

China: A Competitor for World Markets?

By PAUL BALARAN

China has adopted a new export strategy that will bring it into conflict with other developing nations.

As late as two years ago, the Chinese were counting on exports of raw materials, especially oil, to support their ambitious drive for modernization. But China has recently been shifting its export focus to light industry, with the result that other poor countries will now see China as a competitor for market share in the industrialized world, and thus a threat to their own economic advance.

Chinese oil production grew at an average annual rate of more than 20% from 1966 to 1978. It was logical for China to look to oil exports to pay for modernization. In keeping with the optimistic export plans, China and Japan entered into a long-term agreement in 1978 calling for China to provide seven million tons of oil that year and to increase those exports to 15 million tons by 1982.

But, for a variety of reasons, China's oil industry cannot serve its originally intended role of primary foreign currency earner. Oil production is now projected to remain at the 1979 level of 106 million tons during 1980 and 1981. This flat performance will force China to reduce substantially the amount of oil destined for Japan. It is evident that increases in production from the existing onshore fields will be minor. There is also greater recognition of the long lead times necessary to develop China's offshore oilfields. It will be the middle of the decade at the earliest before China has any hope of large infusions of petrodollars.

So China has switched instead to light industry—to textiles, baskets, bicycles, radio and television assembly and so on. In the first eight months of 1980, light industry production soared 22.7% from the previous year's level. The textile industry, which accounts for one-fifth of China's foreign currency earnings, reached a total

output of almost \$22 billion in the first half of this year.

Light industry promises a faster return on investment than do complex extraction projects. It also enables China to draw on the experience and expertise of overseas Chinese entrepreneurs from Hong Kong and Southeast Asia. China has devised a variety of plans—compensating the foreign investor with factory output or finishing and assembling his components—that have successfully merged overseas Chinese know-how with the cheap labor of China.

But the switch to light industry carries with it grave political dangers. If China became primarily an oil exporter, its trade policy would pose no threat to other developing countries, except perhaps to some of the OPEC nations. China, moreover, could continue to be regarded as a distinctive model of economic development.

Now, however, China is beginning to act more like other developing countries. It is using many of the same methods, such as establishing special trade zones to attract investment from garment and electronic manufacturers. It is thus competing for both the new factories of the multinational companies and the markets of their home countries.

Consider, for example, the American market. China has recently supplanted the Philippines as the leading import source of cotton handkerchiefs. It has moved past Mexico, India and the Philippines among others to become a major supplier of women's cotton nonknit trousers. It has replaced Sri Lanka as the number one source of tea, and it is challenging India and Bangladesh for supremacy in jute exports.

Two years ago, India exported three times as many floor coverings to the U.S. as China, but by the first half of 1980 the market shares were roughly equal. Indeed, in 1979 the Indian Institute of Foreign Trade put together a long list of Indian products, including carpets, footwear, textiles, and light engineering items, that

were suffering in the face of Chinese competition.

China is competing as well for low-cost funds. It has applied for developing country status at the World Bank and is expected to try to draw heavily on this source of inexpensive loans. With limited capitalization, the World Bank may have to pare down the loans it currently is allocating to other countries, such as the \$1.5 billion it annually extends to India.

To be sure, neither the Hong Kong manufacturer of high fashion clothes for the U.S. market nor the Singapore producer of sophisticated calculators need fear Chinese competition at the moment. China has much to learn in the vital areas of quality control, Western styles and taste, and the rigors of production and delivery schedules.

But countries that produce goods on the simpler end of the spectrum will bear the brunt of China's new approach to funding modernization—a prospect that may have political consequences. China's continued success at the expense of Indian manufacturers might obstruct the improvement of relations between the two countries, which were normalized four years ago. To take another possible example, if Chinese basket wares encroach on markets now plied by Philippine manufacturers, China's success might drive a wedge between the two countries.

To compound the problems for China, it is following its new economic path at a time when protectionism is being advocated with increasing regularity throughout the world. Added to this is the fact that the non-oil-producing nations are experiencing greater difficulty and facing keener rivalry in their attempt to recapture petrodollars. Consequently, the level of perceived competition, if not actual competition, between China and other developing countries may become acute, and relations may be strained in a way that was not foreseen a short time ago.

China's leaders have always viewed foreign trade in the context of foreign relations. They have shown that they are aware of the significance of China becoming a full-fledged member of the international community subject to all the vagaries and pressures on the economic and political front. It should come as no surprise to the Chinese that tensions may be created by their economic moves. How successful China is in resolving the conflicts on the political side of the modernization equation will play an important role in the push to catch up with the developed world.

Mr. Balaran is a specialist on China with a major New York bank.

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**JOHN
FRASER**



Middle Kingdom memories

SINCE THERE IS not yet a definitive study of the Canadian missionary movement in China, one still has to get information from random memoirs and the personal recollections of former missionaries. This is going to change soon because Peter Mitchell of York University, a prominent China scholar as well as the son and grandson of Canadian missionaries, is hard at work on just such a project. It is long overdue. Contrary to what you might think, the tale of the missionary service in China is not simply of esoteric or academic interest. China has always excited the Western imagination because it developed a civilization completely different from our own and in coming to terms with such differences, we learn as much about ourselves as we do about the Chinese.

The three main categories of outsiders who eventually did penetrate the Middle Kingdom were traders (everyone from Marco Polo to the executives of Coca Cola, Inc.), the military (representing a host of foreign interests) and the Christian missionaries. The missionaries had by far the most important encounter and it is in their frustrations and aspirations that we can best understand the historical challenge China and the West presented each other.

Sympathy with China's revolutionary fervor

Historically, and with justification, Chinese governments traditionally viewed all three groups as one and the same evil, but in fact many of the missionaries — especially, for some reason, the Canadian Protestant missionaries of the twentieth century — became radicalized by their experience in China and ended up having far more sympathy with the growing revolutionary fervor in China than with their own missionary boards back home. The most famous and controversial of this species is Dr. James Endicott, the subject of a recently published biography, *Rebel Out of China*, by his son Stephen Endicott. Although the book has been criticized by some for a lack of objectivity, which I suppose is a backhanded way of saying the son still admires the father, I found the China portions of the book riveting and eloquent.

I should point out that Dr. Endicott and I are genial sparring partners. We have a certain personal liking for each other, or at least I do for him because he is a courageous man who has paid a considerable price for his strongly-held convictions, but there are certain areas where we find each other tiresome. For example, he feels that I have a woeful lack of historical perspective on China when it comes to assessing the achievements or failures of the Communist Party. This is based on his own experience in pre-revolutionary China and his subsequent championing of the Maoist regime. I, on the other hand, feel that Dr. Endicott has so much historical perspective it obscures his vision of those dark and often nefarious aspects of communism. In the end, like all former China hands, we are pinned down by our own specific and personal experiences. He sees the revolution as the antidote to the corruption, chaos and misery of the China he knew well, and the answer to his prayers as a radical Christian for an indigenous moral order in a beloved country. I lived in a China that had experienced institutional Maoism for nearly three decades and could not avoid facing the fact that the revolution for which there had been such high hopes had become stagnant and dangerously corrupt.

Disarmingly simple and charming book

Rev. Bruce Copeland of the Presbyterian Church of Canada was a very different sort of missionary. Less impulsive and arguably more aware of the complexities and nuances of the missionaries' unique position than was Dr. Endicott, he tended to view his role within the confines of what he could actually do wherever he was posted. At least that is the impression one gets after reading his wife's disarmingly simple and charming book of memories called *Mooncakes and Maple Sugar*. Marnie Copeland is not a professional writer nor any sort of propagandist, which perhaps explains why her book, published last year, has received so little attention. Yet I think it is an important effort because it explains how two decent people eager to do something positive in the world transcended not only the potentially arrogant nature of their calling, but also the enormously difficult challenge of reaching out to people as complete equals in a profoundly difficult culture.

The Copelands, who are now retired in Montreal, look back on the extraordinary times they lived through with neither regret nor undue nostalgia. Events overtook both them and their specific cause. Like many of the Canadian missionaries who went to China, their faith was not diminished even by the ostensible defeat of traditional missionary objectives; rather, they emerged with a vastly wider understanding of the mysterious forces that motivate men and women everywhere for good and ill. In reconciling this with their faith and the narrower fervor of their earlier years, they have become privy to a kind of understanding very few people ever achieve.

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Long March Home

As China Retrenches, Many U.S. Companies Cut Their Staffs There

Some Withdraw Completely;
Often Chinese Employees
Are Left to Hold the Fort

A Budget Squeeze in Peking

By FRANK CHING

Staff Reporter of THE WALL STREET JOURNAL

PEKING—The long march by American corporations into China has come to an abrupt halt. Although not completely routed by China's drastic economic retrenchment, many are calling a tactical retreat.

Companies that last year were clamoring for hard-to-get space are giving up their offices. Expensive equipment will be shipped back to Hong Kong. Telephone and telex lines acquired at exorbitant prices after frustrating waits are being given up. Expatriate employees are being withdrawn or reduced, although often locally hired Chinese are being retained so that the companies still can talk a "strong presence" here.

Examples abound: Bethlehem Steel has closed its office and withdrawn its representative because of China's suspension of an iron-ore project near Peking. Pullman-Kellogg, one of the American companies that have done the most business in China, is pulling out its permanent representative. Caterpillar Tractor is moving out its man in Peking and giving up half of its office space. Bechtel is withdrawing all its expatriate officials and giving up a \$650-a-day guesthouse rented, in something of a coup, a year ago.

Budget Squeeze

Pushing such companies into these cutbacks is China's retrenchment. The nation is trying to eliminate its budget deficit, which exceeded the equivalent of \$7 billion last year, as well as to switch investment priorities from heavy industry to light industry and agriculture. Chinese policy now favors slower but more balanced economic growth, with emphasis on producing for export and on increasing consumer goods.

"Large projects are being canceled," concedes Scott Seligman, Peking representative of the National Council for U.S.-China Trade. "But once all this blows over," he adds, "there's still the reality that the Chinese have some foreign exchange to be spent on such areas as light industry, transportation and energy."

In fact, U.S.-China trade doubled last year to \$4.6 billion and is expected to reach \$6 billion this year. Much of this, however, consists of Chinese agricultural purchases.

Moreover, America's trade here is dwarfed by Japan's, which totaled \$9.4 billion last year. Japanese companies constitute the biggest foreign presence in Peking, with about 150 represented. Of these concerns, just one, a small trading company, has pulled out, although some Japanese concerns are considering a cutback.

European Companies

And because European companies tend to have only one-man offices, they have little room for maneuver; they either keep their man here or lose their presence in Peking. One European says the attitude toward representation here may "gradually crystallize" soon.

American companies are reacting to the retrenchment in various ways.

"Pullman-Kellogg is definitely going to stay here," says John Bing, the representative who is leaving. But, voicing a commonly held opinion, he adds, "There's no reason to keep expensive people around. When there's new activity, we'll bring people back in." Meantime, the Pullman Inc. construction division will retain its Chinese staff and operate through HLK Services, an affiliate that has an office here.

Similarly, Bechtel, another engineering and construction company, will keep a local employe, while Michael Farley, its man responsible for China, will make periodic trips to Peking. However, Mr. Farley insists that "we're lowering our overhead but not reducing our presence here." But he concedes that an associate, Carl Liu, has been withdrawn and that he himself will spend more time elsewhere in Asia.

Change in Tactics

Caterpillar, too, insists that it isn't really cutting back. Its representative, Jack McManus, says that despite his own departure, the company plans to combat the Chinese slowdown by becoming more aggressive. "We're going to send more Hong Kong Chinese into the bush for three-week trips to get one or two tractor sales," Mr. McManus explains. "We'll give this a try to see what we can dig up in the provinces."

"They're pulling me out because I'm a very high-priced person," he adds. He says the Peking office probably will be manned by a Hong Kong Chinese, while Americans will be rotated in and out.

Fluor Corp., however, recently sent a new permanent representative to Peking, even though the company's copper project at Dexing was suspended. The representative, Judy Phillips, declines to discuss her role, although observers think that Fluor may have business with the coal ministry.

Pullman-Kellogg's Mr. Bing, an old China hand who first came to this country in the 1940s as a Marine, observes: "In a time of reduced work load, there are a number of alternatives. One is to maintain the status quo. Another is to pack and leave. Both are shortsighted."

More realistic alternatives, he thinks, are "to maintain your office but reduce your cost, to combine with others, or to go to one of the trading companies or agents and let them handle it."

Asked how long it may be before the Chinese start ordering again, Mr. Bing thinks several years. "The market is here, and for plants is here," he says, "but it takes a lot of money and planning."



Canada-China Trade Council president is Michael Cochrane.

Businessmen welcome Chinese retrenchment

By MARK LUKASIEWICZ

While executives in most major industrial countries wring their hands over China's decision to slow down its industrial development, Canadian businessmen returning from a two-week mission to China believe this decision may be the best thing to have happened to Canadian-Chinese trade in years.

"This retrenchment is good for Canada," said Michael Cochrane, president of the Canada-China Trade Council and head of the mission.

In an interview, Mr. Cochrane (also executive vice-president of Northern Telecom Ltd. of Montreal) said the slower modernization and development will benefit Canadian companies, many of which have been unable to compete on bids for the huge mega-projects planned earlier. "Now the Chinese are working in areas in which we have expertise."

The so-called retrenchment has seen China cancel, postpone or modify hundreds of large projects originally intended to propel the country into the industrial age.

The proposals included massive electric power plants, refineries, steel mills, foundries and mines, and had attracted keen interest from companies in France, West Germany, the United States and other industrial powers.

At the same time that these countries' interest in China is waning, the recent Canadian mission attracted 50 participants, the highest number on record. And while many western companies are closing offices or reducing representation in China, the trade council (an organization sponsored by Canadian corporations) plans to send a second employee to its Peking office.

The Chinese now plan to repair and modernize existing plants and machinery, particularly in agriculture, light manufacturing, transportation and energy. The scale of these efforts suits Canadian businessmen better, and the plans are in areas where they believe their expertise is unsurpassed.

Although China wants to import many western goods, it demands as a condition of most sales that the western exporter agrees to buy or distribute some Chinese goods in a form of "compensation trade."

According to Mr. Cochrane, "the guy who figures out how to arrange an export deal without a foreign exchange loss for China stands a much better chance of success." The problem now is that China has few exportable goods to offer.

On the recent mission, the diesel division of General Motors of Canada Ltd., Oshawa, Ont., discussed a compensation trade agreement with China. And it looks as if China will agree to an arrangement that will allow Trans Pacific Marketing Inc. of Vancouver to build glass fibre pleasure boats in China for export to North America.

China, which has an abundant work force, does not necessarily share the usual western priority placed on efficiency (and conservation of labor). "For

example, agriculture is a priority in China now," said Mr. Cochrane. "But they are less interested in reducing the amount of labor than in increasing the land yield, and the quality of crops and livestock."

Banking on the similarity of landscape between Canada's prai-

heavier labor input and offer good export potential.

Mr. Cochrane said China has opened more to small and medium-sized businesses in recent years. The bureaucracy, although still formidable, responds more to western business methods, and more

The shift from megaprojects to repairing present facilities suits the Canadian firms' expertise

ries and parts of China, the trade council has agreed (on a profit-sharing basis) to set up a model farm on 5,000 acres in northeast China to demonstrate Canadian methods.

Mr. Cochrane noted that Chinese officials are not pushing for increased Chinese grain production, which would diminish purchases of Canadian wheat. Instead, agricultural development is being geared toward growing fruits and vegetables, crops that require a

Chinese officials are experienced in dealings with western companies and governments.

After the mission to China, the trade council (in co-operation with Canadian banks) invited a mission of Chinese business teachers to Canada.

This group is now touring Canadian business schools and companies, seeing how management students are trained, and how private companies use graduates in their own management systems.

Chinese congress focuses on economics

By **STANLEY OZIEWICZ**
Globe and Mail Correspondent

PEKING — Unity was the order of the day in the Great Hall of the People at the closing plenary session of China's National People's Congress.

Except for eight throwaway absentions on a variety of resolutions put before the 3,200 delegates, agreement on various issues was readily reached.

But if little unexpected happened, it was nevertheless an important 14-day meeting — for crucial economic issues dominated an agenda that also touched on other aspects of the current leadership's drive to modernize.

Among the highlights:

- The country's tough-minded readjustment strategy aimed at undoing earlier unrealistic large-scale heavy industry schemes and reversing runaway expenditure will continue for at least another five years. Greater priority will be given to agriculture and light industry and encouraging the development of a broader service industry.

- Sweeping detailed plans will be put into place beginning next month to streamline the bureaucracy by amalgamating departments and getting rid of those who are stalling or obstructing modernization policies. "The state council," Premier Zhao Ziyang said,



Zhao Ziyang

"is determined to adopt resolute measures to change decisively such intolerable phenomena as an administration bristling with over-staffed and multi-echeloned departments that are crammed with hands and numerous deputy and nominal chiefs . . . that have a very low working efficiency." (Such warnings are not new and it remains to be seen whether China's

20 million civil servants will be cowed.)

- Laws on economic contracts and on income tax for foreign enterprise were passed. The tax on foreign business provides for graduated 20 to 40 per cent taxes on net earnings with an added 10 per cent local surtax. Companies will be allowed to credit the tax against tax liabilities at home.

- The chief procurator, Huang Huoqing, reported that in the first nine months this year 99.7 per cent of those prosecuted for crimes were found guilty. He did not explain how this remarkable record was achieved.

- A new vice-chairman was elected to NPC standing committee. He is Zhu Zue Fan, 76, vice-chairman of the revolutionary committee of the Chinese Kuomintang, a pro-Peking offshoot of the party which rules Taiwan.

- The chief of the People's Liberation Army general staff, Yang Dezhi, actually went out of his way to praise this year's slash in defence spending. Defending the cut, he said the army would use "the limited funds most effectively to fulfil its tasks."

- Premier Zhao, among other things in a 91-page opening speech to the congress, said that the idea of self-sufficiency — a cornerstone of Mao Tsetung's thought — must be relegated to the dustbin.

"All ideas and actions based on keeping our door closed to the outside world and sticking to conventions are wrong, and so are ideas and actions based on relying solely on other countries and having blind faith in them."

But there will be no let-up in the struggle against bourgeois liberal-

ism which is corroding "national dignity."

Yesterday's closing plenary session of the NPC lasted only one hour. The end was signalled by white-jacketed nurses gliding in from the wings of the rostrum to help many of the country's aging Government leaders out of the hall.

Subsidies needed for food prices

PEKING (Reuter) — China disclosed yesterday that it is paying huge and rising subsidies to hold down the price of food and other necessities.

A Finance Ministry official told the National People's Congress that the cost this year was expected to be \$18-billion U.S.

The subsidies equal 29 per cent of projected spending this year. Most of it will go on cereals, cooking oil, meat, fish, eggs, vegetables, household coal and cotton, the New China News Agency quoted the official as saying.

"Huge price subsidies have been a measure taken by the Government to improve the living standards of the people," he added. The official said subsidies had risen from \$4.5-billion in 1978 to \$12-billion last year.

Official newspapers recently dismissed rumors of imminent grain price rises.

Some officials want to cut subsidies and allow prices to reach a more realistic level. Others fear this could cause a popular backlash. Official prices of staple foods were last raised in 1979.

Law Firms Capitalize on China Trade Boom

By FOX BUTTERFIELD

Special to The New York Times

CAMBRIDGE, Mass., Oct. 24 — In keeping with the rapid expansion of United States trade with China in the last few years, five American law firms have now established what amount to permanent offices in Peking.

The new legal interest in China was underscored last month when Jerome Alan Cohen, who is widely regarded as the foremost American authority on Chinese law, resigned as professor of law and associate dean at the Harvard Law School to accept an offer as a senior partner at the New York firm of Paul,

Weiss, Rifkind, Wharton & Garrison.

Mr. Cohen, 51 years old, had been intensely courted by at least two other major Wall Street law firms, including Coudert Brothers, for whom he had worked as a consultant on American-Chinese trade over the last 10 years. He had also been one of the leading candidates for dean of the Harvard Law School last spring.

Mr. Cohen took a two-year leave of absence from Harvard to help Coudert Brothers set up an office in Peking after the normalization of relations with China in 1979.

American trade with China last year

amounted to \$4.8 billion, more than double the 1979 figure. American trade with the countries of East Asia as a whole has also climbed rapidly in the past decade and reached \$139 billion in 1980, more than the total of the United States' imports and exports with Western Europe, which amounted to \$114 billion, according to the Department of Commerce.

"But American law firms were very slow to take note of this trend," Mr. Cohen said in an interview.

Officially, China still does not permit Western legal firms to have offices in Peking. This is partly because of Chinese suspicion about what the foreign lawyers are doing and partly because of

a shortage of housing and office space.

There is intense competition among foreign businessmen, bankers, lawyers and journalists for hotel rooms in Peking. Mr. Cohen will use a suite at the Peking Hotel that he got when he was working for Coudert Brothers in 1979.

