns in southern China, "strip-tease dances" are performed, and the pleasure-seeking audience pays 10 or 20 yuan apiece to see on stage "naked young girls bathing by the side of a stream." In a city in eastern China, "the adultery of a middle-class couple" is presented on the stage, "and some naked sex is depicted"; it is said that this city is preparing to run a television station that will broadcast late-night X-rated programs. I live in a fairly innocent city, a city in which there have now also appeared some shocking phenomena. For example, in a certain Children's Palace, which provides activities for children and youths, during the 14th CPC Congress showed two foreign films. Following are the synopses of these two films as given by the Children Palace's film department:

"Les Liaisons Dangereuses": With modern insights and techniques, this film describes, on the eve of the French Revolution, the intricate relationships between the sexes on the part of the widowed Marquise Merteuil and her several lovers as well as between them and the aristocratic young girls Cecile and de Tourvel, and the series of contradictions and entanglements caused by these relationships. Their dissolute and unashamed sex games in the end lead to an irreversible tragedy.

"Sex, Lies, and Videotape": An impotent man, Graham, cudgels his brains to make many videotapes of sex for his own psychological delight. Ann, the wife of his old friend John, because of her inability to bear the mortification of her husband's adultery with her younger sister, leaves home and goes to Graham .... When this film was shown in the West it touched off public controversy because of its outrageous premise. Perhaps viewing this kind of dance, play, television program, or film can give certain audiences a pleasant evening, but what are the consequences, especially for youngsters. A few days ago it was reported in the press that a 14-year-old student and his girl schoolmate played "sex games" in his home, and were discovered doing so by his mother, who was very embarassed. Nonchalantly he explained: This was so-called "bai xiangxiang," which in the Shanghai dialect is the common expression for "play" or "recreation."

Has not "wipe out pornography" been the cry for many years? If we treat literature and art like this, how can "pornography" be wiped clean!

Speaking of entertainment, the ancients said that "entertainment should not be excessive," meaning that entertainment should be "measured" and should not be excessive, lowly, or unhealthy. They also said that "there is education in entertainment," obviously meaning that entertainment and education cannot be completely separated. Or we should put it as the report of the 14th CPC Congress did: "We must attach importance to social benefits, and encourage the creation of products with uplifting healthy content, particularly artistically charming products of the spirit that eulogize reform and opening up to the outside world and eulogize the four modernizations. Literary and artistic works must make an effort to be healthy and uplifting, make an effort to eulogize ..., and make an effort to be "artistically charming."

III

At the beginning of the second half of last year, a statement was made that was not really new, and specious: provided literary and artistic works do not violate the constitution or the law, we must not unreasonably interfere.

Literary and artistic workers, and their leaders, are not judicial cadres, and of course they do not need to be concerned about whether other people break the law or not. Even if other people break the law, they do not have the right "to interfere," much less "to interfere excessively!"

However, literary and artistic workers are also not "people who eat all the plain rice"; for many years they have been addressed respectfully by the people as engineers of the human spirit. Deng Xiaoping has said: "The fighters on the ideological front should be engineers of the human spirit"; and he has put great expectations on them: "We hope that among the literary and artistic workers more and more comrades will become engineers of the human spirit worthy of the name." Therefore, literary and artistic workers, no matter whether with regard to others or to themselves, must be concerned with all matters of the human spirit. With regard to those things that corrupt, poison, "distort," or destroy the spirit, the literary and artistic workers should be duty-bound to control them, and should justly and forcefully control them.

From a look at history, we see that the reason Lu Xun is honored by people is that he, without the least hesitation, conscientiously controlled things of the spirit. In the thirties Shi Zhecun encouraged young people to read the *Selected Works of Zhuang Zi*; Lin Yutang promoted "humorous, leisurely and comfortable" essays; Zhu Guangqian advocated "solemn and quiet poetic heights"; etc. Lu Xun conscientiously controlled and seriously criticized all these things, because, under the historical conditions at that time—at a time of life or death, survival or extinction of the Chinese nation—they had a narcotic, corrupting, and depressing effect on the spirit of the masses of youth, were detrimental to the nation, and were harmful to the youths themselves.

If the theory of "excessive interference" could be established, then by far the greater part of Lu Xun's works—essays—would become "superfluous talk."