Seminars Paid Off

Coudert Brothers was able to secure permanent rooms there because Mr. Cohen gave a series of legal seminars to officials of the Peking city government, which runs the Peking Hotel.

In this stay, Mr. Cohen will give a course for a Chinese Government ministry on United States contract, investment and trade law.

The other American law firms that have offices in Peking are Baker & McKenzie of Chicago, Graham & James of

San Francisco and Heller, Ehrman, White & McAuliffe of San Francisco.

Stanley Lubman, a partner with Heller, Ehrman, said he now spends one-third to one-half his time in China.

Mr. Lubman, who speaks Chinese, said a series of laws promulgated by the Chinese Government in 1979 and 1980 covering taxation, foreign investment and joint ventures had made it easier to do business with China.

Legal System Is Different

But he cautioned that lawyers should not expect the Chinese legal system to be as complete and relatively free of ambiguities as United States codes.

In negotiating any deal with the Chinese, he said, it was his experience that "it is a matter of shrinking the Ameri-

can contracts and stretching the Chinese ones."

"The Chinese contract," he said, "will emphasize what should be done, the American contract will also emphasize what happens if the project isn't done, and that's where the big differences come up between us."

Both Mr. Cohen and Mr. Lubman began to study Chinese law in the early 1960's with grants from the Rockefeller Foundation. At the time, Mr. Cohen recalled, China and the United States were bitter enemies, and his wife and friends thought "I was losing my mind."

"It's a wonderful thing to study," his wife, Joan Leobold Cohen, counseled him, "but this is a field that has absolutely no practical application. We'll have to live off our academic salary."

Canada gives students raw deal, Peking says

By STANLEY OZIEWICZ
Globe and Mail Correspondent

PEKING — A Chinese Education Ministry official has complained that the Canadian Government is blocking Chinese exchange students from receiving awards and scholarships offered by Canadian universities.

The complaint was made in a recent interview with Wang Zhongda, an official in the foreign affairs department of the ministry. Mr. Wang is in charge of sending Chinese students abroad.

Taking pains to thank Canada for accepting Chinese students, Mr. Wang nevertheless went out of his way to point out that some top-ranking Chinese students are being refused scholarships and other awards which individual schools are willing to provide.

Ministry discovers no discrimination

Providing few details, Mr. Wang suggested that the federal Government is taking the position that the Chinese scholars and students under the exchange are state-supported and therefore not eligible.

External Affairs department officials in Canada deny that the Government has any policy discriminating against Chinese students but say some universities could be withholding funds because the students are state-supported. The ministry's China office says two investigations in the past year have failed to discover any instances of discrimination.

In June, 1979, Canada and China signed a memorandum on educational exchanges for undergraduates, post-graduates and scholars. Canada agreed to take up to 100 scholars annually, with China indicating that the total number of students and scholars sent in 1979 and last year would not exceed 500.

But the Chinese, with Canadian consent, have consistently sent many more students than were covered under the agreement, external affairs officials say. There are now an estimated 400 Chinese scholars another 400 privately sponsored students seeking degrees at Canadian universities.

A scholar is defined in the agreement as a person pursuing research or studies for purposes other than the attainment of a university degree in Canada.

The Chinese Government undertook to pay the accommodation and living costs for its students and scholars as well as tuition fees.

One clause in the memorandum appears to suggest that awards would be open to Chinese. "The Chinese side," it says, "will bear the living expenses of the Chinese students and visiting scholars who have not yet been offered scholarships or stipends."

Mr. Wang noted that the memorandum also says "students and scholars may take full advantage of any scholarships or stipend offered by the other country." He suggested the Canadian Government may have a different interpretation of this.

Mr. Wang did not elaborate on any specific cases, except to say that in one instance a Chinese student was the only one of several foreign students not to receive an award in a course at a Canadian university.

But it was apparent that this issue is an irritant to the Chinese. China wants to send more of its young students abroad, but with a limited budget it is counting on scholarships for its brightest students.

"For example," Mr. Wang said, "if one gets an award, we can send another. We encourage them to apply for subsidies and awards so more students can be sent."

Asked later to provide specific cases and more details about his complaint, Mr. Wang refused to be interviewed again. He said the matter was one to be settled by the respective embassies.

Jan Walls, first secretary at the Canadian Embassy responsible for cultural and scientific affairs, said the matter has not been brought to his attention. Only last month, he said, a small delegation for the Chinese Education Ministry visited Ottawa.

"I presume they would have raised it in Ottawa," Mr. Walls said that as far as he knew the Chinese officials did not bring the matter up with their Canadian counterparts.

External affairs officers in Ottawa say Chinese diplomats have brought the issue up in informal talks twice during the past year, adding that both times the department tried to discover a basis for the Chinese complaints but were unable to find any specific cases of discrimination.

"This isn't the first time we've heard this so there probably is some basis for the complaint," an official said. "But we'll have to be given more information before we'll be able to track it down."

Four Modernizations are goal

Since 1976, the Education Ministry has sent nearly 7,000 students to 52 countries. Other agencies and commissions have dispatched about 1,000. In addition, many privately sponsored Chinese students are taking courses abroad.

China's aim is to press these students into the cause of the Four Modernizations as soon as they return. Recently, the Government announced that future priority will be given to students of agronomy, animal husbandry, economic management, energy and law.

Mr. Wang was asked whether any of the returning students from the west have been infected by "bourgeois liberalism," the curse against which the Communist leadership has been waging a vigorous campaign.

"At present, all have come back and there have only been a few cases like that. Very, very few. The great majority love the motherland and love socialism.

"If we didn't believe that, we wouldn't have the courage to send our students abroad."

London Times

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Arrigo Levi: A personal view

Soviet threat looms large in China

There is, and always has been, an essential simplicity in Chinese foreign policy which is its main strength, just as it can be its great flaw. At each particular time China's view of the world is dominated by one main idea, one guiding principle, which is used to explain most events and to define the strategy to be followed.

If this main idea is wrong (one can recall long periods when it was) then China's foreign policy may be highly ineffectual. If the intuition is correct, China's influence on world events will be stronger than it would otherwise be, considering the many weaknesses of this continentalized nuclear power with 1,000 million citizens, which is also, however, a very poor developing nation.

When the first delegation from the European Parliament was received in Peking this week, Chinese high officials left no possible doubts in their guests' minds as to what is their dominating thought at the present time.

In opening the discussion, Mr Song Zhiguang, the Assistant Foreign Minister, dealt with one subject only: the threat to world peace from the Soviet Union. The dangers of war are increasing, he said, and they come mostly from Soviet hegemonism and the growth of Soviet expansionism all over the world.

The Chinese people, another spokesman said, "support the West European countries in their efforts to become strong through unity". They would also like a strong, united Europe to be as firmly anti-Soviet as they are themselves.

The Chinese have not renounced their traditional view of a world dominated by the two superpowers, whose rivalry continuously threatens us all with a nuclear war. But they no longer view the United States and the Soviet Union as equally responsible for this dramatic situation.

Chinese top officials told the Europeans that while the United States are only protecting their traditional interests, the Soviet Union is continuously taking advantage of American difficulties and of American "retrenchment" in order to "fish in troubled waters" and to "spread fires everywhere". American power is fighting a defensive battle: this is why the main danger to peace comes now from the Soviets' growing hegemonism.

This analysis embodies the new thought and guiding principle dominating China's post-Mao and post-Hua, foreign policy.

The conclusions to be

drawn from such an analysis are obvious. We are not against negotiations and détente, the Chinese say: but those who cannot guarantee their defence cannot hope to conquer peace through negotiations. Considering the present level of Soviet military power, no nation by itself can resist the Soviet pressure. So, all peace-loving nations must support one another and must act in a coordinated way against Soviet hegemonism. Let us do that, they told the Europeans: if we defeat Soviet expansionism, it will be possible to win "a relatively long-lasting period of peace".

Although the Chinese did not suggest an alliance with Europe or the West, they did not seem to be very far from making such a suggestion. In particular, they want Soviet (and Vietnamese) hegemonism to be defeated in Afghanistan and Cambodia, through Western and Chinese support of anti-Soviet forces.

Soviet peace proposals, they said, are just a trick. If the hegemonists are not defeated, there and now, they will indulge in further acts of expansionism elsewhere. The Chinese did not at all deny that they are giving material support to anti-Soviet forces in Afghanistan.

Is this Chinese analysis of the world crisis correct, or is China's obsession with the Soviet thrust self-centred and excessive? In a European delegation which included all the main parliamentary parties, opinions were obviously divided between those who fully shared the Chinese views and those who found them "simplistic" and dangerous.

Such a divided delegation could not be much of an *interlocuteur* for China, although M Gilles Martinet, the European head of delegation and a French Socialist, did his best to lend weight to European policy by quoting some unanimous denunciations by the European Parliament of Soviet aggressiveness.

A European Governmental delegation would, of course, have been more forceful and coherent. But it would still have found it difficult to follow the Chinese all the way in their one-sided approach to the world crisis, and would have probably dealt at length on the virtues of negotiations at all costs, just as the Europeans do, these days, when they meet the Americans.

Of course there is great virtue in keeping open the channels of negotiations at all times. But is there not also a risk that weakness may breed further weakness?

China Slows Trade Growth and Switches Emphasis to Allow Balanced Development

By FRANK CHING

Staff Reporter of THE WALL STREET JOURNAL

PEKING—China has tightened its reins on foreign-trade growth and changed the mix of its imports to reflect a new economic direction that emphasizes slower, more balanced development.

China's trade ministry said that in the first half of 1981 trade grew 19% from a year earlier, to the equivalent of \$17.33 billion, slowing from the 24% rise of 1980 and the 28% increase of 1979. And in this year's second quarter, trade rose only 13%.

Meanwhile, the type of product purchased abroad is changing. The country has drastically cut its imports of plant and equipment, and sharply increased purchases for agriculture and light industry. Imports of machinery and instruments, for example, fell more than 50%, while purchases of such goods as synthetic fibers and fertilizers jumped 40%.

Concerning exports, machinery sales jumped 45% in the half. Handicrafts and garments, two of the mainstays of China's exports, climbed 21%. Other items, ranging from bicycles and alarm clocks to cotton and silk, rose 14%.

Chinese trade will continue to grow de-

spite the economic readjustment, Huang Wenjun, a trade ministry official, said in an interview. "As long as foreign countries can provide what we need for our economic readjustment, our trade will continue to develop," Mr. Huang said.

He pointed to the need for significant increases in imports of fertilizer and pesticides to spur agricultural output. Raw materials for developing light industry, such as cotton, chemical fibers and dyes, also will be needed, Mr. Huang said.

China also plans to boost imports of food products that improve the Chinese standard of living, such as grain, soybean oil and sugar, according to Mr. Huang.

In its exports, China plans to emphasize high-value manufactured goods rather than raw materials. While exports of light industrial and handicraft goods are rising, they eventually will account for a smaller share of total exports, Mr. Huang said.

Long-established exports such as soybeans and hog products will decline in importance, the trade official said.

As for trade with the U.S., Mr. Huang said future growth is "entirely up to the U.S."

July 22 (81)

Foreign influence on the wane as China looks inwards

Recently a European businessman was being shown round a Chinese factory by a guide who talked incessantly about politics.

Taking the visitor into a conference room, the guide pointed to the portraits of Marx, Engels, Lenin and Stalin on the wall, and asked: "Do you know who they are?" The businessman, feigning ignorance, said: "I suppose they are the former directors of your factory."

This tongue-in-cheek remark was probably lost on the guide, who would have put the guest's apparent ignorance down to his bourgeois upbringing. Nevertheless, there are millions of Chinese for whom the memory of those portraits is fading fast as they are taken down more and more.

Symbolically, this can only mean that China is seeking its own road to socialism, and its ideologists increasingly consider early European and Soviet theories to be mere guidelines, no longer to be treated as sacred scripture.

The only deserted counters in Chinese bookshops today are those selling the works of the great luminaries of socialist theory. It can only be a healthy development that Chinese people should pay more attention to their own national experience, rather than sticking rigidly to the ideas of Western writers on conditions in Europe in the nineteenth and early twentieth centuries.

Behind this question of education lies a fundamental problem in the study of modern China. How much of what the foreigner sees and

hears is a product of Chinese historical and cultural tradition, and how much is imported from the West and Russia?

There are, roughly speaking, four layers on which one may interpret modern Chinese society. The most important is Chinese tradition, which still holds back progress in important areas—such as fondness for big families, patronage systems, exaggerated respect for intellectuals and over-willing submission to petty tyranny.

The second layer is that of liberal, Westernizing social reform, as sponsored by the late Dr Sun Yat-sen. Under the Communists, "liberalism" is a term of abuse, however, meaning weak-kneed reformism disguising bourgeois exploitation of the proletariat.

The third is Maoist radicalism, which in its most intense form owes relatively little to Western thought, and is arguably an extreme form of Chinese conservatism with its overtones of xenophobia, rote learning of scripture, rejection of rule by law in favour of rule by "wise" men, and a near-mystical belief in the cultural superiority of China.

The fourth layer, most visible today, is the return to certain organizational forms copied from the Soviet Union and Eastern Europe, emphasizing institutionalized bureaucracy under the guidance of the party. But it is being leavened by a relatively liberal approach to the import of Western ideas, which has become a mass movement again for the first time since the 1930s. Yugoslavia has also contributed a

good deal to current economic thinking.

All this is confusing for the visitor to China, who may have difficulty in disentangling what in the people's behaviour is traditional and what is the result of foreign influence.

An interesting example is the attitude to the printing of swear words. Insulting references to a person's mother are the commonest Chinese form of swearing, and until the modern age they were rarely or never printed, because printed material should above all be of civilized content. The realist writers of the middle decades of this century, taking their cue from Western novelists, wrote swear words into their novels because that was how people spoke in real life.

Now, with the campaign to improve public mores, a columnist in the national youth newspaper has suggested that swearing can be abolished more easily if the words are never allowed to appear in print—an example of the Chinese traditional concept that correct use of language, especially written language, can exert moral influence and help to order society.

When a Peking taxi driver tortures his vehicle by labouring too much in high gears and switching the ignition on and off frequently to save petrol, he is asserting the Chinese conviction of the total superiority of man over machines. And if the machine breaks down or wears out quickly, that will just be further proof of its inferiority.

David Bonavia

In China, Mao-Study Is Out, Incentives Are In

HONG KONG—Notes from two trips to China, ten years apart:

The differences are apparent when you first board a Chinese airliner. It's not only that the plane may well be a newish Boeing rather than an oldish Russian prop-jet. A decade ago a stewardess in baggy army garb would announce:

"Comrades and friends, comrades and friends. Chairman Mao teaches us . . .

Asia

by Robert Keatley

don't play radios on the aircraft. Comrades and friends, comrades and friends. Chairman Mao teaches us . . . fasten your seat-belts."

There still are hostesses. But their neat blue uniforms aren't quite as baggy, and their hair and makeup are artfully done. Only a puzzling request to surrender "radioactive materials" differentiates pre-flight announcements from those of most other airlines and—to drive home the sameness—the cabin crews eventually serve similar plastic food.

China has changed in big ways and small, as observations from May 1971 and May 1981 visits (plus several in between) indicate. A decade ago the Cultural Revolution lingered, Chairman Mao was worshipped, Lin Piao was still his chosen heir and life generally was up-tight. Now the earlier campaign is denounced as national madness inflicted by a fading chairman

who, like Marshall Lin, is dead. A general relaxation of the national economy and daily life are under way. Though the course has zigs and zags, a relative liberalization has begun.

Where this will lead is unknown; reasons remain for doubts about China's long-term prospects. But the quantity of goods and the quality of life so far show improvements and, though constraints remain, much up-tightness has gone. There is something more humane and pleasant about today's China.

One reason is a welcome decline of political jargon.

For example, a decade ago, at the Double King Brigade near Xian, visitors got the full treatment. The then-chairman of the governing "revolutionary committee" (an institution since abolished) told of the bad old days and proclaimed earnestly: "Because we listen to Chairman Mao, the life we live now compared to our earlier life is like paradise." The proofs were a bit mind-numbing. Of 812 peasants in the brigade, he claimed, a full 419 were "five-good commune members," which meant they were "advanced" in political ideology and frugality, among other things. There were 66 "activists" in the study of Mao-thought, including an 88-year-old man who swore he would die in the field behind an ox-team rather than on his 'ang, or stove-top sleeping space.

A seed shortage had been solved by studying Mao on turning "the spiritual into the material," and letting "a single spark ignite a prairie fire." The "foolish old man who moved the mountain" also got into the act somehow. Soon there were seeds

enough for everyone, and happy peasants were romping through the wheat fields singing a ditty about "the eight-point charter for agriculture." Their only ambition, it was claimed, was to produce more for the state and avoid the evil of higher pay for themselves.

Now things are different.

Brigade Number One of the Golden Horse commune near Chengdu was, till recently, a "Learn from Dazhai" brigade—meaning it was officially inspired by the famed collective long touted as a Maoist model for what all rural China should be. But Peking has admitted Dazhai did well because of secret state subsidies and fraudulent bookkeeping, so the folks at Number One don't talk about it any more.

But they do talk about why life is better down on this particular farm. The main reason: more stress on material incentives. Private plots are being expanded, and brigade workers allowed to keep extra production for themselves after quotas are met. Rather than a daily hour on Mao-study, peasants now attend only one political meeting per month—and that generally deals with production problems. Working more for themselves than for the state helps everyone, officials now claim.

Why? "The old system was like a canteen—we were all eating out of the same pot," says one brigade leader disgustedly.

Two visits to textile mills show similar changes.

At Xian's number Four Northwest Cotton Textile Mill back in 1971, Maoism was rampant. A cadre then denounced the pernicious ways of the purged Liu Shaoqi, China's president who was driven from office and died in 1969. The complaints included

his reliance on specialists and experts to run factories, giving production first priority and offering material incentives. "The renegade Liu Shaoqi suppressed study of the thought of Mao tse-Tung . . . the renegade Liu Shaoqi was frightened to death about workers learning Mao's philosophy," a worker said.

If officials at the Sichuan Number One Cotton Textile Printing and Dyeing Plant, in Chengdu, are correct, workers don't say such things any more and never really believed them.

Now the talk is about self-management, worker bonuses and executive flexibility. State plans can be revised, with extra production bringing higher pay for those who toil. Restrictive old ways are denounced. Instead, the factory has a "freedom fund," retained profits which it can use to raise wages, buy machinery or add buildings. Other new freedoms include the right to fire incompetent workers, and to hire its own staff rather than take anyone sent along by the labor bureau.

How much time do workers spend on political study? "One hour per week—or less." What do they study? "We discuss production problems. We don't organize study of Chairman Mao's works as in the past." What political tracts are read? "We don't study any books. We now learn truth through practice. The old style was an insult to Chairman Mao."

Footnote: The political volume featured most prominently in state book stores these days is the collected writings of Liu Shaoqi.

Mr. Keatley is editor of *The Asian Wall Street Journal*.

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Reuters

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China's arms assistance to the Pol
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tion to the Cambodian struggle
was described as tying down 60
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on the border with China as a re-
sult of the Chinese incursion into
Vietnam in 1979.

Mr. Jiang said what was called a
Chinese "lesson" to Vietnam was
also a lesson for China. "Through

The official made clear he re-
garded containment as a short-
term goal; in the long run China
believes unity of the rest of the
world will force Vietnam out of
Cambodia and bring down the
pro-Soviet regime in Hanoi. In the
discussions, here and in Shanghai,
remarkably uniform opinions were
expressed, suggesting that the par-
ticipants reflected official policy
that had been worked out in detail.

The policy excludes all consider-
ation of national interests of
Southeast Asian countries; it urges
that they, with support of China,
Japan, the United States and
Western Europe, sustain indefi-
nitely the forces led by former Pre-
mier Pol Pot, and it calls on all
Cambodians to join in war until
victory over the Vietnamese occu-
pers.

The Chinese analysts reject the
possibility of a negotiated settle-
ment. "What you do not get on the
battlefield, you cannot get through
a political solution," the Foreign
Ministry official said.

Imbalance of Forces

Wu Zengda, deputy director of
the Shanghai Institute for Interna-
tional Studies, estimated that the
200,000 Vietnamese soldiers in
Cambodia were confronted by
40,000 troops under Pol Pot and
about 3,000 led by non-Commun-
ist Cambodians. But, the foreign
affairs official said, the resistance
fighters were making war on two-
thirds of Cambodia's territory.

The Chinese conceded that the
Pol Pot regime, which enjoyed
China's full support during its
reign from 1975 until 1979, had
made what an official qualified as
"a number of mistakes in domestic
policy."