This is even more the case in our actual life today. Over the past several years, in ideology and in literature and art, certain trends of thought—worshiping foreign things and fawning on foreign powers, engaging in wholesale Westernization, worshiping money, having the philosophy of lackeys, being fatalistic about cause and effect, being self-centered, and worshiping skills of an animal nature—have still been limited to the sphere of ideological understanding, and cannot be regarded as breaking the law or violating the constitution. However, if one is a serious literary and artistic worker (not to mention a leader in socialist literature and art), can one not control them? Can one be indifferent and take a laissez-faire attitude?

Deng Xiaoping once said: In the field of literature and art "some people are apathetic about the party Central Committee's slogan of literature and art in the service of the people and socialism; are apathetic about the socialist orientation of literature and art; lack the zeal to display and extol the revolutionary history of the party and the people, and their oustanding achievements in fighting for socialist modernization. Very few of them, with regard to the problems in the cause of socialism that need to be solved, take the positive revolutionary path of the party, and improve the masses' understanding, arouse their enthusiasm, and strengthen their faith. On the contrary, they enthusiastically write things that are gloomy, pessimistic, even fabricate, and distort the revolution's history and reality. Some people noisily advocate the so-called 'modernist' trend of thought, publicly asserting that the highest goal of literature and art is 'self-expression' and humanitarianism; and think that the so-called alienation of people under socialist conditions should be the subject of creation and that individual works should publicize pornography." The unhealthy trend of "looking for money in all things" has also spread to literary and artistic circles, ... and some people who unworthily occupy a place in artistic circles, publishing circles, and cultural relics circles simply become businessmen bent soley on profit. "Consequently, over the past several years, some books, films, pieces of music, dances, as well as videotapes and sound-recording tapes that even in Western countries are thought to be low and vulgar or harmful have been imported in large numbers. This situation, in which the declining culture of the Western bourgeoisie is corrupting youth, can no longer be tolerated." Can it be said that these works of Deng Xiaoping's are "excessive interference?"

Deng Xiaoping once issued this call to literary and artistic circles: "With regard to what comes from the left or the right, we must keep a clear head about all mistaken tendencies that cause turmoil, destroy the stable and united situation, and run counter to the interests and desires of the great majority of people; ... unite, resist, denounce, and oppose these mistaken tendencies." We should act in accordance with Deng Xiaoping's call.

Actual life over the past 14 years has taught us that, on the literature and art front, we cannot abandon the regular, necessary, and healthy exchange of ideas and confrontation between ideas, and even struggle between ideas; and we certainly cannot naively renounce our own ideological armed forces.

Reaction to Renminbi Depreciation

93CE0392A Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 7, 22 Feb 93 p 29

[Article by Zhang Yi (4545 1837): "Reactions in Taiwan to Renminbi Depreciation"]

[Text] Recently, depreciation of the renminbi by a big margin against foreign currencies has received international attention. Businessmen in Taiwan seemed to have reacted more intensely to the event. People generally believe that depreciation of the renminbi poses more advantages than disadvantages for Taiwan.

Taiwan currency has increased 4.5 times in its exchange rate against the renminbi in the past 13 years.

Depreciation of the renminbi has led to appreciation of foreign currencies. Taiwan currency is no exception. According to changes in renminbi's exchange rates against the dollar, from 1980 to now, the exchange rate between Taiwan currency and renminbi rose from the then 24.4:1 to the current 4.4:1. Over the last 13 years Taiwan currency has appreciated 4.5 times against renminbi.

In recent months, the value of renminbi has kept dropping. The exchange rate of renminbi at the Foreign Exchange Regulatory Center has dropped by even greater margins. The arrival of 1993 witnessed the breakup of the juncture of the 1:8 exchange rate between the dollar and renminbi. It is even extensively said that renminbi may drop to a rate of $1 converting to 10 yuan, or even 15 yuan. In view of this, some people in Taiwan are concerned that depreciation of renminbi may cause losses to Taiwan businessmen, hence putting out the "mainland China craze" of Taiwan businessmen. However, the majority of scholars and businessmen reacted optimistically.

A new wave of investment craze in mainland China will be aroused.

Economists in Taiwan believe that depreciation of renminbi by a big margin may arouse a great upsurge rather than cooling investment in mainland China by Taiwan businessmen. The reason is that most Taiwan businessmen who currently invest in mainland China are medium-sized and small enterprises, and more than 85 percent mainly export. Depreciation of renminbi is advantageous to sales abroad, and to Taiwan businessmen engaged in exports. As for the issue of salary increases caused by profit increases resultant from sales abroad or by domestic price increases, the negative influence will be weakened in the face of the vast territory and the ample supply of human resources on mainland China.

On the other hand, Taiwan economic and trade officials also believe that depreciation of renminbi will not slow down the pace of investment in mainland China by Taiwan businessmen. Because the new wave of Taiwan businessmen who are planning to go to and invest in mainland China chiefly see the huge domestic markets, cheap land and labor, and so on. Losses incurred from currency exchange and rates of investment returns are insignificant. The real reason that influences Taiwan businessmen to invest in mainland China should be the consideration of the rate of returns on future investment.

Quite a few Taiwan businessmen also believe that depreciation of renminbi is only a transitory phenomenon in the economic development of mainland China. At most they will make adjustments by keeping their debts in renminbi and keeping the funds in Hong Kong for dispatch; it is unlikely that they will withdraw their funds from mainland China back to Taiwan. They believe that renminbi depreciation is not only good news for Taiwan businessmen who invest in mainland China, but also will help urge those who have aspirations to go and invest in mainland China. The world anticipates that depreciation of renminbi may lead to a new upsurge of Taiwan businessmen investing in mainland China.

Ordinary people in Taiwan reacted favorably to depreciation of renminbi. They believe that in the wake of depreciation of renminbi they will be getting more money when they travel to China and convert currencies there. It is very profitable.

Leading to changes in the trading patterns between both sides of the strait.

Nonetheless, people in Taiwan also observe some disadvantages to Taiwan by depreciation of renminbi. For example, as for Taiwan businessmen who rely on imported raw materials, and who are engaged in processing and domestic sales in mainland China, they will be affected by the depreciation and reap smaller profits because what they make is in renminbi. Owing to depreciation of renminbi, the assets and floating funds that Taiwan businessmen have invested in mainland China will experience great reduction of values in conversion to the dollar. In addition, losses in exchange may befall Taiwan enterprises that intend to enter domestic markets of mainland China and Taiwan businessmen who earn profits in mainland China and are about to wire the money out of the country. These are what some people believe to be the reasons that lower Taiwan businessmen's craze to invest in mainland China.

On the other hand, some Taiwan experts assume that this is not to be taken as fear. They believe that Taiwan businessmen can readjust their forms of possessing currencies—assets are to be held in powerful currencies, appropriately avoiding the risks of depreciation of renminbi.

However, Taiwan's well-known economist Hou Chia-chu [0186 1367 7467] pointed out that in connection with trade between both sides of the strait, depreciation of renminbi will probably change the trading patterns between both sides of the strait. At present, although trading is growing increasingly on both sides across the strait, Taiwan enjoys a huge favorable balance due to the

fact that it exports more than it imports. If renminbi depreciates by a big margin, prices of goods made in Taiwan will rise, but prices of goods made in mainland China will go down correspondingly by a big margin. Consequently, goods produced in mainland China will get the upper hand over trades between both sides across the strait, hence relatively reducing Taiwan's exports to mainland China while increasing imports. The most apparent outcome will be that Taiwan's trade surplus over mainland China will be greatly reduced.

Depreciation of renminbi will lead to a possible reverse in Taiwan businessmen's craze investing in mainland China and the trading pattern between both sides across the strait. Naturally, this is not what the Taiwan authority would like to see. Therefore, it will take some due measures.

As for what measures will be more effective, Hou Chia-chu believes that depreciation of Taiwan currency, after all, is one effective method. Recently, Taiwan currency has depreciated, and its exchange rate against the dollar once dropped to 26 yuan to one dollar. Hou believes that to deal with the anticipated depreciation of renminbi by a big margin, trying to be the first to depreciate the currency is the practice the Taiwan authority should adopt to strike first and gain the upper hand.

Strategy for GATT Entry Outlined

93CE0393A Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 7, 8 Mar 93 pp 39-40

[Article by Chen En (7115 1869): "Effects of 'Entry Into GATT' on Taiwan and the Strategy It Should Adopt"]

[Text] **"Entry Into GATT" Is Taiwan's Imperative Goal for the Near Future**

Joining GATT as a contracting party is a long-sought goal of the Taiwan authorities. In recent years Taiwan has boosted its overall economic strength, but internationally, it has experienced trouble due to an isolated-island diplomacy. In foreign trade, it has often suffered discrimination because it is not a GATT member. This has made the aspiration for early "entry into GATT" increasingly pressing. The authorities have even put forward the slogan that "everything should be for the GATT bid," making "entry into GATT" an imperative goal to be realized in the near future.