"But saying that Pol Pot killed
many people is not completely
true," said Jiang Yuanchun, deputy
director of the international de-
partment of People's Daily, the
Communist Party's central news-

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Peking Tightens its Rules On Contacts With Aliens

Reuters

PEKING — A new internal
directive has been issued in China
that, in effect, tells the Chinese to
shun social contacts with foreign-
ers, informed sources said here
Wednesday.

The wording and the exact tim-
ing of the directive have not been
disclosed, but sources who have
seen the document say that it
warns people that foreigners are
dangerous because they are con-
stantly seeking information.

More Cautious Contacts

This appears to be a tightening
of regulations that have been is-
sued in the last several months.
These included precise instructions
on how to break relationships with
foreigners without arousing suspi-
cion.

Some foreign residents say they
have noticed that some of their
Chinese acquaintances have
stopped telephoning them and
have appeared to avoid chance
meetings in the street.

Other foreigners say that their

Girl Outpulls Crocodile to Rescue Man

United Press International

DARWIN, Australia — A
man mauled by a huge croco-
dile in a remote swamp says he
owed his life to a 13-year-old
girl who just would not let go.

During their return by boat
from a wildlife-viewing trip,
Hilton Graham, 23, said Tues-
day, he leaned over to retrieve
an anchor rope and a 13-foot
(4.5-meter) crocodile grabbed

experts expressed hope that their po-
litical allies in Southeast Asia
would attempt to compose their
differences with the governments
through consultations rather than
war.

Southeast Asian diplomats here
said their governments remained
unhappy over Peking's unwilling-
ness to dissociate itself from the
guerrilla movements despite its ef-
forts to improve governmental re-
lations.

Chinese contacts, while still in
touch, have been markedly more
cautious in what they say.

One of the great boons for fore-
ign diplomats and journalists in
China since the purge of the Gang
of Four radicals in 1976 has been
the greater willingness of ordinary
Chinese to have spontaneous so-
cial contacts with them.

The open attitude reached a
peak during the Democracy Wall
period of 1978-1979, when Chinese
posted their sometimes outspoken
criticisms on a wall in central Pe-
king and aired their views to fore-
igners.

The authorities called a halt to
the so-called Peking Spring when
they decided that the criticism was
going too far and that the critics
had served their purpose in dis-
crediting the period when the
Gang of Four was in power.

The arrest and conviction of a
number of Chinese activists fol-
lowed, but it was still possible for
foreigners to cultivate a small cir-
cle of Chinese friends.

The new directive on contact
with foreigners comes at the same
time as a new official crackdown
on political opposition, including
the detention of a prominent dissi-
dent, Xu Wenli, on April 10. Fur-
ther, the strongest public attack on
an author since the death of Mao
five years ago took place this week.

Social Discipline

The sources did not know what
had prompted the clampdown on
contact with foreigners but some
diplomats speculated that it was in
line with the present emphasis on
social discipline.

The diplomats said that the
move might also be linked with
China's current economic pro-
gram. Too much contact with for-

The radio said Gen. Sant Cimprina, accompanied by his aides, ar-
rived in Burma April 13 through the Thai border province of Kanchana-
buri. They were brought to Rangoon April 18 upon their request.

Gen. Sant, former deputy commander of the army, disappeared when
forces loyal to Premier Prem regained control of the capital of Bangkok
on April 3, ending the 56-hour uprising. A warrant for his arrest was
issued by the government last week.

Iran Sets Budget of \$44 Billion, No Deficit

Reuters

TEHRAN — Premier Mohammed Ali Rajai of Iran has presented a
budget of 3.3 trillion rial (\$44 billion) for the Persian year, which began
March 21, and he said that there would be no deficit.

He told the Majlis Tuesday that 34 percent of the expenditure would
go to investment and 62 percent to current expenses, with the rest going
to meet the cost of the seven-month-old war with Iraq. Revenues would
come from oil and taxes, he said.

The previous budget of 2.84 trillion rials had a deficit of 878 billion
rials. The government had to borrow 689 billion rials from the central
bank to finance the shortfall, and Mr. Rajai said, the government has
had little success in curbing its rising debt to the banking system.

Reagan Tells Reporters Of Reaction to Shooting

(Continued from Page 1)

spouse to a quick question about
how he was doing: "I'm feeling
fine."

He said the chest pains were di-
minishing and that he has re-
sumed, "at a little slower pace,"
his daily exercise regimen.

Asked what impact his being
sidelined would have in winning in
congressional approval of his eco-
nomic program, he said, "I still
continue to be optimistic."

The president also said that the
debate had changed from whether
there should be budget and tax
cuts to how extensive they should
be.

The president said he was not
being "closed-minded and stub-
born" in his opposition to gun
controls.

"I don't know of any place
where it is not against the law to
carry a concealed weapon," but

Water Shortage In Ghana Sends Price Soaring

United Press International

ACCRA, Ghana — Water sold
for 40 cedis (\$13.50) a quart this
week in the worst water shortage
Ghana's cities have known.

In Accra, many houses in the
western part of the city have been
without water for more than six

that did not stop his assailant, the
president said.

"The man was carrying a
concealed weapon. I don't see that
adding another law" as unenforce-
able as current concealed weapons
laws "is going to make a differ-
ence," he said.

Recalling his early moments in
the hospital, the president said he
was alert and managed to realize
that "the manner in which I was
unclothed, that I wouldn't wear
that suit again."

His clothing was quickly re-
moved at the hospital so that doc-
tors could find the bullet wound in
his left side.

Mr. Reagan also said that once
he leaves the White House for pub-
lic events, "I have a hunch I'll be
more alert."

He did not say when he expect-
ed to return to the Oval Office but
he said that with Congress in re-
cess his schedule, now that he has
returned to the White House, has
hardly been altered by the shoot-
ing.

"Actually, I don't think I'd be
doing anything different," he said.

Working Quarters

Mr. Reagan said that working in
his quarters was convenient be-
cause in making telephone calls to
members of Congress he can set
about his business "without
bothering to get dressed."

But asked whether he would be
able to get back up on a horse and
take part in his favorite recrea-
tional activity, he said, "I think that

Law Firms Capitalize on China Trade Boom

By FOX BUTTERFIELD

Special to The New York Times

CAMBRIDGE, Mass., Oct. 24 — In keeping with the rapid expansion of United States trade with China in the last few years, five American law firms have now established what amount to permanent offices in Peking.

The new legal interest in China was underscored last month when Jerome Alan Cohen, who is widely regarded as the foremost American authority on Chinese law, resigned as professor of law and associate dean at the Harvard Law School to accept an offer as a senior partner at the New York firm of Paul,

Weiss, Rifkind, Wharton & Garrison.

Mr. Cohen, 51 years old, had been intensely courted by at least two other major Wall Street law firms, including Coudert Brothers, for whom he had worked as a consultant on American-Chinese trade over the last 10 years. He had also been one of the leading candidates for dean of the Harvard Law School last spring.

Mr. Cohen took a two-year leave of absence from Harvard to help Coudert Brothers set up an office in Peking after the normalization of relations with China in 1979.

American trade with China last year

amounted to \$4.8 billion, more than double the 1979 figure. American trade with the countries of East Asia as a whole has also climbed rapidly in the past decade and reached \$139 billion in 1980, more than the total of the United States' imports and exports with Western Europe, which amounted to \$114 billion, according to the Department of Commerce.

"But American law firms were very slow to take note of this trend," Mr. Cohen said in an interview.

Officially, China still does not permit Western legal firms to have offices in Peking. This is partly because of Chinese suspicion about what the foreign lawyers are doing and partly because of

a shortage of housing and office space.

There is intense competition among foreign businessmen, bankers, lawyers and journalists for hotel rooms in Peking. Mr. Cohen will use a suite at the Peking Hotel that he got when he was working for Coudert Brothers in 1979.

Seminars Paid Off

Coudert Brothers was able to secure permanent rooms there because Mr. Cohen gave a series of legal seminars to officials of the Peking city government, which runs the Peking Hotel.

In this stay, Mr. Cohen will give a course for a Chinese Government ministry on United States contract, investment and trade law.

The other American law firms that have offices in Peking are Baker & McKenzie of Chicago, Graham & James of

San Francisco and Heller, Ehrman, White & McAuliffe of San Francisco.

Stanley Lubman, a partner with Heller, Ehrman, said he now spends one-third to one-half his time in China.

Mr. Lubman, who speaks Chinese, said a series of laws promulgated by the Chinese Government in 1979 and 1980 covering taxation, foreign investment and joint ventures had made it easier to do business with China.

Legal System Is Different

But he cautioned that lawyers should not expect the Chinese legal system to be as complete and relatively free of ambiguities as United States codes.

In negotiating any deal with the Chinese, he said, it was his experience that "it is a matter of shrinking the Ameri-

can contracts and stretching the Chinese ones."

"The Chinese contract," he said, "will emphasize what should be done, the American contract will also emphasize what happens if the project isn't done, and that's where the big differences come up between us."

Both Mr. Cohen and Mr. Lubman began to study Chinese law in the early 1960's with grants from the Rockefeller Foundation. At the time, Mr. Cohen recalled, China and the United States were bitter enemies, and his wife and friends thought "I was losing my mind."

"It's a wonderful thing to study," his wife, Joan Leobold Cohen, counseled him, "but this is a field that has absolutely no practical application. We'll have to live off our academic salary."

Saint Mary's University



Many, many thanks for your
help in arranging Beesley's
visit. I'm enclosing these recent
Far Eastern Econ. Review articles for your wife.
See you soon I hope. Many

CHINA '81



Chen Yun at work: liberal economic planner and reorganiser.

OVERVIEW

Filling the growing ideological vacuum

Just four years after his second political rehabilitation, Vice-Chairman Deng Xiaoping has succeeded in shaping the leadership of the communist party almost entirely according to his heart's desire.

It has not been an easy road. He has had to alienate, disgrace or dismiss over a third of the Politburo appointed in 1977 under the chairmanship of Hua Guofeng — demoting Hua himself to the humiliating position of most junior of the vice-chairmen. Deng has filled the gaps with party veterans loyal to himself, especially the new party Chairman Hu Yaobang, Premier Zhao Ziyang and liberal economic planner Chen Yun. This triumvirate is supported by the late premier Zhou Enlai's widow Deng Yingchao, Defence Minister Geng Biao and Peng Zhen, first major victim of the Cultural Revolution, who has

presided over the drafting of China's new legal system.

The new leadership stands unambiguously for liberalisation of the economy, especially agriculture, and somewhat more ambiguously for more cultural freedom and defence of citizens' rights under the law.

Fortunately for the Westward-looking Deng, the country's pro-American foreign policy line was pioneered by Zhou and by the late chairman Mao Zedong before their deaths in 1976 so that even the sternest of Deng's Maoist-conservative critics cannot get at him over this.

Change at the top still needs to be matched by change in the middle ranks of the bureaucracy. The party, with some 39 million members, is too big and unwieldy. The present party membership is nearly

nine times that of 1947 and 11 million more than in 1973. During the late 1960s it was crammed with leftists scornful of education and technology and devoted to intrigue.

In advance of next year's expected 12th Congress, the party is mounting a drive to recruit more young people into the party and the emphasis in their selection will be on overall social, economic, military, administrative or academic record — not their ability to mouth quotations and form factions. This would imply that several million party members with leftist backgrounds may have to be expelled before the congress.

This, however, is a problem which must be tackled with great care to avoid antagonising more people than is strictly necessary. The campaign to promote younger men to positions of influence continues, despite the poor response from veteran cadres and holders of lifetime appointments. Former minister of power industry Liu Lanbo has been lavishly praised for stepping down in his 70s in favour of Li Peng, a mere stripling in his 50s.

However, it is difficult to explain away the fact that the champions of youth in government are in their 70s and 80s, with

Diluting the doctrine of war's inevitability

Relations with the United States — keystone of China's present foreign policy — survived a rude battering when President Ronald Reagan prefaced his accession to the presidency with promises of upgrading US relations with Taiwan.

Reagan did not seem to be aware that Vice-Chairman Deng Xiaoping, China's effective leader, was also fighting a political campaign as he and his supporters laboured to gain a broad base of support for

the demotion of Hua Guofeng from the party chairmanship, and the Central Committee's acceptance of the new, relatively liberal policies in economic and social affairs.

To have been accused by still influential, left-leaning circles in the party and the army of compromising China's long-standing claim to sovereignty over Taiwan could have weighted the political scales against the Deng group, especially in the People's Liberation Army (PLA) where the

Deng aged 76, Chen Yun in his early 80s, Peng Zhen 79 and finance and economics expert Li Xiannian in his mid-70s.

Marshal Ye Jianying, the closest thing China has to a head of state and until his recent physical enfeeblement a powerful figure in the Politburo, is 83. Top army commanders and party first secretaries in the provinces follow a similar pattern.

The eventual departure of these veterans will almost spell the end of the Long March generation and will bring to power administrators whose knowledge of the early years of the revolution is slight or indirect. It will also blur political rivalries among followers of different army commanders from the 1930s on and initiate a new phase in which politics can be more concerned with issues, less with personalities. The ban on personality cults — the last attempted was for Hua — should help this process.

The signs are that Deng reached a hard-fought compromise with Maoist-conservative elements, especially in the army, in order to unseat Hua. Not the least sign is the quiet dropping of plans to stage provincial trials of former leftists, forecast at the time of the trial of the Gang of Four who included Mao's widow, Jiang Qing.

Foot-dragging by over-cautious bureaucrats, together with near-overt opposition from the army, has slowed down the progress of the economic reform masterminded by Deng — but it is going ahead nonetheless. The peasants have taken the bit between their teeth and are hauling in extra cash under the new, semi-private style of farming which is replacing the old structure of the people's communes.

In industry the reform is complicated by the greater degree of central planning still thought necessary, which interferes with the autonomy and profit-consciousness now considered the official goal for all Chinese industrial enterprises, even including some arms factories which are being told to use spare capacity to produce consumer goods.

Aside from the economy, the party must closely consider the question of democratic centralism — or rather, the conflict between central control and democracy. Some experiments which are bold

reforms have aroused the most hostility.

US Secretary of State Alexander Haig is believed to have been told China's views on the Reagan team's behaviour in no uncertain terms when he visited Peking in June. It was a tribute both to Haig's skills as a newcomer to diplomacy — and to Deng's underlying realism — that the two men were able to part on reasonably good terms, though with the Taiwan issue still ostensibly unsolved.

What nobody has apparently told Reagan is that he can do pretty much what he likes about relations with Taiwan, if only he and his foreign relations experts would learn to keep quiet about it and observe a little diplomatic discretion instead of inflaming the issue and offering Taipei ad-

aging for the authorities. The students were brought to heel but only after an amazing display of independent thinking which went so far as to question the superiority of socialist and communist systems.

It is unlikely that any real measure of democracy, or accountability of the leaders to the general public, will quickly flourish in China. But if some bureaucrats fear that they may be brought to book more readily than before if they abuse their power, that at least will be progress.

The past year has seen a re-alignment of the party's external links. Following a decade and a half during which Euro-communism and social democracy have been regarded with deep suspicion here — on the grounds that they make Europe more vulnerable to Soviet pressure — Peking has decided to restore links with such circles. Several West European communist leaders have been invited to Peking, though China remains basically favourable to rightwingers like Britain's Mrs Thatcher whose anti-Sovietism is highly approved.

A chronic embarrassment to China is the opposition aroused in Asean countries to the Chinese party's links with their domestic communist insurgencies. The recent Southeast Asian tour by Premier Zhao did not succeed in convincing either the Malaysian or Singaporean governments that Chinese ties with insurgents were necessary to stop them coming under Vietnamese or Soviet control. Nor did Zhao improve things by pointing out that Chinese links with the insurgencies antedated Peking's diplomatic ties with the regional governments.

Perhaps the most outstanding feature of the Chinese party today is its declared desire to move away from direct intervention in affairs of day-to-day government and the courts, preserving a more distant function of moral exhortation, mediation of internal conflicts, and ideological education of the general public.

Ironically, most of the ideology being taught today is of a negative nature — denouncing and refuting the still tenacious vision of society and political power which was dominant under Mao. So far no really strong or cohesive body of socialist belief has emerged to fill the growing ideological vacuum.

David Bonavia in Peking wrote *Overview, Foreign Relations, Social Affairs, Agriculture, PLA and The Party*; **Robert Delfs** contributed *Budget, Economy, Foreign Trade* and **Chen Yun** from Hongkong; *Sport* was written by **Da Yuejin** in Peking.

in Chinese terms have been tried — for instance, putting up more than one candidate in local government elections.

But the experience at Peking University and in Changsha, where students actually challenged party interference in their choice of candidates, was hardly encour-



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vanced aircraft which it really does not need.

In fact, it was former president Jimmy Carter, not Reagan, who presided over the passage of the Taiwan Relations Act through Congress. Legal as the act may be in the US, the Chinese have a strong case to make when they challenge it as a violation of international law.

A crucial issue in the row has been whether the US should sell Taiwan the F16 fighter-bomber whose devastating effectiveness has been shown by the Israeli attack on Iraq's nuclear installations. But a good deal of the sting was taken out of this political hornet when Haig announced the lifting of restrictions on the sale of US arms to China. True, Peking specifically rejected any linkage between the two issues, but in practice the offer of arms sales was a big step forward in the Sino-American relationship. Incoming Ambassador Arthur Hummel reinforced this offer when he said the US should not let itself be outsold by European arms manufacturers in the China market, just as PLA Chief-of-Staff Yang Dezhi — who commanded the punitive invasion of Vietnam in 1979 — was winding up a tour in Western Europe during which he inspected many items on a list of possible weapons purchases.

The spat with the Reagan administration over Taiwan was ironic in the sense that the Chinese have far greater hopes of his determination to outdo the Soviet Union in arms build-up than ever they had of the vacillating Carter. Defence Secretary Caspar Weinberger's name is probably up in lights in the leadership compound at Zhongnanhai in central Peking, and the appointment of Haig as Secretary of State was doubtless also seen as an encouraging move.

The Chinese media gave a cautious welcome to Haig's subsequent tour of Southeast Asia as contributing to unity and security in the region. Peking also expressed approval of the seven-nation summit in Ottawa aimed at coordinating economic policies of the developed world.

The likelihood of a fresh US spurt in the arms race — to close the alleged gap which Moscow has been struggling to widen in recent years — coincides with a Chinese decision not to anticipate any large-scale hostilities with the Soviets, at any rate in the next few years. They recognise that Poland and Afghanistan are already quite big enough headaches for the Soviet Union, without any move to reinforce or put in battle readiness roughly 1 million men on the Chinese border. Peking has renewed offers of a negotiated border settlement with the Soviet Union though in fact the Chinese proposal contained nothing new and insisted on conditions which the Soviets have been steadfastly refusing since the frontier negotiations began in 1969.

The former Chinese doctrine of the inevitability of war — linked to the names of the late Lin Biao and Mao — has been heavily diluted with the rider that an alliance of most of the world's countries — including the US, a rearmed Japan, Western Europe and as many allies as possible from the Third World — can deter Soviet



The PLA's top soldier and Chief-of-Staff Yang Dezhi: with the Irish Guards in London.

expansion if the will to do so is there.

Peking has neatly linked together the need for a global anti-Soviet front with its dogmatic opposition to certain aspects of US foreign policy — Taiwan, for instance, and support of Israel. The most recent pronouncements dwell on the need for good *bilateral* relations among countries making up the desired entente, thus establishing a normative critique of any aspects of US foreign policy China disagrees with.

Anti-Sovietism remains the main driving force behind China's foreign policy, though the corollary — increased trade and technological contacts with the West — assumes ever greater importance. Despite the recent cutbacks in China's imports of foreign industrial plant and equipment, Peking fully expects trade with the West and Japan to grow steadily in the years to come. The present economic readjustment policy is regarded as a mainly domestic change of course, though some of its

effects naturally affect foreign trade and investment.

While continuing to berate the Soviets for their hegemonic foreign policy, Peking has nonetheless stopped all propaganda about social conditions inside the Soviet Union and has made only a few muted criticisms of Moscow's attempts to bully the Polish labour movement into submission.

More disturbing for China is the Soviets' success in achieving domination of all of Indochina through Vietnam, with implicit threats to Southeast Asian countries and East-West trade routes. Reports of border clashes involving Vietnamese troops have been printed from time to time, but if China is planning to launch another "self-defensive counter-attack" against Vietnam, it will probably not be before the autumn when the rains stop in the border region.

Concentrating—at last —on the quality of life

Like Western and Asean powers, China has proved incapable of doing anything to persuade Vietnam to withdraw its occupation forces from Cambodia and the idea of a joint force of anti-Vietnam guerillas, as envisaged by the deposed head of state Prince Norodom Sihanouk, is obviously unrealistic. Nor does China—or any country—gain credit as a champion of the weak when it proposes again to unleash the bloody Khmer Rouge on Cambodia's decimated population. Nonetheless, Peking took comfort from the recent United Nations conference on Cambodia which called for the withdrawal of Vietnamese troops.