As early as August 1987, Taiwan formed a task force, composed of representatives from the economics, foreign, and finance ministries and the council of agriculture, to make an overall assessment of the plan to apply for GATT membership. It informed GATT of its intention to join that world trade body. In 1988, Taiwan officially set up a "Special Group for Promoting Entry Into GATT." In 1989, it established a "Strategic Task Force for Return to GATT," comprising many high-ranking officials, including Chen Li-an, Kuo Wan-jung, Chien Fu, and Lien Chan. On 1 January 1990, an official membership application was submitted to GATT. Since 1991, Taiwan has further accelerated its pace to obtain GATT membership. That year, while adopting numerous diplomatic and economic measures in coordination with the GATT bid, Taiwan completed the updating of its trade-system memorandum and forwarded the revised version to the GATT Secretariat for approval. On 29 September 1992, the GATT Council adopted a resolution to accept Taiwan's membership application and formed a "Working Party on Taiwan's Accession" with British Ambassador Martin R. Morland as the convener. On 4 November, Chiang Ping-kun, then "political vice minister of economic affairs" of Taiwan, attended a "GATT" Council meeting for the first time on behalf of Taiwan as an observer. Prior to the official meeting, he issued a statement in the name of the "Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu." On 6 November, the GATT Working Party on Chinese Taipei held its first session to discuss Taiwan's application and decided that all questions relative to Taiwan's accession raised by representatives of member countries be answered before 5 March 1993 and that official negotiations be commenced on 25 March. Since then, the more-than-two-year-old Taiwan application for "entry into GATT" has reached a substantive stage.

Since Taiwan's efforts in recent years to further protect intellectual property rights, lower tariffs, abolish the import license system, relax foreign exchange control, and promote financial liberalization and internationalization have met or nearly met the GATT requirements, the United States, Japan, and other western countries have expressed unequivocal support for Taiwan's accession to GATT. Meanwhile, in view of the fact that Hong Kong and Macao joined GATT in 1986 and 1990 respectively, the Chinese government has said that it has no objection to Taiwan's admission to GATT as a part of China or a separate customs territory after China has resumed its GATT membership. As such, Taiwan is quite likely to be admitted to "GATT" in the wake of the Chinese Mainland's accession.

An Important Opportunity To Reenter the International Community

Since the mid-1980s, Taiwan has excelled economically and sprung up as one of the "four little dragons in Asia," drawing the attention of the whole world. In foreign affairs, however, there is much to be desired. After Saudi Arabia, Indonesia, Singapore, and South Korea established diplomatic relations with China and broke off official ties with Taiwan, only two dozens of small countries, relatively weak in economic strength and with little political influence, maintain diplomatic relations with Taiwan in the international community. Although Taiwan now holds membership in 730 international organizations, the vast majority of them are nongovernmental, and only 10 are inter-government organizations, among which the only important one is the Asian Development Bank. GATT is not only an international organization formed by governments,

but is, in reality, equivalent to a special agency of the United Nations. Once "admitted to GATT," Taiwan will be able to enter into direct, official contact with all those GATT members with which it has no diplomatic relations. Undoubtedly, this is a rare opportunity for Taiwan, which has been bogged down in a diplomatic quagmire, but is making every effort to reenter the international community.

A Key Step To Diversify Foreign Trade Markets

Taiwan has a developed foreign trade. In 1991, the total import and export volume reached $139 billion, making the region the 12th largest exporter and the 16th largest importer in the world. However, Taiwan's foreign trade markets are highly concentrated in the United States and Japan. Exports to the United States account for about 30 percent of the total export volume, while an estimated 28 percent of the imports come from Japan. During the past few years, Taiwan has taken numerous measures to diversify its foreign trade markets in order to lessen its economic dependence on, and constraints related to, the United States and Japan, where the markets are presently concentrated. But this has yielded very limited results. Apart from the inherent drawbacks in the economic structure, a vital factor affecting the diversification of markets is that Taiwan cannot build up good trade relations with other countries.