Shared concern at the expansionist policies of Vietnam has helped China to keep friendly if not intimate relations with most of the Asean countries. Singapore has agreed to set up a trade mission in Peking in advance of diplomatic relations, but this may not necessarily be seen as evidence that wary Indonesia, the biggest military power in Southeast Asia, is yet looking seriously to a restoration of relations with Peking.

China scored a diplomatic success with Foreign Minister Huang Hua's June visit to India, which may have started a process of reconciliation aimed at a border settlement and which presents New Delhi with some new options in its balancing act between Moscow and the other global forces felt in the South Asia/Pacific region.

China's relations with Japan have remained cool but correct. The future of the Baoshan steel project is still in the balance; unless the Japanese will agree to easier financing for the complex, China will write it off and pay compensation. The Chinese were also displeased by Japan's behind-the-scenes attempts to pull them to their own side in the recent debate on an international whaling ban.

Many hints and signs have made it plain that Peking is disgusted by the brutal and self-destructive rampage of Ayatollah Khomeini and his followers in Iran. China has leaned slightly towards Iraq during the war in the Middle East and shows itself inclined to approve the US and Egyptian efforts to achieve peace between the Arabs and Israel, despite continuing lip-service to the Arab cause and total condemnation of Israel.

As it has done for the past decade, China views Western Europe as the most likely flashpoint of a future global war. Any signs of growing unity and cooperation among the West European countries, the US and Canada are noted with satisfaction. Most recently these have included the Ottawa conference of the seven main non-communist economic powers. Peking continues to call for more aid from the global north to the global south, without actually stating which theoretical hemisphere China belongs to. The Chinese foreign aid programme, never large but generous enough in view of the country's own poverty, has been reduced to minute proportions while foreign aid has been accepted for famine relief, education and other socio-economic projects. Peking is also indirectly soliciting aid in the form of low-interest or better still interest-free loans (the latter form having been granted this year by Belgium).

The strong emphasis being given to higher living standards in China is the single aspect of the reform and readjustment programme which is of greatest interest to the man in the street.

Living standards are not regarded as consisting only of income and spending power: the quality of life, as reflected in education, law, environmental protection, public order and medicine, among other things, is receiving enhanced attention from the party leaders and socio-economic planners.

For a start, social life has been to a considerable extent de-ideologised. There are fewer compulsory political meetings for workers and cadres and their content is more down to earth than under Mao. Politics is no longer treated as the infallible guide to all human affairs, but has been restored to a particular niche in the social order—albeit an important one.

The legal system is being built up vigor-

ously with a view to ensuring a better level of justice and less arbitrary persecution of individuals. Education is again being aimed at imparting knowledge rather than shaping political attitudes. The problem of pollution is being recognised and tackled, though not nearly effectively enough. Cultural life has become more liberal than at any time since the early 1960s and in many ways since the 1930s.

Against the background of these improvements, however, the ugly spectres of unemployment, inflation, housing shortages and corruption stand out more clearly than was permitted before. Mao's regime suppressed most public discussion of these matters so that their sudden bursting on the scene may be as much due to the lifting of the veil of secrecy as to the growth of social problems under the current, relatively liberal style of leadership.

The leadership has outlawed personali-

China's top 10 foreign books

Bestsellers in Chinese translation based on observation in Peking bookshops are: *David Copperfield* (Dickens), *Le Rouge et Le Noir* (Stendhal), *The Return of the Native* (Thomas Hardy), *Bel Ami* (Guy de Maupassant), *Les Misérables* (Victor Hugo), *Road to Calvary* (Aleksey Tolstoy), *The Gilded Age* (Mark Twain), *L'Amé Enchantée* (Romain Rolland), *Short Stories of Maxim Gorky* and *Fanshen* (William Hinton), the classic account of peasant revolution in China by a Pennsylvania farmer.



Aleksey Tolstoy



Charles Dickens



Stendhal

PHOTOS: ENCYCLOPAEDIA BRITANNICA, INC.

ty cults which, when whipped to fever pitch, can numb all independent thought as in the Cultural Revolution. People can actually take an apolitical stance these days which — under Mao — would have been regarded as virtually counter-revolutionary.

The most far-reaching changes in society just now are those associated with education. Having missed just about a decade of high-quality schooling, China's young people have become education-crazy, swotting tirelessly to pass university entrance examinations, having their relatives pull all possible strings to get them places at institutions of higher learning and devouring all reading matter available and relevant to their studies. Favourite topics for study now are science, engineering and foreign languages, especially English and Japanese.

From the kindergarten level, where 9 million Chinese children are accommodated, schools are hunting for bigger premises, better qualified teachers and up-to-date teaching aids. School buildings are being reclaimed from army units which occupied many of them in the Cultural Revolution. To ease the shortage of university places, college diplomas are being handed out to students of any age who can pass the examination, while vocational training centres and technical colleges are increasing their intake. Academic degrees have been restored in philosophy, economics, law, education, literature, history, science, engineering, agronomy and medicine.

In health services, the emphasis is being put on improving rural medical facilities, upgrading the professional qualifications of barefoot doctors and developing a synthesis of Chinese and Western medicine. The national budget for medical care has been increased. Rigorous new standards are being put into effect to control unauthorised production and sale of medical products. Private doctors are again permitted to practise.

Housing is at last receiving something approaching the priority it deserves to reverse the decay of China's big ci-



China 1981: pale cotton frocks in Peking's Purple Bamboo Park . . .

PHOTOS: AP

ties. Over 78 million sq. ms of new housing space in urban, industrial and mining areas was built last year — said to be a 25% increase over 1979 — the biggest efforts being made in the provinces of Sichuan, Hebei and Liaoning. A construction company was set up to build domestic and business premises for rent or sale, whereas previously the state and its organs

tracting serious attention. Peking municipality has clamped down fixed-rate fines for discharge of polluted water or gases. An Environmental Engineering Society has been set up to coordinate pollution control efforts, and the Chinese authorities have shown enhanced awareness of the need to protect endangered wild-life species and make more detailed surveys of the all-round impact of water conservancy schemes before building them.

A good deal of work has been done to build up the organisational framework of the new legal codes adopted on January 1, 1980. Judicial bureaux — providing legal advice and defence lawyers — have been set up in the big cities, and more than 1,000 economic sections in courts of different levels are in operation to curb black-marketeering and malfeasance and to sort out disputes among economic enterprises. But the standard of justice displayed at the trial of the Gang of Four in December 1980, was not encouraging for the future of the new judiciary. It demonstrated most of the worst aspects of prejudice, inadequate or non-existent defence, brow-beating of the accused, extraction of confessions by intimidation and highly selective reporting of the proceedings, all too typical of the legal process at political trials in other totalitarian countries.

A mounting crime wave in China's cities has led to the beefing-up of law enforcement with the issue of firearms to the police and the organisation of armed motorcycle-and-sidecar patrols. Many executions of criminals have been reported, and



. . . and the Peking version of what is worn overseas.

sanctions against recidivists or escapees from prison or labour camp have been made more rigorous. The power to confirm sentence of death has been devolved to the provincial court level since the Supreme People's Court in Peking can no longer cope with the work-load.

Corruption is now recognised as rampant in the bureaucracy, and cases of it are frequently exposed in the media. Bribery and payment of commissions in trade deals have been outlawed. Officials dealing with foreign businessmen have been ordered not to accept gifts — or if they are accepted, to hand them over to the state — but by the testimony of numerous businessmen the practice continues and may even be essential to the securing of a contract. TV sets, cassette recorders and other prestige consumer goods are the normal currency, but video tapes, blue movies and straight cash are also known to have changed hands to grease the wheels of big transactions.

An important area of social change is the treatment of China's 50 million or so national minorities. The Maoist attempt to sinicise the minorities has been abandoned as conducive to hostility and race hatred; certain cultural and economic freedoms have been restored, benefiting the Tibetans in particular. China now pursues a Soviet-style policy of letting its minorities live more or less as they want, on condition that they do not subvert the unitary Chinese state or interfere with the exploitation of natural resources.

The policy towards religion has also been greatly eased. A society for the study of religion has been set up, and the big established creeds — Islam, Buddhism and Christianity — have been given the green light to pursue their beliefs and worship, provided again that they do not interfere with the atheistic education of school-children or perform barbaric or superstitious practices in the name of religion. However, the Chinese Catholic Church's hostility to the Vatican was highlighted when the Pope appointed a new Archbishop of Canton. The appointee, Monsignor Dominic Tang, was promptly disowned by the Chinese church board and stripped of his status as a bishop. The main objection to the Vatican's role is of course its maintenance of relations with the Church in Taiwan.

China's literary and cultural life continues to develop steadily with numerous new plays and films, novels, magazines, revivals of Peking Opera and visits by foreign musicians. Chinese traditional painting is undergoing a revival, but abstract art and nudes are still viewed with suspicion, if not hostility. The main literary controversy of 1981 surrounded Bai Hua, a serving military officer and popular novelist, whose story *Bitter Love* was severely criticised by the army brass — only to be vindicated shortly afterwards by the party leadership. The debate centres mainly on whether socialist literature should concentrate on "looking forward" with bright, upbeat stories about dedicated people, or "look backwards" with the emphasis on the wounds and personal tragedies caused by the Cultural Revolution. ■



AGRICULTURE

Gold, silver or copper dolls are 'musts'

The late Mao Zedong called China's peasantry "poor and blank" — ready for the Communist Party to draw on them its blueprint for material and spiritual progress.

In recent months, however, the peasants have been increasingly held up to the rest of the nation as the model for enlightened self-interest and a new spurt in production. By re-applying a 20-year-old reform measure for agriculture, and building on it to move ever further away from the policies of the former group around Mao, the new party leadership has watched with satisfaction as rural incomes have risen and supplies of food and raw materials to the cities have increased, despite bad weather.

The fundamental conflict in the party over farm policy in China has always been between collectivisation and individual effort, between accounting incomes in large groups of people or at the level of the village or family, and between permitting or forbidding peasants to sell their surplus produce at free market prices. The current policy, felt to be successful, favours individual effort, small-group accounting and free marketing.

Naturally China's ideologues have had to do some rhetorical acrobatics in order to represent this new approach to rural planning as consistent with Mao's thought — or at least parts of it — and not inimical to the overall theory of collectivisation.

Their argument is that the "relations of production" cannot be adjusted while the material base is weak and under-developed. This keeps open the prospect of a new wave of collectivisation at some time

in the future when the peasants are prosperous enough to tolerate it. In the short- and medium-term it is simply a way of saying that family farming lends an enhanced degree of incentive to the peasants' labour and thus speeds the creation of a material base for socialism.

Sceptics will see this as little less than the dismantling of the commune system. However, the upsurge in family farming, as its proponents point out, is not equivalent to a new carve-up of the land among the peasants. The land remains communally owned and — in theory at least — a peasant family can be assigned different patches of land to farm in different years (though in practice allocation will probably be for long or indefinite periods). Indeed, theorists of the reform point out that the previous system of joint labour on all land negated the idea of communal ownership because it took the important production decisions out of the hands of the peasants and put them under the control of bureaucrats at brigade or commune level.

The theorising is less important than the results — as Vice-Chairman Deng Xiaoping made plain with his famous dictum: "It doesn't matter whether the cat is black or white, so long as it catches mice."

The *People's Daily* has disclosed another of Deng's maxims on agriculture. Using the metaphor of a golden doll to describe the new freedoms for the peasants and the increased prosperity gained from them, Deng declared in 1978: "We must allow some of the peasants to become rich first. Some of the comrades are afraid that the peasants will become too well off. They do



Uighur horseman: breeding stock in Xinjiang.

not understand this principle: as long as we practise the socialist principle of 'from each according to his work,' there is bound to be a handful of outstanding persons and some people will get rich first. As long as their income is from legitimate labour, regardless of whether the dolls are made of gold, silver or copper, we should allow the peasants to have them."

The party central committee's Document no. 75 of 1980 laid out the basis for the present reform, which is variously known as "fixing output quotas by the family" and "the responsibility systems." It built on the so-called 60 Articles drawn up in the early 1960s by Deng and the late Liu Shaoqi, formerly China's head of state and the biggest target of Mao's wrath in the Cultural Revolution. Nonetheless they are now claimed to have been composed "under Mao's direction" — an assertion which is difficult to swallow.

As the party organ pointed out (on July 9, 1981), China feeds a quarter of the world's population on 7% of the world's arable land and has increased its irrigated area from 60 million acres in 1949 to 110 million acres today.

It cited "that person from Dazhai" — presumably the now disgraced former model brigade leader and sometime Politburo member Chen Yonggui — as saying: "The peasants had to be pushed and dragged on to the socialist road. If we allow them to have their own way, where would they go? The moment you slacken up, they will slide back to capitalism." Hence Mao's grain-first policy, which in some places resulted in commune officials tearing up melon patches or cutting down fruit trees cultivated by the peasants to earn a little extra income.

The 60 Articles were essentially an affirmation that the smallest unit of commune administration, the production team, must be the basic accounting unit and this system prevailed in most places for the better part of the following two decades despite the leftist upheavals of the Cultural Revolution and the propagation of Dazhai as the national model. (Dazhai used the brigade, albeit a small one, as the basic accounting unit.)

During the 1958-61 Great Leap Forward, it is said, some counties merged all their communes into one big unit with mess-hall cooking, which has never appealed to the Chinese peasant, and ultra-egalitarian income distribution. The peasants marched to the fields in the morning and swarmed all over them without always having much idea of what they were supposed to be doing. Famine and disorder were the result.

An unnamed "leading member" of the central committee in charge of agriculture — presumably Politburo member Ji Denggui who was sacked in 1979 — is quoted as having told Chinese reporters: "Your papers are daily talking about private plots and household sideline production [which received fresh encouragement from 1972 on]. Is it possible that chickens, ducks, fish and rabbits can build socialism?"

Deng, it is now asserted, held fast to his belief in the importance



No food shortage: 35 months old and weighing 40.5 kgs . . .



. . . but generally smaller in the cities.

of linking remuneration to output, even though a conference of leading agricultural cadres from all over the country, held in the Great Hall of the People in November 1977, decided to stick to the Dazhai-model income calculated by "approximate work." The work-point system, which is still partially in effect despite the move to family farming, could rarely be more than an approximate yardstick of people's work because the quality of farmwork is impossible or difficult to judge before the harvest.

A new feature of the reform is the number of specialised groups which contract with the production team or brigade to supply specified amounts of sideline products — such as fish or handicrafts.

The new system revolves around family-by-family contracts which guarantee that, in exchange for the right to farm a particular stretch of land, the family will supply a specified amount of grain and other products to the state, keeping the rest for themselves. Special work assignments, such as mending roads or building small irrigation projects, may also be contracted on a family basis where appropriate and the work will be paid for by the work-point system. The reform is still in an experimental stage and many different applications of it are being tried out in various parts of the country.

Nevertheless, it is a dilemma for rural cadres who, for nearly 20 years, have at most times had it dinned into them that the contract system — and family-by-family production guarantees — are manifestations of backsliding into revisionism and even capitalism. Even while recognising that the contract system boosts output, they fear that it is doctrinally unsound and they may be blamed later if they go along with it now.

Poorer families, with the worst land and the smallest labour forces, may also have misgivings about the new system since they benefited previously from the share-out according to work-points. They were, in other words, subsidised by their neighbours. Document no. 75 said, however: "Production contracted down to the household is an essential measure for developing production and keeping the people well fed and clothed in impoverished and backward areas in remote mountain regions." Nor does the reform rule out cooperative effort by willing partners. Families are encouraged to pool their funds to buy a tractor or other pieces of useful equipment. A peasant in Guangdong has recently been featured in the Chinese media because he and his family saved enough to buy their own tractor — something which Mao's group would have condemned outright.

Deng is clearly represented as the hero of the new system, though personality cults are no longer permitted in the leadership. "Please convey this message to Vice-Chairman Deng," the peasants are collectively quoted as saying. "The present policy is good, and it must not be changed again." That, perhaps, is asking for just a little too much. ■



1963: 'The Good Eighth Company on the Nanking Road' wearing rank badges.

PLA AND THE PARTY

Seems the PLA has got over its morale crisis

An apparent blooper by the chief-of-staff of the People's Liberation Army (PLA), Gen. Yang Dezhi, has focused attention on the difficulty of solving what might seem to be a relatively simple problem — the restoration of military ranks.

Gen. Yang — who recently returned to Peking after a window-shopping tour of major West European arms producers — was quoted by China's official Xinhua newsagency as saying ranks would soon be restored. Shortly afterwards, Xinhua repeated the item but ostentatiously dropped the reference to this reform.

The question of ranks has been controversial for a long time. Their abolition in 1966 at the onset of the Cultural Revolution, did little to democratise the army and made it difficult to know the seniority of an officer with whom one was unacquainted. Contrary to popular belief, the number of pockets on a Chinese military tunic is not an infallible guide to ranks, which in any case have persisted in the form of functional titles — battalion commander, regimental commander and so on.

As China scholar William F. Dorrill points out, the abolition of ranks "greatly reduced the independence, mobility and prerogatives of professional officers." Besides the practical advantages of a system of ranks, soldiers are notoriously fond of arranging themselves in hierarchies and regarding promotion as a mark of loyal service. They also enjoy dressing up and looking smart. So the morale factor in the

system is important. For the subject to be still controversial enough to be worth censoring the chief-of-staff over, political tensions and conflicts in the PLA and between the PLA and the party must be considerable.

Discussion of the problems of the PLA in the public media is mostly indirect: reports on a pep talk here and a mass meeting there, get-togethers with civilians, self-criticisms and so on. But what can be clearly inferred from the reports is that many officers and men have had a hard time swallowing the party's new rightist line.

Most frequently reported are meetings at which senior officers or political commissars exhort the soldiery to make a more thorough study of the decisions of the sixth plenum of the Eleventh Central Committee held last June. It was at this plenum that Vice-Chairman Deng Xiaoping succeeded in ousting Hua Guofeng from the party chairmanship and obtained the Central Committee's endorsement of his own policy line.

Many officers are disturbed, it seems, by the de-Maoisation campaign which, for the time being however, appears to have gone as far as it is likely to. Mao's role in the creation of the PLA was exaggerated during the last decade of his life but it was certainly very important: and unlike other veteran commanders such as the late Zhu De, Mao succeeded in lining up the army as the mainstay of his programme of ultra-left reform of Chinese society. Army commanders who displeased Mao — such as

Needling a Latin-American problem

Support in China fulfils many purposes — nationalist, erotic and ethnic pride are all implicit in the tiny slim girl on the gymnastics bars, the leggy long-jumper and the ultra-sportsmanlike footballer. That sport is subjugated to politics was amply demonstrated when China became the most eager supporter of the United States-initiated boycott of the Moscow Olympics, in protest against the Soviet Union's occupation of Afghanistan. Chinese athletes, who had been training for years to reach their peak at the mo-

ment of the Olympics, suffered a bitter disappointment but not a murmur of protest was heard.

Although losing gracefully is dinned into Chinese sports people, in practice they like to win as much as anyone. The official position — that the game is the thing, and friendship not victory the goal — sits ill with the deadly dedication which enabled Chinese players to excel at table-tennis while most people thought of it as a youth-club game of little prestige. The days of ostentatiously studying Mao's lit-

Kao Kang, Rao Shushi, Peng Dehuai, He Long and many others — were just dropped and in most cases died before they had a chance to be rehabilitated.

The Lin Biao affair in 1971 was a severe blow to the PLA's political prestige, especially since several other senior commanders were involved, including the chief-of-staff and the air force commander.

Mao, however, had unlimited faith in the PLA's ability to overcome political problems and shine like a beacon of socialist rectitude for emulation by the whole nation. By the time of Mao's death in 1976, the PLA's loyalty to him, and his memory was not in doubt. As a senior woman medic wrote recently in a published self-criticism, it was easy to love Mao for his attention to the needs of the common people in the revolutionary struggle.

But love for the man too easily turned into worship of the myth, and still today Mao's admirers find it hard to accept the full extent of his mistakes from 1958 on. Despite the image of self-sacrifice and service which Mao bestowed on the PLA, abuse of power by high-ranking officers was rife long before his death. Relying on their public image for protection, some are known to have diverted military funds to buy themselves houses, requisitioned private cars, employed servants and indulged in nepotism.

The younger generation of Chinese writers, which suddenly burst into flower after Mao's death, frequently de-

scribed or alluded to abuse of privilege in the PLA, causing bad feeling towards party censors who let such works through.

Last year the defence budget was cut and a reported 400,000 rear service troops out of a total PLA strength of some 3.6 million were demobilised. This could only aggravate the already serious problem of finding jobs for men and women leaving the armed forces at a time of high unemployment. Recently some demobbed soldiers staged a protest demonstration outside the Ministry of Defence, and constant complaints about the treatment of demobbed personnel must certainly contribute to demoralisation in the ranks. The authorities on people's communes have to be constantly reminded that they have a duty to give aid and comfort to "glory families" — that is, families with a son or daughter in the PLA.