According to GATT regulations, the preferential treatment that a contracting nation (region) gives to another nation (region) is shared unconditionally by all other contracting nations (regions). If Taiwan joins GATT, it will reap the same benefits as signing some 4,000 most-favored-nation bilateral agreements with 104 GATT contracting parties in the world. It will enjoy the most-favored-nation treatment provided by a large number of countries in the world, including the European Community, East European countries, and CIS countries. This will not only help Taiwan's manufacturers reduce their export costs, but also assist Taiwan to diversify its foreign trade markets and opening a new realm for its international business.

An Effective Guarantee for Fair International Trade

Pressed by the United States in recent years, Taiwan has repeatedly cut its tariffs to open up its market. As a result, its effective duty rate has dropped to a level close to the 5 percent rate as required by GATT. After yielding to the U.S. pressure to lower its tariffs, however, Taiwan, which is not a GATT contracting nation (region), cannot ask other countries to reciprocate according to the GATT regulations. So it is on the losing side in world trade. If it is admitted to GATT, it can be protected by GATT's "equal treatment principle" and overcome the unfair trade problem.

Strategy To Be Formulated and Implemented for "Entry Into GATT"

Joining GATT has many positive effects on Taiwan, which is presently in the course of changing its economic mode. To make the island's economic operational mechanism compatible with the GATT requirements and to pass the negotiations and be accepted by the GATT Council as soon as possible, Taiwan authorities should make early arrangements to formulate and put into effect a series of forward-looking strategic measures:

1. *Continue economic and financial reforms.* In this regard, Taiwan has already accelerated its pace toward economic liberalization and internationalization during the past few years. It has made ceaseless efforts to expand the scale and increase the intensify of its economic and financial reforms. Examples are the drastic cuts of substantive duty rates, full-scale opening of the island's markets, abolishment of the import license system, and decontrol of foreign exchange.

2. *Speed up industrial restructuring.* At the earliest possible date, Taiwan should move out of the island the numerous "sunset industries," such as tanning, clothing, toys, and food industries, which "have no prospect of growing." With regard to industries that no longer have comparative advantage and still use outdated technology and equipment, such as textiles, plastics, and consumer electronics industries, efforts should be made to boost their competitiveness by introducing and developing new manufacturing know-how, processes, equipment, and by relying on technological upgrading to develop new products that are more technology-intensive and have a higher added value. As for such new high-tech industries as semiconductors, precision machinery, bioengineering, and integrated circuits, no effort should be spared to develop them so that they will become leading industries in the national economy as early as possible.

3. *Adjust the agricultural subsidy policy.* Taiwan should gradually abolish price subsidies for farm produce. It should continue to bolster and protect the island's agriculture by means of preferential tariffs, farmland subsidies, and special policies on production and transportation. A new tariff system based on a combination of specific, composite, seasonal, and quota duties should be put into practice.

4. *Promote the upgrading and change of agriculture.* The fundamental way to boost agricultural competitiveness is to speed up the upgrading and change of agriculture toward the goal of modernization.

5. *Build a fire wall for foreign trade as soon as possible.* Recently Taiwan has adopted a resolution to revise the import tariffs on 1,965 commodities. While this is favorable to Taiwan's application for GATT membership, its domestic products have to face keen competition due to the dumping of cheap imported goods on its market.

Political Squabbles Seen in Unfavorable Light

[93CM0198A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 309, 13 Feb 93 p 54

[Article by Chih Yen-ling (4764 1693 7117): "Naked Politicians Look Uglier"]

[Text] There was a fad called streaking in the early 1970s. Young people on a whim stripped naked and ran down the street, with on-lookers cheering them on. It was exciting and fun.

The fad of streaking has also been sweeping through Taiwan lately. The streakers are politicians who are normally immaculately dressed, the very symbol of respectability and high morals. When they streak, however, they tear off their masks, shed their official attire, and run naked back and forth between Chieh-shou Road and Chung-hsiao East Road, all the time slugging it out with their enemies. When they see that the naked politicians look so ugly, the spectators cover their eyes and flee, the scene being too painful to bear.

Some people have described the latest political struggle as a fight to the finish between the two factions in the KMT. Both sides make it clear they are out to destroy the other with every trick at its disposal—secret deals, collusion, show of strength, coercion, persuasion, and intimidation. Every evil word that could be uttered has been uttered; every evil deed that could be done has been done. Just about the only thing they have not done is to send in the tanks and have them roll down the boulevard. Otherwise there is no difference between coups d'etat in Third World nations and what is happening in Taiwan today.