The biggest source of friction, however,

CHINA '81

the red book between games are mercifully gone and technique now rules supreme. But the politicised attitude towards sport was not just Mao's idea. A well-known film called *Girl Basketball Number 5* was made in the 1950s to illustrate the point that teams, not individuals, win matches.

One of the leading actresses in that movie later fell victim to the jealousies of Mao's widow Jiang Qing, whom she had known in Shanghai film-making days in the 1930s. The Moscow boycott, on the other hand, may have been greeted with secret relief by some Chinese coaches and sports administrators, who knew they had simply not had enough time to put up contestants who could beat the Soviets and sundry other "revisionists." Typical problems of Chinese athletes are slight build

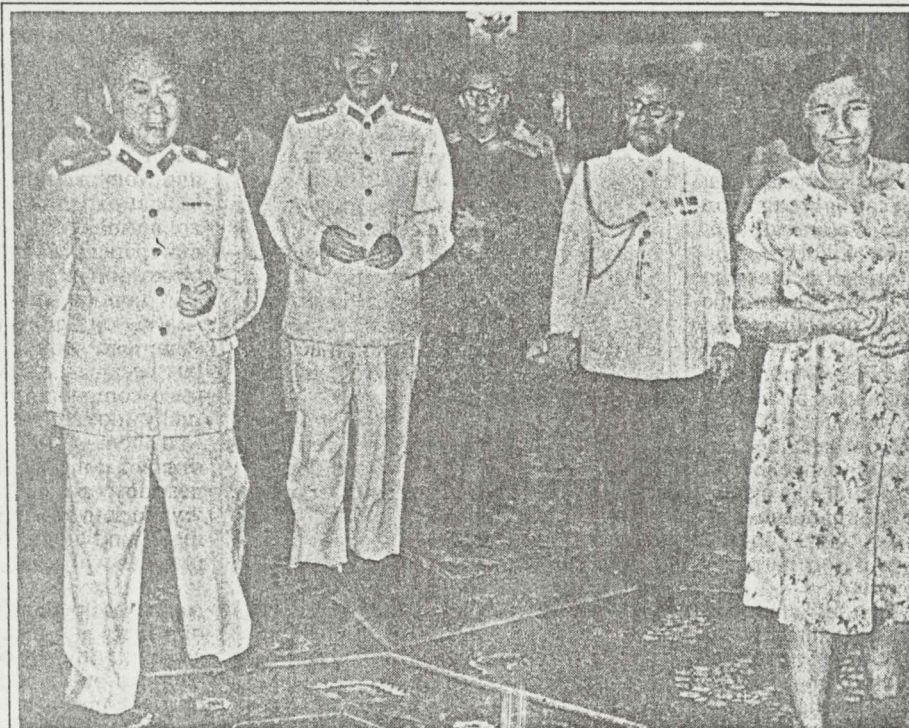
has been the opposition of many soldiers to the party's new agricultural policy. Mainly recruited from among the peasantry, the military were made willing tools of Mao's rural reforms, giving the peasants massive technical aid, labour power and some materials in order to improve harvests and cope with emergencies. For this they received no extra pay but presumably enjoyed a sense of duty fulfilled and hard-ship shared.

Now, stationed as many of them are in rural areas, soldiers can see peasants devoting most of their attention to earning more money under the new liberal policy which favours family farming over communal effort.

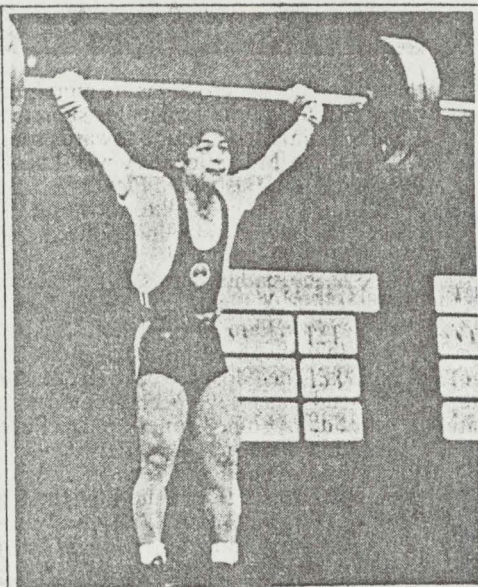
PLA members witnessing the changes in agriculture are likely to have one of two reactions: the country-born may try to get out of the army to help their families earn more, and recruitment becomes harder in

the villages where once it was a prized goal. The minority of PLA personnel who are from urban backgrounds will have heard that their relatives are having to pay more for their food to subsidise the peasants. Even the diet in the mess may be affected. This can only cause resentment and cynicism.

However, signs are that Deng's group has pulled the PLA through a crisis of morale, and the carrot may be imports of advanced weapons systems from the West, possibly another fight with the Vietnamese and — perhaps — the added dignity of ranks. □



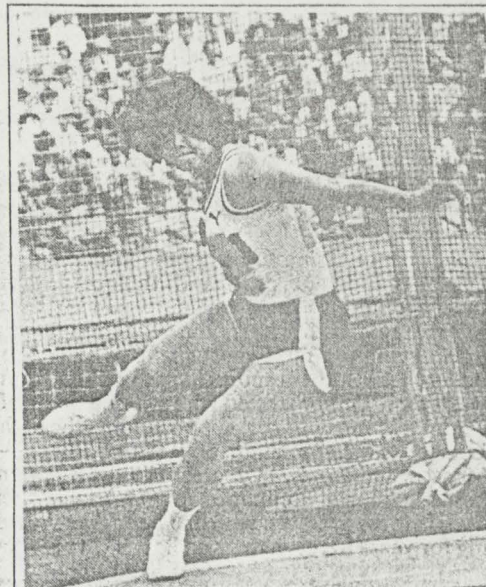
The PLA's 35th anniversary in 1962: Marshal Chen Yi (l.) in full dress.



Wud Shade: world record-breaker.

ball. In present world conditions, the Chinese have one obvious goal: to beat the Soviets in as many sports as possible. This is a tall order, but not unattainable. Chinese stars have already won international titles in weightlifting, fencing and several other sports besides table-tennis.

They are training hard at sports which fell into disrepute in the Cultural Revolution, especially tennis, diving and others which are no longer thought bourgeois just because they require special, expensive facilities. US and Japanese teams have found rapid improvements in Chinese baseball, which has been taken up probably to counteract Taiwan's proficiency at the game. Rugby,



Li Xiaohui: Asian record-breaker.

and lack of stamina (from poor diet). This does not worry them too much in events which stress individual technique, but works to their disadvantage in body-contact sports and feats of endurance.

Although violent sport was never considered to be part of a good education in China, the country is the home of many Taoist-originated skills which involve long years of meticulous training and tremendous muscle and breath control. *Kung fu*, of which only the non-violent forms are taught officially today, was originally invented by monks whose religion forbade them to bear arms. As an actual fighting technique, kung fu is inferior to *karate* or *aikido* for it entails too much ritual and showing off. But Peking has recently seen an interesting revival of *qigong*, a quasitantric science in which adepts can achieve extraordinary feats such as being beaten over the head with bricks and iron bars with no apparent bodily harm.

The essence of Chinese traditional ideas about refined physical techniques is that they can be brought to a peak of perfection which Western athletes would consider impossible. Like the Japanese, the Chinese have stories of archers who can split their first arrow down the middle with their second shot, or split-second swordsmen who are so good that they can fight and win even when blind. Nonsensical or not, belief in the possibility of perfection encourages athletes to strive for it while a Western sportsman will probably be content with just being better than anyone else. The advantage of the oriental approach is that it lays great emphasis on mind-training and concentration, thus toning up the whole body/mind system for purposes other than the skill concerned.

The chief aim of the Chinese Communist Party in promoting sport, both amateur and professional, is clearly to boost national morale and prestige as well as improving the physique of the young. This makes their players good team-workers, especially in gymnasium-type games such as basket-



Li Cui Ling: champion gymnast.

cricket, golf and water-skiing have been left well alone. On the sedentary side, Vice-Chairman Deng Xiaoping's favourite game — bridge — is again being encouraged and a British team including several international grand masters left China rattled by the powerful play of the locals. (Chinese chess has remained popular despite all political movements.)

As in all communist countries — and in most others — the pretence of amateur status of top sportsmen is feeble, since any promising athlete is given a job as a sports instructor and in practice trains almost full-time. In certain sports, China can draw on the traditional skills of the national minorities — Tibetans for archery, Mongols for wrestling. The erotic aspect of sport should not be ignored. Sublimated or not, many events give young men and women a chance to take a good long look at parts of each other's bodies which are normally concealed. Postcard-sets and newspaper photographs of athletes are the closest thing China has to erotic art.

A famous anecdote perhaps bears repeating one more time. A team of Latin American sportsmen was touring China but became distressed at the lack of female companionship. Their coach eventually took the Chinese hosts aside and told them: "This is acquiring the dimensions of a medical problem." Some Chinese doctors conferred, then said: "Tell all your lads to go to their rooms at 8 p.m. tonight, and lie naked on their beds. Their problem will be treated."

At 8 p.m. sharp, the door of each man's room was opened by a young Chinese woman in a white gown. As the Latin athletes groaned in anticipation, the women whipped out hypodermics, plunged them into the men's buttocks and said: "This should cure your problem for the rest of the tour."

Facing up to the crunch

Medium- to long-term prospects for the Chinese economy may be cautiously termed promising (REVIEW, Aug. 14), but the fiscal situation, recent reports reveal, is still problematic despite drastic cuts in the revised budget for this year. Cutting back excessive investment which underlay the massive deficits of 1979 and 1980 had proved more difficult than anticipated, and the period of readjustment has been extended.

The real problem is that the very process of implementing economic reforms has intensified existing problems and created new ones. Sagging government revenues threaten to erase the gains from reduced expenditures this year and a radical restructuring of China's tax system may be ultimately necessary to solve the fiscal crisis. If a solution is not found, China could be forced into attempting a new round of deeper spending cuts that would threaten the developmental objectives of readjustment — the elimination of critical infrastructural bottlenecks in energy and transportation, the improvement of general economic efficiency and the expansion of manufactured exports.

The readjustment policies devised by Vice-Chairman Chen Yun in early 1979 were designed to reduce capital construction investment which had burgeoned to Rmb 48 billion (US\$28.9 billion) the year before. Capital construction expenditures under the central portion of the budget were actually stabilised in 1979, and reduced by 29% to Rmb 28 billion in 1980, but local investment rose 25% to Rmb 10.5 billion and then soared to Rmb 25.8 billion in 1980. As a result, total state investment in 1979 — Rmb 51.5 billion — was 32% over the target. The 1980 target was set even lower, but total investment continued to rise to Rmb 53.9 billion.

The fiscal balancing act in 1979 and 1980 was complicated by Vice-Chairman Deng Xiaoping's commitment to increase personal incomes. Most costly, but long overdue, was the 22.1% increase in state agricultural procurement prices in 1979 to boost rural incomes which — despite the avowed concern for the peasant masses over the past two decades — had shown almost no increase in real terms since 1957. Initially, at least, most of the cost was subsidised through the state budget. Furthermore, the military confrontation with Vietnam in early 1979 played a major role in pushing defence costs more than 10% over budget to Rmb 22.3 billion (which greatly understates total defence expenditures), a 32.7% increase over the previous year.

The result was a massive real deficit in 1979 of Rmb 20.6 billion (US\$13.4 bil-

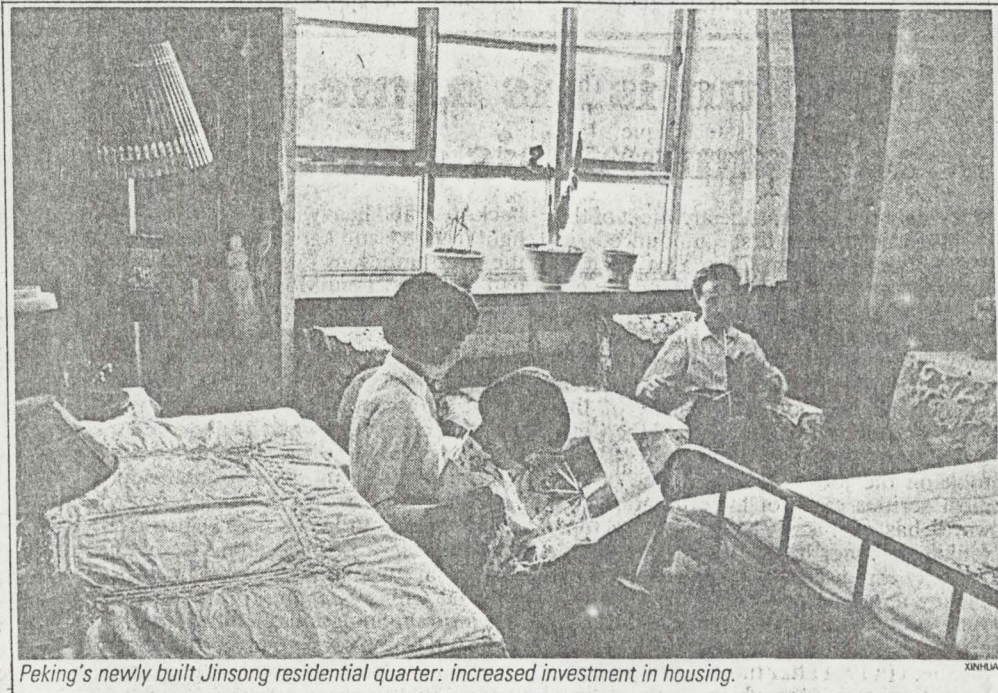
lion), equivalent to 5.4% of gross domestic product. Foreign borrowing and loans from the Bank of China (BoC), China's international banking organisation, offset Rmb 3.5 billion, leaving Rmb 17.1 billion to be financed internally. Central government deposits were drawn down by Rmb 8.1 billion and the remainder was covered by overdrafts from the People's Bank of China (PBoC).

In 1980 the gross deficit was reduced to Rmb 13 billion (US\$8.7 billion) despite the failure to cut investment. This was accomplished in part by allowing price increases to absorb a larger share of the cost of the previous year's boost in agricultural procurement prices and probably required steep cuts in defence spending as

rate, if price controls were not in effect, would certainly be much higher.

The failure of the initial readjustment policies to control investment levels and inflation was met at the December 1980 Party Central Work Conference with the decision to intensify readjustment measures and extend the period of readjustment (originally slated for 1979-1981) for several more years. The original 1981 budget was scrapped, and the target for state capital construction expenditures in 1981 later slashed to Rmb 30 billion (US\$17.1 billion) — a precipitous reduction of 44.3% from 1980. Defence expenditures were presumably also cut, and the PBoC was given greater authority to enforce tight financial policies at provincial and municipal levels.

First-half figures show capital construction down 22% to Rmb 12.6 billion from



Peking's newly built Jinsong residential quarter: increased investment in housing.

well. The internally-financed portion of the deficit, Rmb 12 billion, was still 50% over the plan and, since government deposits had been drained the year before, most if not all of this deficit was probably monetised through overdrafts from the PBoC.

The inevitable result of monetising government debt was inflation. Currency in circulation rose 26.3% to Rmb 26.8 billion in 1979, then jumped 29.2% to Rmb 34.6 billion in 1980. The closest equivalent to M1, currency in circulation plus deposits of individuals, rose 29.3% in 1979 to Rmb 67.4 billion and 22.1% to Rmb 82.3 billion in 1980. Control over key commodity prices masked the real extent of inflation, but even the acknowledged increases in the cost of living — 1.7% in 1979 and 6% in 1980 — were shocking to the Chinese, who, since the hyperinflation of the late 1940s, have rarely seen annual price increases over 1%. The annual cost of living increase in urban areas was widely estimated at 10-15%, and the real underlying

the same period of 1980, but even this is not enough. And since the six-month figures generally run at a third or less of the annual total, a flurry of deferred items appearing in the second half could make total mush out of this year's tight money policies. Even if this year's investment targets were substantially realised, however, the budget balancing act is being tipped from the other side of the ledger as a different set of reform-and-readjustment effects has come into play.

Total government revenues in 1979, the first year of readjustment, were approximately Rmb 110 billion, a decline of 1.6% from 1978. In 1980, revenues fell to Rmb 106 billion, almost 4%. Had receipts last year regained even the 1978 level, the internally-financed deficit of Rmb 12 billion would have been cut in half, close to or within the targeted range. The revised budget for 1981 announced in February cut the revenue target from Rmb 107.6 billion to Rmb 97.6 billion, a

drop of almost 8% from last year and the third consecutive year of ever more rapid decline. Why is this happening?

The two major sources of domestic revenues in China are enterprise profits — the margin of output sales at fixed prices by state-owned enterprises over the costs of production — and the industrial and commercial turnover taxes. In 1979, according to the World Bank, enterprise profits contributed Rmb 49.3 billion to total revenues (44.7%); the turnover tax Rmb 47.3 billion (42.9%), the agricultural tax Rmb 3 billion (2.7%) and other sources — including Rmb 3.5 billion in foreign loans and loans from the BoC — an additional Rmb 10.8 billion (9.9%).

The large share of total revenues generated by state-owned enterprise profits is in large part a result of structural imbalances in the economic system as a whole. Prices of raw material inputs for industrial

enterprises have been kept artificially low, while prices of finished manufactured goods have been set very high. This has guaranteed a high level of profits (and hence state revenues), but the absence of market forces meant that there has been little incentive to produce efficiently, nor, for that matter, to match the quantity and quality of what is produced to the needs generated by the economy as a whole.

Unfortunately, the very attempt to make the Chinese economic system more closely resemble the real world of supply and demand has brought into sharp relief how inefficient most Chinese enterprises actually are. That inefficiency — the fundamental problem in the Chinese economy — is biting into government coffers as well. Raising the prices for raw materials and restructuring industries to create the conditions for improved efficiency has bitten sharply into nominal enterprise profits, which may have fallen more than 8% last year. This August, the unusual appearance of a report from the confidential

The regional scene

Considerable attention has been devoted this year to looking at China's economy in regional rather than national terms — both by Chinese authorities and outside observers — in recognition of China's great regional diversity in both agricultural and industrial production. Provincial statistical bureaux are issuing increasingly detailed annual reports following the basic format of national reports by the State Statistical Bureau, making it possible to look beyond often deceptive national-level aggregates to a better picture of local conditions.

The charts, based on World Bank data, illustrate the range of agricultural and industrial per capita productivity levels expressed as a percentage of the national

Chen Yun is his name, readjustment his game

Widely regarded as the architect of the readjustment first announced in 1979, Vice-Chairman Chen Yun has now emerged as the key figure behind the extended readjustment-cum-reform policies that are intended to guide China's economy through the next few years. A party veteran who began his political career in the Shanghai labour movement of the 1920s and became a member of the Central Committee in 1931, in the 1940s he took on the job of salvaging one of the most serious cases of hyperinflation the world has ever known. Then, as a top-ranking planner in the 1950s, Chen consistently espoused a pragmatic, non-dogmatic approach to economic policy.

Now he has been credited as well with major contributions to China's first readjustment in 1961 after the disastrous Great Leap Forward, over which Chen, at that time the ranking vice-premier under Zhou Enlai, had broken with Mao Zedong. Recent reports in the Chinese press say Chen was behind China's first large-scale grain imports in that year, along with cotton imports to expand textile exports to pay for the grain; massive investment cuts and selective price increases to withdraw currency from the system and check an incipient bout of inflation.

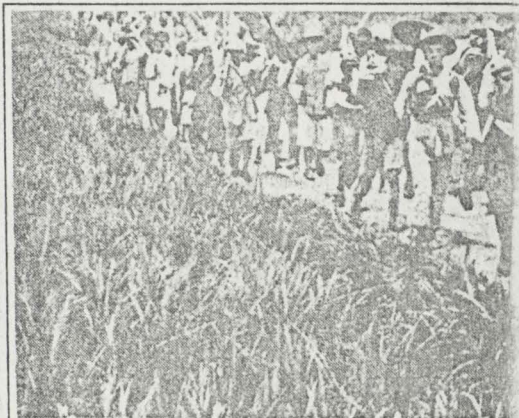
Attacked during the Cultural Revolution as a "capitalist roader" — he advocated an expanded free market in a speech before the 8th Chinese Communist Party (CCP) Congress in 1956 — Chen was relieved of his vice-premiership in 1966 but remained a member of the Central Committee. In December 1978, he was reappointed a vice-chairman at the third Plenum of the Central Committee, as Vice-Chairman Deng Xiaoping consolidated control over the party's decision-making apparatus.

Only months later when the readjustment policies were announced — cutting

back steel and heavy industry in favour of light industry and agriculture, disavowing the over-ambitious targets Hua Guofeng had set for the Four Modernisations — observers linked the new mood of cautious realism in Peking with the sober hand of the resurgent Chen (REVIEW, June 8, '79).

Chen's ascendancy in economic planning was confirmed when he delivered the keynote speech at the December 1980 Central Work Conference where the decision was made to extend the period of readjustment. In his address, Chen cited the importance of proceeding from China's actual conditions, stressing the brutal fact that China is a country of 1 billion, with a rural population of 800 million. He dismissed China's record in economic construction since 1958 as a succession of mistakes, "mainly leftist mistakes" which "went from bad to worse." He affirmed the need to continue imports of foreign capital and technology but called for a "sober-minded" approach that involved more qualified experts in the process of making investment decisions. In an apparent reference to the Baoshan steel mill debacle and then-chairman Hua Guofeng, he added: "... on no account must such decisions be made by any single person, and this must be made a rule."

Since the December Work Conference, the Chinese press has run frequent articles praising Chen, culminating in a flurry of praise at the time of the 6th Plenum in June when Hua Guofeng bowed out as chairman. One piece implicitly elevated Chen's economic work to the level of original contributions to theory comparable to Mao, Stalin and even Marx. "Selections from *Das Kapital*," the author noted, "should be read simultaneously with Comrade Chen Yun's economic works." Another quoted



The Long March: Chen was sent to Moscow midway.

Deng's closing speech at the December Central Work Conference saying that Chen's assessment of the economic situation will "serve as our guiding principle for a long time to come."

One key to Chen's current prominence is his prestige as a first-generation party veteran. Starting as a compositor at the Commercial Press in Shanghai, he assisted the late disgraced, then rehabilitated, president Liu Shaoqi in organising workers in the May 30 Movement in 1925, the same year he joined the CCP, and participated in the March 1927 uprisings at the time of the Kuomintang Northern Expedition against the warlords. After Chiang Kai-shek's White Purge against the CCP, Chen made his way to the Jiangxi Soviet where he joined the Central Committee. He started out on the Long March but was dispatched to Moscow midway, after the Cunyi conference in 1935.

Returning to China after the outbreak of the Sino-Japanese war in 1937, he was first deputy director of the Central Committee Organisation Department in Yenan, later director of the Rural Department, elected to the Politburo in 1940 and made director of the Organisational Department in 1943. In 1945 he accompanied Lin Biao and Gao Gang to Manchuria and was chairman of the Shenyang Military

average. The fact that agricultural and industrial development in China has attained widely varying levels in different regions is well-known; agricultural differentials reflect natural conditions that have always existed and industrial development, which was almost exclusively concentrated in the coastal regions — and especially the Yangtze Delta before 1949 — has been consciously directed towards interior regions in the past 30 years.

The problem is that the policies best suited to maximising overall growth in agriculture and industry over the next two decades are also likely to intensify and deepen inter-regional differences: and since areas with high levels of industrial development also tend to be the most agriculturally productive — and vice versa — the prognosis is for steadily increasing differences in per capita productivity, and therefore incomes.

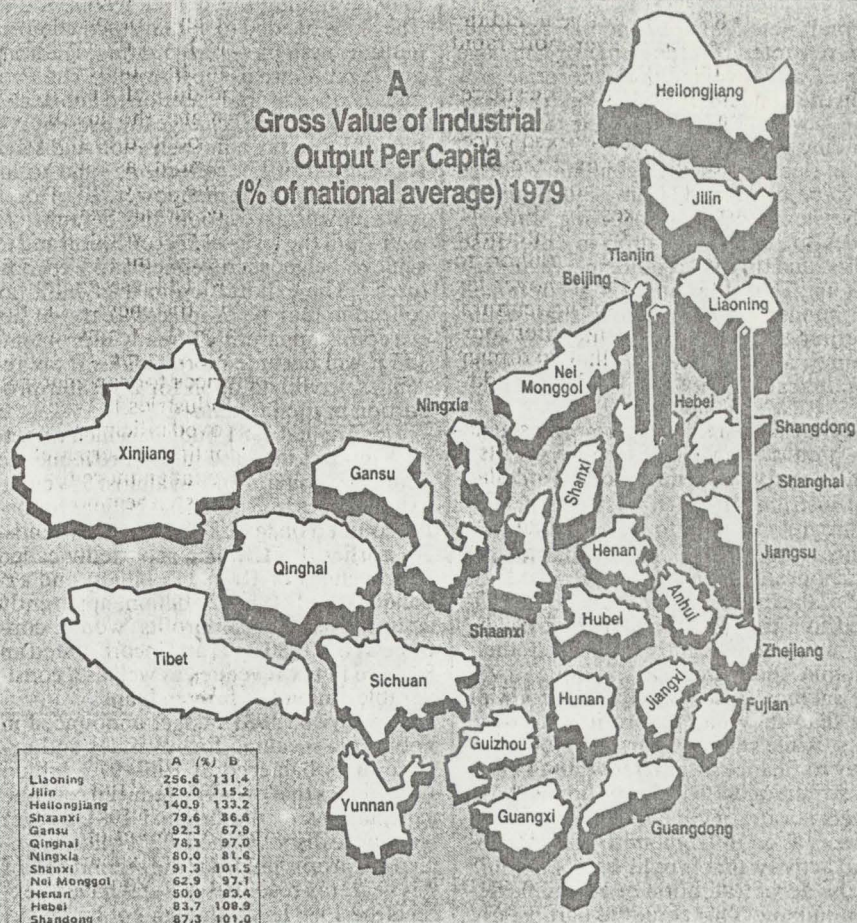


Control Commission when the city was taken in 1948.

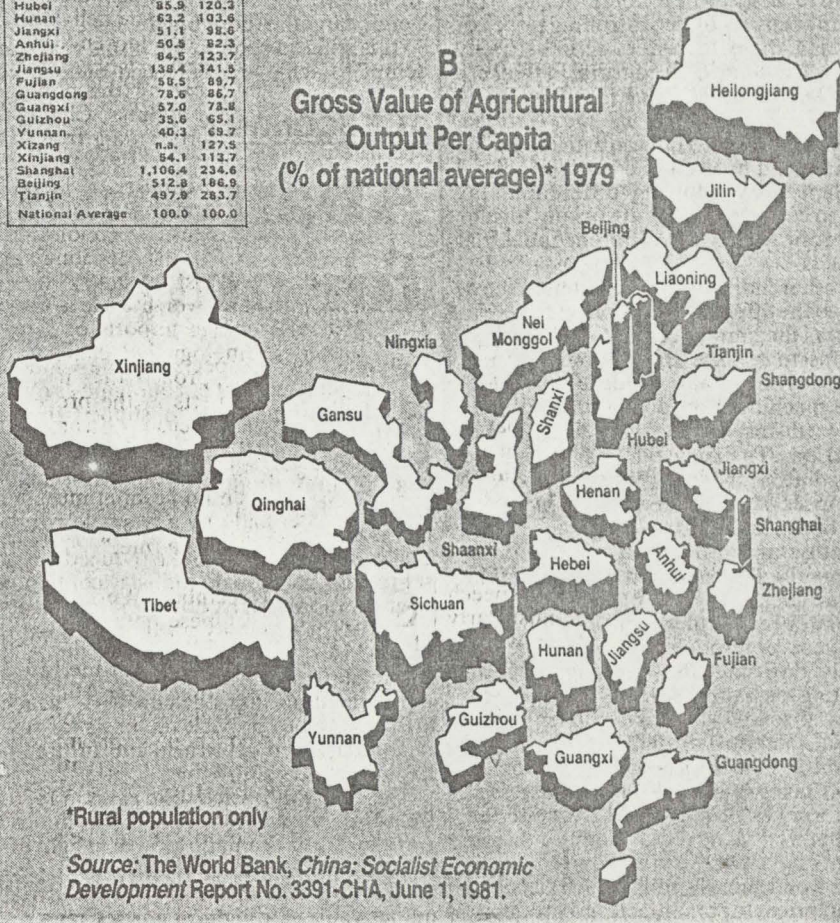
The economic reforms now underway are politically sensitive both because they threaten the power and prerogatives of rank-and-file party members and because they are a volte-face from leftist tenets which dominated Chinese political thinking for 20 years. At the same time, the decision to extend and deepen readjustment will mean accepting a period of relatively modest economic gains as investment and inflation are brought under control and infrastructural bottlenecks eliminated.

The real extent of political support for Premier Zhao Ziyang and Chairman Hu Yaobang has not been tested. By strongly identifying readjustment and reform measures with Chen and highlighting his consistent advocacy of economic pragmatism through the years, the new policies appear less and less an abrupt reversal and more a return to rational lines of development abandoned since 1958 because of leftist mistakes. As a link with the Long March era and before, he is reassuring to the old guard leaders and middle-level cadres; as a proven administrator and planner, unsoiled by the Great Leap Forward and Cultural Revolution disasters, Chen is a credible choice to be the fount of a new economic orthodoxy.

INTER-REGIONAL PRODUCTIVITY DIFFERENTIALS



Province	A (%)	B
Liaoning	256.6	131.4
Jilin	120.0	115.2
Heilongjiang	140.9	133.2
Shaanxi	79.6	86.6
Gansu	92.3	67.9
Qinghai	78.3	97.0
Ningxia	80.0	81.6
Shanxi	91.3	101.5
Nei Monggol	62.9	97.1
Henan	80.0	82.4
Hebei	83.7	108.9
Shandong	87.3	101.0
Sichuan	53.6	79.7
Hubei	85.8	120.3
Hunan	63.2	103.6
Jiangxi	51.1	95.6
Anhui	50.5	82.3
Zhejiang	84.5	123.7
Jiangsu	138.4	141.5
Fujian	55.5	85.7
Guangdong	78.5	86.7
Guangxi	57.0	78.8
Guizhou	35.6	65.1
Yunnan	40.3	69.7
Xizang	n.a.	127.5
Xinjiang	84.1	112.7
Shanghai	1,106.4	234.6
Beijing	512.8	186.9
Tianjin	497.9	283.7
National Average	100.0	100.0



internal newsletter *Economic Information* reprinted in the English-language *China Daily* revealed that enterprise profits in the first half of 1981 — Rmb 24.4 billion — were 12.3% less than the corresponding period of 1980.

It is clear that if the economic reforms are to be continued, China must quickly devise new means of collecting state revenues to replace the drop in enterprise profits, and this will require increasing tax receipts. The alternative is a continued and intensified fiscal crisis that could undermine China's modernisation programmes and conceivably threaten social and political stability.

There seems to be a growing recognition among Chinese planners that the profit revenue system is a blunt fiscal instrument which obstructs economic progress and reinforces structural imbalances. Recent articles in Chinese economic journals have revealed that at least some of the experimental enterprises converted to a true profit-making tax-paying basis have significantly improved their economic performance, turning over more income to the state in the form of taxes than they had before in enterprise profits, while retaining larger amounts of money to finance internal investment and for distribution to workers as bonuses.

Theoretically, Chinese planners could use taxes as an instrument to control economic activity that would be compatible with the decentralisation of economic decision-making. This could be particularly useful to ease the economy through the difficult process of decontrolling prices or adjusting them to reflect actual scarcity values. An August 19 editorial in the *People's Daily* entitled *Bring into Play Taxation's Leverage Role in the National Economy* discussed how an articulated tax system could be used to correct structural imbalances by applying differential tax rates to compensate for artificially high or low profit yields for different industrial products.

Another indication of heightened sensitivity to the effects of taxation on the economy was the announcement on August 21 of plans to replace the commodity-turnover tax with a Value-Added Tax (VAT) in the machinery-producing industries to remove disincentives for industrial specialisation. The turnover tax is assessed every time a product changes hands, so enterprises have tended to extend their operations vertically and keep each manufacturing stage in-house to avoid incorporating multiple taxation in the price of the final product.

A major restructuring of the tax system to replace enterprise profits will be extremely difficult. The one advantage of collecting as much as 50% of state revenues through state enterprise profits was that the bite was invisible. There will undoubtedly be resistance to new or increased taxes, whether they are assessed on enterprises or individuals, despite the fact that for years equivalent or larger amounts have been extracted in the form of depressed prices for raw materials and inflated prices for manufactured products.

The most serious obstacle to an expanded tax revenue system, however, may be finding the people to operate it. The skills needed to administer a comprehensive system — accounting, auditing and legal — are in short supply. The *People's Daily* editorial mentioned above also noted the need to "change the present system of loose tax administration and slack supervision of tax collection," and to increase and upgrade manpower "so as to . . . track down tax evasion and defaults, to over-fulfil the tasks of tax collection and to achieve balanced revenues and expenditures." The exhortation to over-fulfil tax collection may be misplaced zeal, but tax evasion is apparently already a problem; and it will become more serious if tax revenues are relied upon for a greater proportion of total revenues.

The original 1981 budget, which targeted a modest increase in total revenues to Rmb 107.6 billion and an almost 5% cut in expenditures to Rmb 112.4 billion, probably counted on taxes for all the new funds. An earlier draft, which reportedly called for revenues of Rmb 115 billion and expenditures of Rmb 120 billion, apparently assumed enterprise profits would continue at the 1980 level and incorporated an 8% rise in tax revenues as well as a considerable amount of foreign loans.

The revised 1981 budget announced in February — calling for revenues and expenditures balanced at Rmb 97.6 billion — indicates that even the reduced revenue expectations of the original 1981 budget were unrealistic. If the 12.3% slide in enterprise profits holds for the second half of this year, tax revenues will still have to exceed the 1980 level (though not by much) to achieve the new, greatly reduced revenue target without borrowing.

It is still too soon to tell if this year's attempt to achieve a balanced budget will

work. The six-month figures suggest that investment has been greatly reduced, but not enough to achieve the draconian target of Rmb 30 billion at year's end. If the budget deficit continues, it will likely be much less severe than in 1980. But when the new targets were announced in February, Vice-Premier Yao Yilin stated that achieving a balanced budget would be "China's priority task in national economic readjustment this year." China may have attempted the impossible.

The immediate danger is that a substantial record of accomplishment this year could be misinterpreted as failure, forcing another round of investment cuts which would threaten the infrastructural and developmental thrusts of readjustment vital to future economic growth.

Ultimately, China will have to face up to the practical and political problems of designing and implementing a tax system that will ensure revenues adequate to maintain governmental services, including defence, and to pay for continued investments in modernisation. At the same time, it is important to recognise that the present fiscal crisis is in large part a result of the momentous economic reform and reorganisation effort now underway. Rather than a symptom of underlying disease, it is an index to the unavoidable harshness of the cure. The effects of over two decades of gross economic mismanagement cannot be corrected in one or two years. It has inevitably extracted a steep price, and China is now paying it.

Staving off rising expectations and balancing the demands of competing interest groups as the period of reform and readjustment continues will be a demanding test of the Dengist leadership group's political skills. In order to pass it, basic revenue problems underlying the current fiscal crisis will have to be solved as well. ■

THE ECONOMY

Abandoning output for output's sake

Immediate prospects for the Chinese economy are not encouraging as overall economic growth slipped in the first half of 1981, the third year of readjustment, after solid gains the previous year. Energy production, which was expected to fall below last year's marks, remains a serious problem as coal production will not even attain the reduced target set for this year. Light industry continued to grow impressively, however, as restructuring of the economy continued. What is unclear is to what degree China's pursuit of qualitative reforms and badly needed infrastructural improvements — which are expected to provide the basis for sustained balanced growth in the future — has been successful.

The economy posted solid gains in 1980. Industrial output value rose 8.7%, almost entirely due to dramatic growth in light industrial production which increased 18.4% to a 47% share in total industrial output value. Drought in north China re-

duced grain output by 4.2% but expanded production of cash crops — cotton, oilseeds and sugar beets — led gross agricultural output value to a 2.7% gain over 1979.

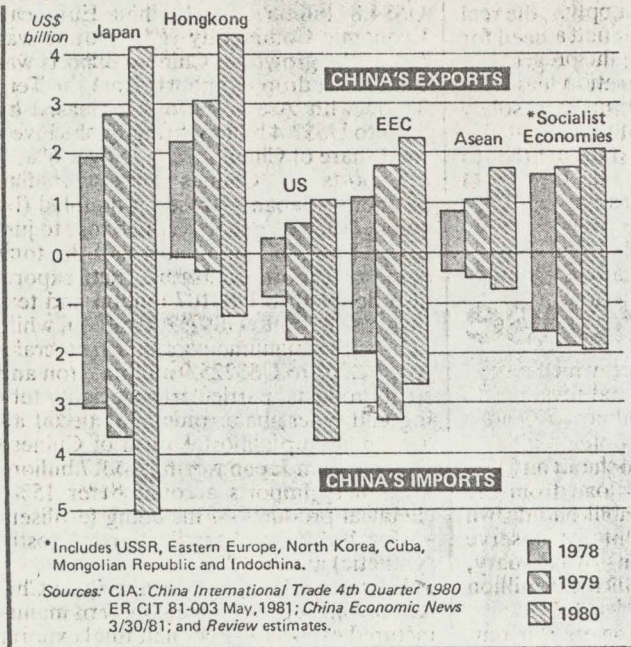
National Income in 1980 reached Rmb 363 billion (US\$242.6 billion), up 8.4% over the corrected 1979 figure, but in 1975 prices' this was a real increase of only 3.3%. Using the International Monetary Fund (IMF) formula for calculating China's gross domestic product, GDP at current prices was Rmb 410.2 billion yielding an estimated 1980 per capita GDP of US\$281 at official exchange rates.

Most observers have predicted that growth in 1981 will slow to less than 5%. In July, Vice-Premier Gu Mu reported that 1981 growth would be only 3%, according to Japanese sources. If the six-month figures reported for the first half of 1981 are any indication, even a 3% gain this year will be difficult to attain.

Gross industrial output value for the



CHINA'S MAJOR TRADING PARTNERS (1978-80)



first half of 1981 (Rmb 248.7 billion) was essentially flat — only 0.8% above the six-month figure for 1980. This apparent stagnation conceals a continuing dynamic shift in the kind of industrial production; light industry continued to grow rapidly, increasing 11.6% over 1980, while heavy industry declined. Light industry overtook heavy industry in terms of share of total industrial output for the first time, but the rate of increase was less than the dramatic growth recorded last year.

Energy development this year presents a mixed picture. Exploratory drilling under the readjustment policy stress on developing energy resources has expanded rapidly, with 1,130 new wells in the first half of 1981. But so far there have been no major onshore finds announced. Oil production in the first six months of 1980 was 50.1 billion tonnes, in line with various external estimates that production this year will fall off even further to just over 100 billion tonnes (2.01 million barrels per day). Natural gas production in the first half, 6.13 million cu. ms, also suggests a likely 10% drop at year-end from the reported 13.7 million cu. ms figure of 1980.

After Japanese and French joint-venture exploration strikes in the gulfs of Bohai and Tonkin this year, there is hope that large-scale exploration efforts may soon get under way in the promising South China Sea. Executives of foreign oil companies have been quoted as saying that the tax question is the only stumbling block remaining at this time. Japanese sources have reported that draft general income tax regulations for foreign companies have been prepared (REVIEW, Sept. 4) and this may clear the way for a solution to the tax problems for foreign firms in the energy and natural resources areas.

The Chinese also reported a strike in the East China Sea in August. The area was not included in surveys conducted by

foreign companies, but commercially exploitable reserves are thought to be greater than in the Gulf of Bohai. Development in this area is complicated, however, by a dispute over exploitation rights. Japan and South Korea claim a zone east of a median line between the Chinese coast and Japan, while China has asserted its rights to the entire continental shelf. Chinese exploration efforts have tacitly observed the Japan-South Korea claim, however, and the recent strike was very close to but outside the contested zone (REVIEW, Aug. 28).

Coal production this year may be a more critical problem than oil. China's most impor-

tant energy resource, it accounted for 71% of its energy production in 1980 and a basic plank in the newly launched energy programme is to accelerate a switch from petroleum to coal in order to free oil supplies for transportation, petrochemical feedstocks and exports.

Coal production has to get back on track for this to work. In recent years, coal mines concentrated on maximising current production at the expense of new tunnelling. Eventually, this unbalanced approach must take its toll and last year China's coal production suffered a major de-

CHINA '81

cline, dropping almost 5% to 606 million tonnes. This year production may drop even further, according to recent information from the Chinese State Energy Commission, to between 580-590 million tonnes. In late August, Minister of Coal Gao Yangwen, blaming his own inadequate leadership for the failure, reported that only 29 of China's 81 major coal mines had met mid-year production targets. The successive declines are almost certainly due to continued efforts to redress the shortsighted extraction policies of 1977-79, but it is too soon to be able to tell when China will turn the corner and increase coal production once again.

The short-term picture, then, is grim. Although Chinese planners anticipated that economic growth would slow this year, the actual extent of the slide is likely to be greater than was expected. Energy production was slated for a slight decline from last year's figures as long-neglected exploration and development tasks were undertaken, but the unexpectedly large drop in coal production may cause serious difficulties domestically, not to mention maintaining agreed levels of coal and petroleum exports to Japan and elsewhere.