In the eyes of people who support Hao Po-tsun [6787 2672 2625], Li Teng-hui [2621 4098 6540] is a tyrant, a fatuous self-indulgent tyrant. He has been condemned by name for "defying father and monarch, for behaving like an autocrat." He has been denounced as a "local despot," and even compared to Mao Zedong. Quoting the Bible, others portray him as the "foolish woman tearing down her house with her own hands." Yet others have written an open letter to Deng Xiaoping on the other side of the strait asking for help. "Please watch the development of the Taiwan independence movement on the island closely."

The pro-Li Teng-hui faction, being put on the defensive, seems to take things in stride on the surface but privately regards the people who support Hao Po-tsun as traitors and bandits. "The kind of verbal abuse they hurl at the man,..who is really defying father and monarch? Li Teng-hui can do without the KMT; the KMT cannot do without Li Teng-hui. If worst comes to worst, Li Teng-hui can simply quit the party. They pay lip service to the sense of mission nonstop, but in their hearts of hearts they are just sore losers. If they have such a strong sense of mission, why don't they simply go back to the mainland where they came from to battle the CPC? Writing to Deng Xiaoping for help, this is simply the act of a traitor."

As for Li Teng-hui and Hao Po-tsun, leaders of the two groups respectively, they have not yet come out slinging, but are perilously close to doing just that. Today you engage in secret negotiations. Tomorrow I will line up my own allies. You want me to tender my resignation to the president in accordance with administrative procedures, but I choose to tender it to the Standing Committee of the party's Central Committee. You want me to say I am quitting for personal reasons. No way. In fact, I am going to praise the achievements of my tenure to the sky in the letter of resignation. See what you can do about that?

With the two factions locked in a life-and-death struggle, people who try to mediate are caught in the middle and getting all the flak. Sun Yun-hsuan [1327 6663 8830], who is still recovering from a stroke, said tearfully, "How did we get into such a mess?" The lingering impasse sent Lin Yang-kang's [2651 3165 3263] blood pressure shooting up. His peace-making efforts thwarted again and again, Chiang Yen-shih [5592 1750 1102] could only cry helplessly and had to be hospitalized after an old illness recurred. Hsieh Tung-min [6200 2639 7036], who described himself as half disabled, asked to see Li Teng-hui and was turned down; he could only sigh, "A lone official is powerless to save the day."

The departure of a single individual has torn a party apart and reduced a group of creatures who normally come across as members of a higher order into a bunch of blood-thirsty belligerent animals of a lower species. Some are crying, some are ailing, some are grieving, and some are wounded. Maybe we should call this some kind of "Taiwan miracle." The naked politicians, the people behind the "miracle," however, have really nothing to be proud of. Let us not look at them. Otherwise our eyes may pop out and burst!

Cooperative Resource Center Becomes Liberal Party

93CM0225A Hong Kong MING PAO in Chinese 1 Mar 93 p 2

[Article: "The CRC's Imminent Change Into the Liberal Party Signals the First Thaw in Hong Kong's Political Arena"]

[Excerpts] Hong Kong's new political party, which is growing mainly out of the Cooperative Resource Center [CRC] and will be called the "Liberal Party," yesterday elected as its Preparatory Committee Chairman, Li P'eng-fei [2621 7720 7378], who says that the Liberal Party will place Hong Kong's interests first and establish relations with China based on mutual trust and understanding. [passage omitted]

The CRC had long been considering the organization of a new political party, after finding 44 members to form its Preparatory Committee, it yesterday finally announced formally the new party's name, positions, and beliefs, as well as the names of its Preparatory Committee members. Except for nine members who were absent, its other 35 members held their first collective press conference yesterday.

While the Liberal Party's program and constitution are still being drafted, Li P'eng-fei says that the Preparatory Committee is in agreement that the new party will place Hong Kong's interests first, on which general premise its five major objectives will be as follows:

- To promote and defend the individual rights and freedoms of Hong Kong residents.
- To improve the quality of life of Hong Kong residents.
- To preserve and enhance Hong Kong's social, economic, legal, and political institutions.
- To ensure a smooth transition in 1997.
- To take part in Hong Kong's administration.

As for party membership requirements, in addition to requiring agreement with the party's basic beliefs and objectives, the party also hopes to make it impossible for party members to hold concurrent memberships in other parties.