The psychological effect may be the most serious. The Chinese people have become somewhat accustomed in the past to glowing reports of dramatic successes even when — or especially when — the actual state of affairs approached unmitigated disaster. The comparative willingness of China's new leadership to call a spade a spade and a recession a recession, represents a long overdue investment in credibility both within China and throughout the rest of the world.

The key point is that Peking's efforts this year have been directed not towards quantitative but rather qualitative goals —



No. 3 South China Sea drilling rig: French and Chinese drillers at work.

improving transportation infrastructure and ports, laying the groundwork for future energy production advances, restructuring the proportions between heavy and light industry, revamping industrial organisation and management, breaking down agricultural production collectives into smaller more efficient units, expanding the urban services sector and moving certain categories of light and service in-

FOREIGN TRADE

An 800% trade increase over the last decade

The continued rapid pace of entry into the world market remains the most striking feature of China's new economic policies: in US dollar terms, total trade has more than tripled in the past five years and the increase over 10 years ago is more than 800%. The year 1980 was another year of record growth as the official figure for total foreign trade reached Rmb 56.3 billion (US\$37.5 billion), up 23.6% over 1979. United States Government estimates derived from partner country data give US\$39.2 billion, and a much higher percentage increase figure of 39%, which partly reflects the appreciation of the renminbi against the US dollar over the two-year period.

Exports, at Rmb 27.2 billion, were up 28.7% and imports rose 19.2% to Rmb 29 billion. The apparent deficit in the official figures — Rmb 1.9 billion — is really an artifact of China's trade accounting procedures, which value imports on a cost, insurance and freight (cif) basis. If both imports and exports were valued at the free on board (fob) country of origin basis, as is standard international practice, China's trade account for 1980 would show a net surplus of almost US\$400 million, according to commercial bank and US Government estimates.

The new surplus — or if you like, reduced deficit — in 1980 was good news after an official Rmb 3.1 billion negative trade balance in 1979. China's balance on current account in the past few years has been buoyed by a steadily rising net income from invisibles — shipping, tourism and remittances from Overseas Chinese — perhaps approaching US\$2 billion last year.

Official six-month figures for 1981 showed an 18.8% increase in total trade over the first half of last year, with exports rising 14.9% and imports up 22.7%. In the last quarter of 1980 China experienced a trade deficit by anybody's system of accounting, so the jump in imports this year has probably meant back-to-back currency outflows for three consecutive quarters. This is the reason China immediately drew the entire amount — Special Drawing Rights (SDR) 450 million (US\$552.8 million) — of the International Monetary Fund (IMF) Stand-by Credit Arrangement

dustries into the countryside. Progress in most of these areas — great or small — is not going to appear in production statistics this year or perhaps even next year.

Abandoning the ethic of output for output's sake — regardless of quality, the real cost of production or the relative need for what is produced — could be the greatest achievement of readjustment. Measuring China's economic progress today solely against the often misleading output figures of the past would be shortsighted, to say the least.

announced in March and took out an SDR 309.5 million Trust Fund loan from the IMF at the same time. China had drawn the remaining balance of its reserve tranche — SDR 150 million — in January, after an initial drawing of SDR 218 million last November.

The effective devaluation of the renminbi against the strong US dollar this year will make comparisons with China's trade performance last year — if they are indexed to US dollars at current exchange rates — look worse than they really are. Official Chinese results for the year will probably show strong growth near 20%. Another effect will be to offset partially the beating China took on its large gold reserves — announced in August to be 12.8 million troy ounces at the end of the first quarter 1981, unchanged from the end of 1980 — as the price of gold has plummeted through appreciation of the value of foreign-exchange holdings which are believed to be largely in the form of Eurodollars.

After drawing down its foreign currency reserves to less than US\$500 million in 1978 and 1979, according to the Bank for International Settlements in Geneva, China quickly restored its accounts to US\$2.26 billion at the end of 1980, and US\$2.36 billion at the end of the first quarter this year, and US\$3.81 billion at the end of the second quarter — thus taking advantage of the US dollar's strong showing in the second and third quarters.

Import growth slowed in the first two years of readjustment after the 57% increase in 1978 but rebounded upwards again in the first half of 1981 with sharp increases in purchases of grain, sugar, cotton, wood pulp, chemical fibres and fertilisers. Grain imports, which are expected to total 15 million tons this year will not increase significantly next year, since the present level of grain imports is near the effective limit of port and transportation capacity. Cotton and other industrial raw materials in short supply should continue to grow, however, and as China cautiously resumes some of the plant and development projects suspended in the first years of readjustment, machinery and equipment imports may also expand.

Among China's trading partners, Ja-

pan, Hongkong and the US saw the largest increases in 1980. Sino-Japanese two-way trade rose 43% to US\$9.3 billion: Hongkong's share rose 66% to US\$5.7 billion and China-US trade more than doubled to US\$4.8 billion. Total China-European Economic Community (EEC) trade was flat as the growth in Chinese exports was offset by a drop in imports from the Ten. Trade with Asean nations increased by 56% to US\$2.4 billion, bringing the Five's total share of China's trade to over 6%.

Exports to China's largest trading partner — Japan — rose on doubled (by value) crude oil exports, which rose to just under US\$2 billion, almost half the total value of exports to Japan. Coal exports also doubled to US\$107 million and textiles rose 8.7% to US\$712.4 million, while non-textile manufactures and handicrafts rose 62.3% to US\$225.9 million. Iron and steel products, particularly speciality tubing and pipes, bars, rods and special alloys, made up almost a third of Chinese imports from Japan worth US\$1.7 billion. Machinery imports accounted for 15%, chemical products — including fertilisers — for 10.8%, and textile fibres (mostly synthetic) another 8%.

Trade with Hongkong is heavily in China's favour, but a large quantity of manufactured exports — over half total exports — are re-exported. Foodstuffs were 25.8% of Chinese exports to the colony and crude materials — mostly petroleum and petroleum products — another 15.6%. Imports from Hongkong were almost entirely manufactured goods, consisting largely of yarn and fabrics, consumer electronics and electrical appliances, watches and industrial equipment.

China's biggest trade deficit was with the US — US\$2.7 billion; the ratio of imports to exports worsened from 2.9:1 in 1979 to 3.6:1 last year — mostly as a result of the jump in grain and soybean exports, which increased almost two-and-a-half times to US\$1.6 billion and accounted for 42% of total imports from the US. Cotton imports essentially doubled to US\$701 million and synthetic fibres almost tripled in value, rising to US\$260 million. But iron and steel imports were reduced to US\$42.4 million, just over a quarter of the 1979 figure, as China increased its purchases from Japan, and machinery imports declined slightly in absolute terms but the share in total exports from the US fell from 9.6% to 4.3%.

Exports to the US in 1980 grew by 78% but the total figure was still only 39.2% of the recorded deficit. Textile products — clothing mainly, followed by silk fibre and rugs — accounted for over a third of exports with agricultural goods, petroleum products, metals and ores, manufactures and handicrafts each accounting for 10-12%.

Reduced imports from the EEC brought China's trade deficit with the Community for 1980 down to US\$330 million, a fifth of the 1979 level. Technologies and equipment, valued at US\$794 million, were 30.3% of total imports, with machinery, chemicals and rolled steel each approximately 15%. Chinese exports were dominated by textiles and light manufactures, petroleum products, worth US\$114 million, were equivalent to 5% of total exports to the EEC.

CHINESE MAY TRADE MINERALS FOR ARMS

Study Suggests Peking Could Sell Strategic Ores to Pay for Its Weapons Needs

By DREW MIDDLETON

China may have found a solution to its most pressing military problem: how to modernize its army on limited financial resources.

The solution, according to a recent study, may be the production and sale of strategic minerals to the United States and other members of the Atlantic alliance to provide the money required to begin in earnest the modernization program the army needs.

The authors of the study, Douglas T. Stuart and William T. Tow of the University of Southern California's School of International Relations, have explored the topic and its ramifications.

One of their conclusions is that the United States and China will continue to expand arms trade in the medium term but that "actual weapons purchases will probably be infrequent and of limited financial or military importance."

Few Actual Arms Deals Made

A similar conclusion has been reached by American and West European analysts. West European governments are disappointed by the failure of the Chinese so far to make extensive purchases of arms. The pattern in Britain, France and Belgium has been one of extensive consultation between Chinese missions but limited purchases of weapons systems that will serve as models for reproduction in China.

The authors of the study regard these tentative approaches as a variation on the traditional Chinese strategy of "making barbarians fight barbarians." But they point out that, until the Chinese have found the money, they are likely to continue what one British analyst called "comparison shopping" in the arms field.

The costs of modernizing the army are astronomical. United States Government studies estimate that the provision of what is called "a confident capability" for defense against Soviet attack would cost \$41 million to \$63 billion.

China, according to the authors, may be an alternative supplier of strategic metals such as titanium, vanadium and tantalum. These are lightweight and heat-resistant and essential in the production of advanced aircraft.

A high percentage of these metals imported into the United States come from southern Africa and other regions where political instability is common.

Peking formed the China National Metallurgical Import and Export Corporation in 1980 to market these minerals. Success came rapidly. The study reports that in the first half of 1981 the corporation signed contracts for the export of nonferrous and rare metals totaling \$290 million. This was an increase of 150 percent over the same period in 1980. The expectation is that these exports will pass the \$1 billion mark in 1982.

This return is unlikely to be devoted solely to military purchases. Government analysts in the United States and abroad as well as the authors of the study point out that, although China has been moving ponderously toward weapons modernization, certain constraints on that movement exist within the Government apparatus.

Military Spending Is Down

Military expenditure has been reduced despite the Government's concern about what it considers the Soviet threat and the recognition that the Chinese forces in the brief war with Vietnam early in 1979 demonstrated startling deficiencies in the air force, command and control systems and combat support.

According to the study, military expenditures have fallen from 17.5 percent of the Chinese budget in 1979 to 15.6 percent of the 1981 budget. This reduction has been part of a general retrenchment in China's industry, agriculture and transportation.

Moreover the program of modernization espoused by Deng Xiaoping, the Chinese leader, has been opposed by those sections of the Communist Party and the military that adhere to the comfortable if dangerous philosophy that any invader will "drown in the human sea" of China's army of nearly four million men.

The study concludes that the modernizers are "not yet in firm control within the military" and that many in the army resent the treatment given it by the present political leadership.

The authors of the study agree that the Reagan Administration "will continue to move further and faster toward a policy of arming China against Russia, in spite of the limitations imposed by China's economic and military underdevelopment." Most Government analysts in the United States and abroad agree. Virtually all raise the question of the effect of this program on the Soviet Union.

The Russians, they emphasize, have a strong if perhaps irrational fear of China that is centuries old. The improvement in relations between China and the United States and the prospect of extensive American sales of weapons to China has already exacerbated that fear, according to experts on Soviet military behavior.

The Chinese, for their part, are single-minded about their program. They know they need modern weapons to the extent that they will be able to deter any Soviet adventures. Western analysts, while accepting this as the basic Chinese view, also point out that the army and the political leadership have old scores to settle in East Asia, starting with Vietnam.

Bangladesh Leader on Visit

DACCA, Bangladesh, Dec. 26 (Reuters) — President Abdus Sattar of Bangladesh left today for a four-day state visit to Saudi Arabia. He was accompanied by his foreign and finance ministers and other top officials.

REMEMBER THE NEEDIEST!

A political novel emerges from China

New author writes about tensions between pragmatic Dengists and old-line ultraleftists

By Takashi Oka

Staff correspondent of The Christian Science Monitor

Peking

Writers from communist and capitalist countries can share a common language in their pursuit of the beautiful, the good, and the true, says Chinese writer Zhang Jie.

Mrs. Zhang, who will make her first visit to the United States in February, is the first Chinese novelist in the 30 years since the advent of the People's Republic to tackle explicitly the theme of struggles between individuals in the central corridors of power.

The two protagonists in her most recent novel, "Heavy Wings," are a deputy minister of heavy industry, who is the hero, and the minister of heavy industry, who is his principal antagonist.

The two individuals symbolize the two trends fighting each other in China today — Vice-Chairman Deng Xiaoping's four modernizations, and resistance to this line from bureaucrats still holding to the ultraleftism of the Cultural Revolution years.

"Heavy Wings" is, in short, a highly political novel, exploring risky terrain for writers in a country that has undergone dramatic shifts in political line during the past 30 years.

But Mrs. Zhang is committed and not afraid of political risks.

So far, she said in a recent interview, she has received an enthusiastic response from her readers. If some day her novel draws official criticism, she is prepared to face the consequences. History, she says, will be her ultimate judge.

Chic, trim, with finely chiseled features and eyes that look straight at you, Mrs. Zhang projects both elegance and forthrightness. There is no nonsense about her speech.

She was trained as an economist and worked for many years as an official in the electric powerhouse planning section of the First Ministry of Machine-Building. Her commitment, like that of many others of her generation, the generation that reached maturity during the nation-building 1950s, is quite simply to China.

"I know China is backward and poor today," she says, "but I want everyone in the world to know that the Chinese people can achieve something."

That was her purpose in writing "Heavy Wings," she says. And yet its title and ending are ambiguous. Zheng Ziyun, the deputy minister, supports Deng Xiaoping's new economic policies: rapid modernization and better management.

The title suggests how hard it is to get this concept off the ground.

Zheng's superior, Minister Tian Shoucheng, is a survivor from the days of the "gang of four," rigid and inflexible in his thinking. Zheng easily wins a popularity contest with Tian in an election for delegates to the next party congress.

But when Zheng is felled by a heart attack, Minister Tian knows that the delegate's post will go to him. At the novel's end, Zheng's victory — the victory of the Dengist line — is far from assured.

"In real life," said Mrs. Zhang with a smile, "you may have to wage an unending struggle to achieve the beautiful, the good, and the true. That is what tempers your character. Zheng is a lovely man precisely because of the struggle he has had to go through."

Of course, Zheng has his faults. He cannot control his pretty and vain wife, and when his daughter Yuan Yuan contemplates marriage with a young man who spent some time in reform school for petty thievery, Zheng goes through the nagging doubts typical of any anxious parent.

Mrs. Zhang is a fairly recent arrival on the Chinese literary scene. Her first short story was published only in 1978.

While she was still in middle school, she recalls, her teacher assigned the class a theme: "When I am 35." Zhang Jie wrote boldly, "When I am 35, I shall be a writer."

But the reality in those days was that her country needed economists. Today she does not regret the years spent studying and ap-



By Hiro Imai

Novelist Zhang Jie: her commitment is to China

plying economics.

"Literature is not isolated from life," she says. "Writers must study philosophy, economics, psychology, and other subjects if they want to speak with authority."

And her years in the bureaucracy have enabled her to make flesh and blood characters of ministers and their underlings.

She is looking forward to her visit to the United States. Of present-day American writers, she has read and enjoyed Saul Bellow and Joyce Carol Oates — particularly Bellow.

America strikes her as a young country, vigorous, quick to accept new things, easy to approach, full of the spirit of adventure — "like a child, a very lovable child."

Whereas "my nation is inward-looking, not open-minded, veiled, cautious, bearing burdens, like the elder son in a family, who must shoulder his responsibilities very early and be very thoughtful and prudent in dealing with others."

China may be all these things, but if so, Zhang Jie herself is one of the more open, direct, plain-speaking representatives of her nation. There may be fireworks in her encounter with America, but one can always be certain just where she stands.

Chinese Communist Party Condemns Mao In Sharp Break From Previous Reverence

By FRANK CHING

Staff Reporter of THE WALL STREET JOURNAL

PEKING—In a major rewrite of Chinese Communist orthodoxy, the party's central committee has condemned the late Chairman Mao Tse-tung for actions taken in the last 20 years of his 27-year rule as China's leader.

The reevaluation—part of a 119-page document on the Communist Party since it came to power in 1949—culminates the efforts of China's current leaders, begun soon after the chairman's death in late 1976, to put in perspective the legacy of Mr. Mao, who was practically deified for decades in China.

The document is clearly an attempt by Deng Xiaoping, the party vice chairman twice purged by Chairman Mao and today the most important leader in China, to set aside the dogmatism that marked China under Mr. Mao and to move ahead in modernizing the country.

The report acknowledges Mr. Mao's role in founding the party in 1921 and in forging the peasant revolution that led to Communist rule. But the praise is dim when matched against the glowing rhetoric once used to describe the Great Helmsman, as Mr. Mao had once been idolized, when every Chinese was expected to carry a "little red book" of his quotations to study his thoughts.

While saying that Mr. Mao's "contributions to the Chinese revolution far outweigh his mistakes," the document approved by the central committee focuses heavily on those mistakes.

The party document says that Mr. Mao's mistakes can be traced to the 1950s when he launched the commune movement and the

Great Leap Forward, an attempt to rapidly industrialize the country that is generally acknowledged to have set the Chinese economy back years. It states that the famine of 1959-61, previously ascribed to "natural disasters," was caused largely by the effects of the Great Leap Forward, which sought to boost farm production but didn't provide for distribution systems, leaving cabbages to rot at train stations for lack of trains.

As expected, some of the document's harshest words were reserved for the Cultural Revolution of 1966-76, which, the report says, "brought catastrophe to the party, the state and the whole people."

The decade, marked by a violent attempt to overthrow those who Mr. Mao called "capitalist roaders," led to economic disruption and political turmoil. The victims are numbered in the millions, with many killed or imprisoned.

While the document covers the entire history of the party, the sections on Mr. Mao were the most controversial. The sections apparently were a compromise between those who wished to go further in denouncing the late chairman and those intent on preserving the sanctity of his image. These differences, plus a split over Mr. Mao's handpicked successor, Hua Guofeng, who was removed Monday as chairman, delayed the central committee session for more than six months.

The report accuses Mr. Hua of having tried to prevent the rehabilitation of veteran officials purged by Mr. Mao and of having fostered a personality cult around himself while maintaining the cult of Mr. Mao.

Mr. Hua—who was demoted to vice chairman and succeeded as chairman by Hu Yaobang, a protege of Mr. Deng—also came under fire for economic and political errors.

Wed July 1, 1981, p. 28

Japan Reels From Canceled Contracts, But Still Looks to the Chinese Market

By NOBUKO HASHIMOTO and RAPHAEL PURA
Special to THE WALL STREET JOURNAL

TOKYO—Belt-tightening Peking has put its red pencil through \$1 billion worth of Japanese contracts in the past year, leaving Japanese exporters perplexed and frustrated.

And canceled projects aren't the only area of concern between the two countries: joint Sino-Japanese manufacturing ventures are proceeding at a snail's pace; Chinese oil exports to Japan have fallen below agreed levels; Japanese commercial credits have gone unused for two years, and Chinese projects earmarked for Japanese development aid have been left in limbo.

It's all shaken Japanese businessmen and government officials. Their hopes of only three years ago for Sino-Japanese industrial cooperation have nearly been shattered. Peking doesn't know what it wants, the Japanese believe, or lacks the skills to work with steady, planned development.

Consider the chaos and inconsistency that marked Peking's contract cancellations.

The Voice of Pragmatism

Japanese contractors first heard of China's intentions at secondhand. Then, last November, Peking announced the cancellations in its official media, but Japanese exporters only received formal notification in February. In the meantime, the Chinese continued to accept goods already ordered for the canceled schemes. Then, in April, Peking announced that some of the canceled projects would be revived.

Some seasoned China-watchers in the Japanese business community are saying, "I told you so." At the outset, they warned that there wouldn't be any easy path to success in trading with China. The country was too big, too poor and too disorganized to sprint ahead with its ambitious development program from a standing start, they said. Ignored in the initial euphoric rush to hurry Peking along, such pragmatic voices are now catching the ears of Japanese business leaders.

But against the pragmatic view is a deep-rooted emotional link between China and Japan, nurtured by the Japanese for centuries. The tie has been strengthened in recent generations by lingering guilt over the devastation the Japanese army caused in China in more than a decade of occupation before and during World War II. China compounded that guilt when it refused to accept war reparations.

Ongoing Dilemma

Moreover, there's evidence that Peking is astute enough to exploit these sentiments. When Japanese exporters began to grouse over the contract cancellations earlier this year, a pro-Peking Hong Kong newspaper carried a strongly worded editorial reminding the Japanese that China waived reparations of about \$10 billion.

Japan's dilemma has been aggravated by Peking's request for more loans. Peking has asked to borrow \$2.68 billion from Japan at concessional rate so it can continue

Major Japanese Companies Affected by Chinese Postponements And Cancellations

Chikuma and Co.
Chiyoda Chemical Engineering & Construction Co.
Ishikawajima-Harima Heavy Industries Industries Co.
C. Itoh & Co.
Kobe Steel Ltd.
Kosho Corp.
Mitsubishi Corp.
Mitsubishi Heavy Industries Ltd.
Mitsui & Co.
Mitsui Engineering & Shipbuilding Co.
Mitsui Petrochemical Industries Ltd.
Nichimen Co.
Nippon Shokubai Kagaku Kogyo Co.
Nippon Steel Corp.
Nissho-Iwai Co.
Sanko Trading Co.
Shin-Etsu Chemical Co.
Toko Bussan Co.
Toyo Engineering Corp.
Wako Trading Co.

with projects it was ready to scrap just six months ago—petrochemical complexes at Nanjing and Daqing and the first stage of the Baoshan steel mill near Shanghai. About \$2 billion would be used for local project costs, with the rest going to additional purchases of foreign equipment.