In reference to the Liberal Party name, Li P'eng-fei says that "liberalism" (freedom) will be the party's cherished ideal, with its values being free enterprise, equal opportunity, and individual freedom. He goes on to say that while the party is being organized to take part in elections, and while the Liberal Party will play an active role in the 1994 and 1995 legislative election process at all levels, to provide Hong Kong with strong and forceful leadership, the number of candidates that it will put up for these elections has not yet been discussed at this stage.

While most of the Liberal Party's Preparatory Committee members are figures from the industrial, commercial and professional world, Chien Sung-nien [4675 2646 1628] a member from direct district elections, says that the party will certainly not be concerned solely with industrial and commercial interests, but will try in the future to attract as many more members from all strata as possible.

As for relations with China, Li P'eng-fei says that as it would be impossible for a political party to succeed without working with the future country of sovereignty, the Liberal Party hopes to establish relations with China of mutual trust, understanding, and dialogue.

While the new party has not yet made detailed plans for financial arrangements and how to recruit members, or even when it will be formally founded, and how it will elect its chief, the Preparatory Committee has already set up seven working groups to take charge of preparations in the areas of party programs, party constitution, finances, party organization, formal founding matters, party-member expansion, and public relations, and will announce on 27 March the date of its formal founding.

Liberal Party Preparatory Committee Working Group

Group	Convener
Party Program	Cheng Mu-chih [6774 1970 2535]
Party Constitution	Hsia Chia-li [1115 0163 3810]
Finances	T'ien Pei-chun [3944 0554 0193]
Public Relations	Chou-liang Shu-yi [0719 2733 3219 1837]
Party Organization	Chang Chien-ch'uan [1728 7003 3123]
Party Formal Founding Matters	Ch'en Yen-kuang [7115 3508 0342]
Party-Member Expansion	Chien Sung-nien

Liberal Party Preparatory Committee Membership List

Background	Name	Major Occupation
Legislative Assembly Members	Li P'eng-fei	CEO of Meiwei International Co Inc
	Chang Chien-ch'uan	President of the Lihua Cloth Plant
	Hsia Chia-li	Lawyer
	Cheng Mu-chih	Lawyer
	Chou-liang Shu-yi	Director of Asian TV
	Huang K'uang-yuan [7806 0562 3293]	Accountant
	Ho Ch'eng-t'ien [0149 2110 1131]	Partner in the Wangtung Architectural Institute
	Lin Chu-chin [2651 6830 3160]	Doctor
	Liu Hua-sen [0491 5478 2773]	Chairman of Liu Hua-sen Advisory Co Ltd
	Liu Chien-yi [0491 0256 0308]	Lawyer
	Liu Huang-fa [0491 4106 4099]	Chairman of the Meichiang Investment Co Ltd
	Ni Shao-chieh [0242 1421 0267]	Chairman of Jihfeng Enterprises Co Ltd
	T'ang Ying-nien [0781 5391 1628]	Director and President of Pantao Knitting
	P'an Kuo-yuan [3382 0948 3293]	President of Chinshih Enterprises Co Ltd
Municipal Office and District Legislative Assembly Members	Chang Yung-sen [1728 3057 2773]	CEO of Chingyau International Co Ltd and Lawyer
	Hsu Wei-ling [1776 1414 3781]	Director and President of Takungk'ai Co Ltd
	P'an Shun-kuo [3382 7311 0948]	Company Director and President
	Ting K'ang-chu [0002 3993 3796]	Kindergarden Principal
	Chang Jen-lung [1728 0086 7893]	Businessman
	Chien Sung-nien	Lawyer
Industrial, Commercial Figures	Feng-liang Li-p'ing [7458 2733 7787 5493]	Director of Lich'ang Technology Co Ltd
	Cheng Shu-sheng [6774 2885 4141]	Vice Chairman of Kuanya Commercial Group Co Ltd
	Chao Ts'eng-hsueh [6392 2582 1331]	Director of Henghsingch'ang (Group) Co Ltd
	Chou Kuang-hui [0719 0342 6540]	Executive Director of Huachi Group Co Ltd
	Li Hsiu-heng [2621 4423 1854]	Chairman of the Board of Chinpao Shihchi
	Lin Chien-feng [2651 0256 6912]	Executive Director of Yungho Industries Co Ltd
	Liang Chun-yen [2733 0689 1750]	Director and President of Hsinhsing Weaving Mill Co Ltd
	Liang Wei-hau [2733 0251 3185]	CEO of Teli Timepiece Articles Factory Co Ltd
	Li Han-ch'eng [2621 3352 1004]	Executive Secretary of the Hong Kong Bar-Owners Association
	Ma Shao-yuan [7456 4801 2266]	CEO of Hsienshih Co Ltd
	Wang Wei-chi [3769 4850 1015]	Asian District Director of Urban Telecommunications Co Ltd
	Liang-teng Yun-mei [2733 6772 5686 5019]	Senior Commercial Bank Executive
	T'ien Pei-chun	Chairman of the Board of Want'ai Garments
	Hsu-ho Ch'ao-huan [6079 0149 6389 3883]	Partner in T'ienchi Public and Market Dissemination Advice
Professionals	Ch'en Yen-kuang	Sole Agent at Kuoshu Insurance Co Ltd
	Huang Chia-ch'un [7806 0857 4783]	Lawyer
	Chin Tai-ch'iang [7246 1011 1730]	General Supervisor at Chin Tai-ch'iang Design Co Ltd
	Lin Wen-chieh [2651 2429 0267]	Lawyer
	Ch'en Ch'uan-jen [7115 0278 0088]	Lawyer
	Ts'ai Ta-wei [5591 1129 4850]	Partner at Wen-Ts'ai Accountants
	Huang Ying-ch'i [7806 5391 3823]	Lawyer
	Hsu Fu-shen [1776 4395 3234]	Dentist
	Feng Yi-liang [7458 1355 0081]	Pediatrician
Other	Li Kuang-chung [2621 0342 0022]	CRC General Secretary

John Chen as Post-1997 First Chief Executive

93CM0225B Hong Kong MING PAO in Chinese 3 Mar 93 p 2

[Article: "Is John Chen Employing the Tactic of Retreat in Order To Advance in Preparation for Becoming Hong Kong's First Chief Executive After 1997?"]

[Excerpt] As a member of the ranks of some 400 government officials who could be called Hong Kong's nerve center, John Chen is said to have very high prestige within official government "circles," with many government officials expecting him to become the first Chinese before 1997 to be appointed to Chief Secretary. Because he has such magnificent prospects, the news of his early retirement while still young and aggressive is very hard to understand. His reticence about discussing his reasons leaves the whole matter even more up in the air.

Many government officials are speculating that his resignation is simply a "strategic retreat," noting that instead of really leaving government circles, he may be simply "keeping out of public view" before the transition in 1997, to keep the Chinese from distrusting him as a colonial official within the Hong Kong government, which would keep him from making a smooth official career transition.

Some government officials have told reporters that John Chen has been the 1992-1993 chairman of their "Government Affairs Director Association," whose term will be up in April, and was quite a credit to his post. As a person and an official, he has won high prestige in AO (administrative official) circles, having made an impression as a skilled administrator, a friendly employer, and a forthright individual.

As to those who believe that John Chen resigned because he did not get along well with senior officials in the Hong Kong government, or because he was not promoted in the General Affairs Department or even further to Chief Secretary, his colleagues all say this lacks credibility as, after Chris Patten became governor of Hong Kong, John Chen was appointed a member of the Executive Office. He always did a fine job as Education Secretary, winning political merit for acts, such as implementing the second influx of outside labor, and reforming retraining plans, which were simply rather low-key so brought him no particular attention.

Some government officials also note that if John Chen held a key position in the Hong Kong government in the current stage of mutual distrust between China and Britain, he would unavoidably have to meet with the Chinese government when dealing with sensitive matters, which would make it impossible for the Chinese to trust him, and would affect his chances of being appointed to a key government post after the 1997 transition. On the other hand, Ch'en-fang An-sheng [7115 2455 1344 3932] has already announced that she will not remain in the Hong Kong government after 1997, so that her current promotion in the General Affairs Department, which will make her a hot candidate for Chief Secretary vacancy at the end of 1993, still leaves her with no worries about problems with the Chinese government.

In addition, certain government officials speculate privately that John Chen's departure from the Hong Kong government will give him a more independent role, and that his administrative skills, experience, and connections with government officials really make him a suitable candidate for the first chief executive of the future Hong Kong Special Administrative Region government. Because Hong Kong has not yet displayed another with such skill and the trust of both Hongkongers and Chinese, John Chen seems to be the first with these qualifications. [passage omitted]

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