Rokusuke Tanaka, Japan's minister of international trade and industry, says the "ball is in our court again." Reflecting the views of the business community at large, he says that although Japan can't possibly supply the amount of credits China has requested, because it is far too high, we are trying very hard to come up with an alternative that's close enough."

A decision could be made soon. Despite opposition from Finance Ministry officials, Tokyo is likely to offer Peking government credits of up to \$500 million.

There are also less guilt-ridden, more down-to-earth reasons for Tokyo to continue developing its commercial relationship with Peking. Japan wants to get off on the right foot with the new Chinese Communist Party chairman, Hu Yaobang. It has noticed the recent U.S. offer to sell arms to China and wants to reaffirm its role as Peking's leading economic benefactor. And some Japanese think it will reflect badly on Tokyo if half-completed Chinese projects turn into white elephants.

The one overall, though painful, lesson the Japanese have learned is that China, in many respects, is a typical developing country. Its bureaucracy is tangled in red tape and embroiled in battles that pit provinces against Peking, technocrats against politicians and one government agency against another.

The lure of a billion-strong potential market is still there. So too are the promising resources and development schemes. But Japan is realizing that doing business with China is a long-term proposition.

South Korea's Economic Program Reduces Expansion of Several Major Industries

By NORMAN THORPE

Staff Reporter of THE WALL STREET JOURNAL

SEOUL—South Korea is sharply cutting back ambitious expansion plans for several major industries, according to a draft of the country's next five-year development plan.

The draft postpones the planned construction of Korea's second integrated steel mill, its third petrochemical complex, pulp and paper plants and a tidal power generat-

For other major international news, see story on back page about Afghanistan tribesmen fighting Communist army to standstill.

ing plant. It also reduces the size of the planned steel mill and of an auto industry expansion.

Published by the Economic Planning Board for the years 1982-1986, the plan represents a major switch from Seoul's past strategy of rapid growth based on heavy and chemical industries. Instead, the country will pursue somewhat slower economic growth, with greater investment in such social development projects as housing and lighter industries. Investment in manufacturing during the period will fall to 15% of total investment from the 25% of total investment allocated under the 1977-1981 economic development plan.

The plan does call for significant additional investment in textiles, electronics, shipyards, shipping and oil refining and storage facilities. But much other investment will be channeled to projects such as housing, instead of industrial expansion, as in the past.

The plan estimates that the equivalent of

\$168 billion will be available for government and private investment over the five years, of which about 64% will go toward work already under way. Of the total, government investment in planned projects is estimated at \$32 billion and private investment at \$105 billion. An estimated \$31 billion is slated for projects yet to be decided.

According to the plan, the textile industry will spend \$3.26 billion for modernization and expansion. This will boost chemical fiber production to 2,464 tons a day in 1986 from 1,488 tons a day in 1980. Spinning and weaving facilities will be increased to 6.2 million spindles and 278,000 looms in 1986 from 4.2 million spindles and 190,000 looms in 1980.

Construction costs on the country's second integrated steel mill are estimated at \$2.7 billion based on 1980 prices, substantially more than the cost of Korea's first integrated steel complex at Pohang.

The project's high cost and uncertainties about iron ore supplies, as well as market prospects for mill products, have spurred the government to cut capacity in half to about 3.3 million tons a year from a proposed 6.6 million tons. The draft also says that the government is looking to start construction in 1986, rather than in 1984 or 1985, as wanted by the Ministry of Commerce and Industry.

World Briefs

British Co...

August 15, 1989. A10.
Cde

Japanese flee Beijing in response to threat

Reuter and Associated Press

BEIJING

Beijing's big and normally boisterous Japanese community has almost faded from sight as the deadline nears for an anti-Japanese death threat.

Japanese businessmen in China's capital have been advised to send their families home and take precautions after the threat to kill two Japanese a month starting Aug. 15 unless they stopped their "economic invasion of China."

A group calling itself the Glory through Dare-to-Die Command sent letters in July to the Japan Air Lines office in Beijing, two Japanese consulates and at least two companies in Shanghai, officials have said.

The letters accused Japan of colluding with China's Communist rulers and were widely believed to be an attempt to inflict economic damage on China in retaliation for the bloody military crackdown on June 3 and 4.

Many Japanese, like other foreigners, fled Beijing after hundreds, possibly thousands, were killed in the crackdown on pro-reform demonstrators. The threats have convinced more to leave or to postpone plans to return.

"The Japanese Embassy has had to take it (the threat) seriously. The business community is taking it very seriously," a Japanese official here said.

Of the roughly 3,000 Japanese diplomats, businessmen and their families resident in Beijing before June 4, only about 720 re-

main, said a Japan External Trade Organization official.

Meanwhile, Beijing University, a hot-bed of the recent campus unrest, said yesterday it will send all of next term's new students to army academies for a year's military and political training.

Huang Weicheng, head of the president's office, said October's intake of first-year students would also be cut to 800 from the more than 2,000 originally planned.

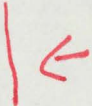
"The students will go through military and political training. They — men and women — will learn basic culture and military affairs," he said.

The expensive move means undergraduates will need five years, not four, to complete their studies.

Diplomats said Beijing University, China's most prestigious, had been singled out after playing a leading role in the protests.

The announcement came as students at two other Beijing universities returned to their campuses for mandatory political education before resuming regular studies.

At the army academies, the young students will undoubtedly be bombarded with propaganda in an attempt to persuade them that the nationwide demonstrations were a "counter-revolutionary rebellion" and that the government and party under Premier Li Peng and senior leader Deng Xiaoping acted with restraint.



*How two doughty Phillips & Vineberg solicitors
filtered some light through the bamboo curtain –
and gained important friends in the
middle kingdom.*

TO CHINA WITH LAW



BY FRITZ VON KLEIN

IN 1972 CHINA WAS NOT THE sort of place an international lawyer would expect to find clients. Although the Chinese were cautiously cracking open the door to the West, the small contingent of diplomats and scholars who had journeyed to the Middle Kingdom had come back with daunting reports of political and social tumult caused by the Cultural Revolution.

The personality cult of Chairman Mao still held legions in its sway. The violence of the Red Guards, the public humiliation of academics and officials, and the banishing of millions of people to the countryside had left a palpable legacy of acute paranoia. Lawyers had recently been branded the "stinking ninth category of intellectuals". China's formal legal system had been dismantled twenty years earlier.

Enter Edward Rubin, a 31-year-old lawyer from Montreal. In September 1972 Rubin packed his bags, and figuratively speaking, parachuted into rather unlikely terrain. He had spent the previous year peering over the threshold of China's open door from the Hong Kong office of Phillips & Vineberg, waiting to get the nod to enter. When it finally happened he was one of the first Western lawyers to be

invited to China and as a practising lawyer, one of the first to begin courting an exceedingly reluctant client.

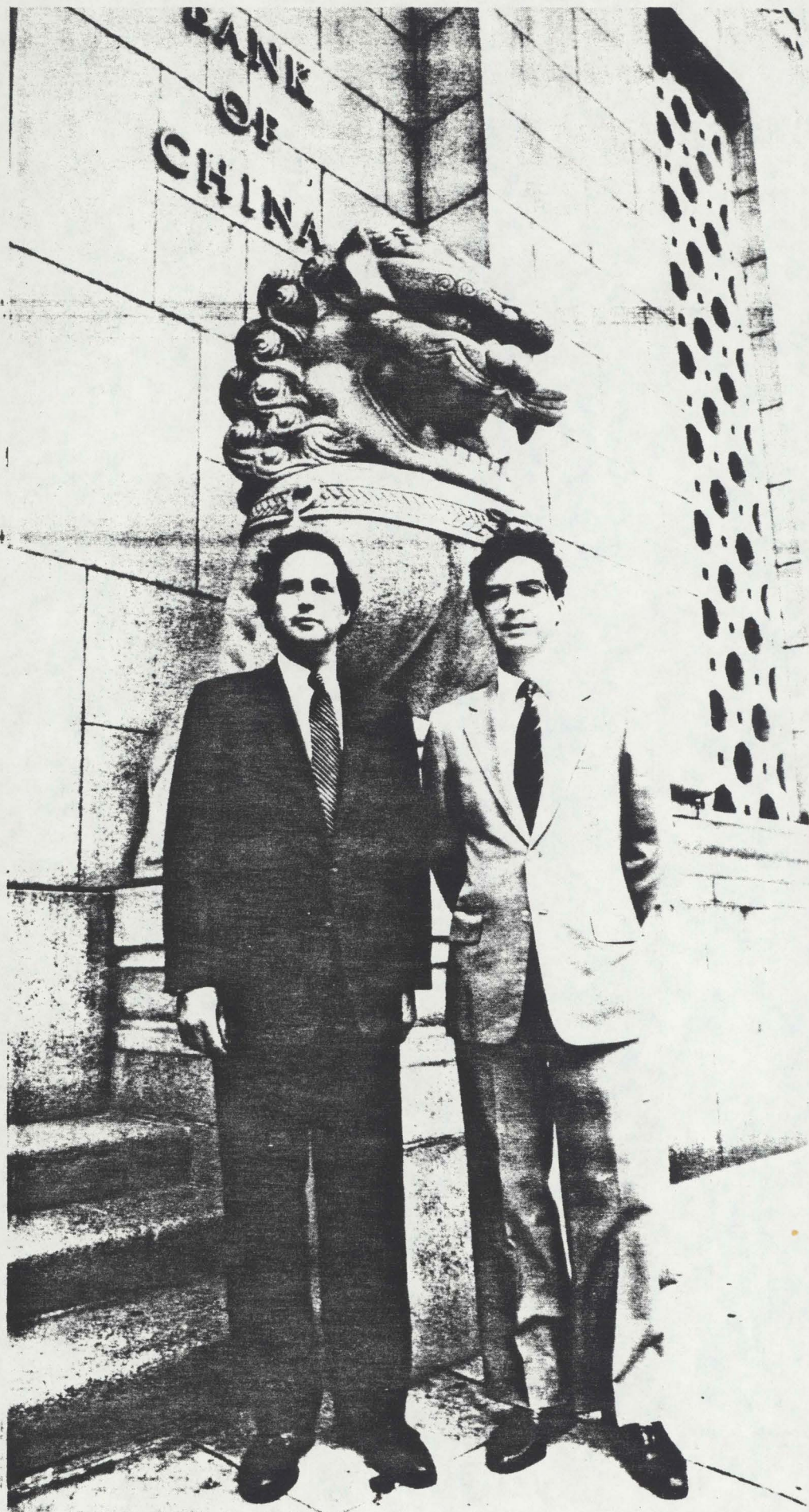
But Rubin was, despite his young years, already a formidable suitor. Before arriving in Hong Kong he had managed the Paris office of Phillips & Vineberg. In the years immediately following his graduation from the University of Montreal and admission to the Quebec Bar in 1967, he had worked for former Prime Minister Trudeau as a personal aide and special assistant in the Justice Department. He was looking forward to settling into the Phillips & Vineberg office in his hometown when he returned to Montreal in 1971, but had barely unpacked his bags when he was approached by senior partner Neil Phillips. Phillips, according to Rubin, has a gentle but persuasive touch. He also had a proposition – a proposition that left Rubin more than a little non-plussed: Ed, we would like you to go the East, to the Far East.

Thirteen years later, reminiscing in his office 28 floors above Hong Kong's Chater Road, Rubin still looks remarkably young for someone who can be considered an old hand in the China legal trade. He acknowledges with visible admiration the intuition of Neil Phillips. "In retrospect the formula seems simple.

The government of Canada recognized the People's Republic of China in 1970 and we opened an offshore practice (not locally qualified) in 1971 with a view to capturing some of the expected trade that would evolve between the two countries. To have considered this thirteen years ago seems fairly farsighted. After all, China was very much a mystery to the rest of the world."

For the first few years, there was no frantic clamouring on either side of the Pacific, and trade between China and Canada was lean. The door was open, but no one was rushing out with an encouraging welcome. Hong Kong, Manila and Singapore, on the other hand, were all growing financial capitals. By fortuitous coincidence, Canadian banks and other financial institutions were expanding their investments in the Far East. So, while Rubin initiated the first tenuous steps of his courtship, he found himself acquiring a burgeoning Southeast Asia practice.

His first introductions to Chinese officials came through many of his Southeast Asian and Canadian clients, clients who had been approached by the Chinese with possible joint ventures. Many of these introductions were made in the now defunct Marco Polo Club. This latter-day



Edwardian gentleman's club was set up by the legendary Percival Chen, a Hong Kong barrister, who foresaw the need for a common meeting place for diplomats, businessmen, academics, and journalists. It was conceived as an informal venue where people interested in China could make contacts. Over a game of ping-pong or a rubber of bridge, names would be exchanged, appraisals made and finally invitations extended.

It took a year until curiosities in Beijing were sufficiently aroused. But once they were, Rubin received a Telex from the Legal Department of the China Council for Promotion of International Trade, inviting him to Beijing. He was going to get his foot in the door.

"The first visit in '72 was an exploration on the part of the Chinese. They wanted to have a look at a foreign lawyer, and of course, I was looked at a bit strangely. I explained over and over again how it was possible for a Canadian lawyer to represent not only Canadian interests, but other nationalities including the government of the PRC. They were trying to come to grips with the concept of a lawyer-client relationship."

The Chinese were also eager to learn as much as they could about international legal practice, and Rubin spent much of his first visit delivering impromptu seminars on subjects that ranged from insurance law to procedures of international dispute settlement. The Anti-Rightist campaign of 1957-58 and the Cultural Revolution had almost erased an entire generation's learning and legal experience. Rubin's hosts had an insatiable appetite for legal knowledge and after returning to Hong Kong, he was frequently called upon to deliver opinions and explain issues to his new-found friends to the north.

But no actual business evolved out of that first visit, and it was three years before Rubin was invited back. He returned with a client in tow; they were embarking on what was to be another first.

Rubin's client was Elf Aquitaine, the French national oil company, and they were on the brink of executing one of the first major joint venture agreements between modern China and a Western multinational company. Rubin and several executives from Elf Aquitaine spent six weeks travelling to various parts of China, in an effort to finalize the details of an oil exploration and development agree-

Edward Rubin and Paul Brace at the feet of the Fu dog, by the Bank of China in Hong Kong.

ment. Along with the technical details of geology, geophysical surveys and exploration logistics, Rubin was obliged to deliver seminars on licensing procedures and production cost-sharing, before actual contract negotiations got underway.

"I was still looked at curiously, but by this time I was used to explaining the fundamental concepts in one breath, and more complicated ones in the next."

The contract was signed early that same year.

"For 1975 we were a bit aggressive," admits Rubin, "but it was necessary to establish a precedent. If foreign investors were to be encouraged to contract with the Chinese, they had to be shown that the Chinese were willing to agree to standard clauses and agreements."

The strategy had its rewards. Rubin's list of clients doing business with China began to grow. It included The Royal Bank of Canada and its Southeast Asian affiliate, Orion Pacific, The National Bank of Canada, some Japanese corporations, and the government of the PRC. Simultaneous growth of Phillip & Vineberg's Southeast Asia practice forced an expansion and in 1979, Rubin was joined by Paul Brace, a 26-year-old Osgoode Hall graduate and Toronto lawyer, who had proved his mettle in international corporate law at the Toronto firm of Smith, Lyons, Torrance, Stevenson & Mayer. He was recommended to Robert Vineberg by his mentor, corporate lawyer Paul Carroll.

Brace describes his arrival in Hong Kong as "more by accident than anything else", an admission that seems at odds with his measured phrases and thoughtful countenance.

"When Paul Carroll asked me if I could recommend a corporate lawyer who would like to go to Hong Kong, I went away and thought about it for about five minutes and gave him my reply: Yeah, me!" It was a snap decision he claims he's never regretted.

Other than an admitted taste for travel, Brace had not made any specialized preparations for a career that would find him dealing with China. He like Rubin before him, was launching headlong into new territory. From the legal practitioner's point of view, not a lot had changed from the time Rubin had first ventured across the border, despite sweeping political changes in China between 1976 and 1981.

After the death of Mao in 1976 and the trial and conviction of the Gang of Four in 1979, China embarked on an ambitious plan to modernize. The Four Moderniza-



Edward Rubin: 'I explained how it was possible for a Canadian lawyer to represent other nationalities.'



tions programme, announced a few years earlier by Zhou Enlai, was relaunched with renewed vigour. A policy to develop foreign trade and economic relations was instituted to maximize the potential contribution of foreign capital and technology.

At the same time, and as a necessary adjunct, Deng Xiaoping called for the training of one to two million lawyers. The official endorsement of the law as a tool to be utilized in China's modernization provided the impetus for rebuilding the legal system, reopening law faculties, and establishing legally oriented institutes and government departments. A new constitution was enacted in 1978 and legislation began appearing, including a joint venture law, to reassure and attract foreign business which might otherwise hesitate in the face of legal uncertainty.

The drive to legalize and the education of lawyers will have obvious benefits for future generations of businessmen and lawyers dealing with China. But in 1981, when Brace was on his way to Guangzhou with a 23 million Deutsche Mark loan agreement between the Chartered Bank (his client) and the Guangdong Trust & Investment Corporation under his arm, he knew he was about to face senior cadres and party officials twice his age, some of whom might not fully understand the meaning of collateral nor even, in fact, have heard of it.

Brace remembers feeling very much "like a young pup" when he first faced the sages of the Guangdong Trust & Investment Corporation. He quickly shook off any trepidation when he found he had a warm and attentive audience as he illuminated each clause in the monumental agreement.

"It's no good to start with terms such as deed or mortgage, which are terms that have evolved from the legal system we know. You have to explain the principle behind the terminology."

The prospect of proceeding from principles to the intricacies of Eurodollar loans, yield protection clauses or LIBOR pricing rules was a prospect that left Brace a little breathless. But he persevered and all the clauses were dispensed with, a grueling task that stretched through four long days - the agreement was signed and class was dismissed.

Brace and Rubin both agree that dealing with a country which is in the process of creating a legal system is exciting. Of their own contribution to this evolution they are genuinely modest. But it is obvious that the Chinese are taking their cues from the practising lawyers who are in China (they are two members of a small crew of mostly American attorneys), forging contracts or setting up joint ventures. Their work often takes them over untrampled ground where a talent for improvisation has its rewards.

In 1982 Rubin and Brace were retained by the government of the PRC to advise them on the selling and leasing of space in a commercial development located in the Shenzhen Special Economic Zone. In a country where the concept of private property is virtually unknown and there is very little law prescribing rights to deal with it, they appeared to have been handed a bit of a red herring. Foreign investors would have to know just what it was they would be purchasing. It was obvious that it wasn't going to be freehold title. Consultations held in Shenzhen produced the answer: the Chinese were selling the right to possess the unit or units in the building for a period of 20 years. A simple registry was set up so that the names of so-called purchasers could be inscribed. A certificate of ownership would be issued at the registry, roughly equivalent to a deed or transfer in the Canadian legal context, and this would be used to transfer ownership to subsequent purchasers. A further question, about the ability of the purchaser to mortgage his rights as security for a loan to finance the purchase, loomed to the fore. But it was quickly dispensed with as the Chinese pointed out that there was no law that would permit

such a mortgage. Several months later Brace and Rubin heard that a law that would permit such a mortgage was put into effect.

While blazing the trail on a new legal frontier has its adventuresome appeal, it also has its frustrations and peculiar vagaries to test nerves and resiliency. What may appear to be a simple task on the surface will often undergo a nightmarish transformation, revealing a beast of complicated proportions. When Brace and Rubin were asked to advise a Canadian bank with respect to a possible loan to the Civil Aviation Administration of China they had to determine if it was a

separate legal entity, giving rise to a presumption of limited liability, or a part of the state, supported by the full faith and credit of the Chinese government. The Chinese were uncertain and unable to answer the question. Brace and Rubin's research led them to the conclusion that the CAAC was an operating business under a government ministry. But at the same time they were advised that it was in the process of becoming a "state owned enterprise". It's been three years since the question was posed and it still remains unanswered.

When there are no precedents to follow (and the Chinese themselves are reluctant

to provide guidance) there is a lot of legal groping in the dark. Even though there has been a rapid promulgation of laws to accommodate the increase in foreign investment, no one can be sure how they will be regarded in actual implementation.

The Code of Civil Procedure, enacted in 1982, contains a provision that guarantees foreigners the right to institute and defend lawsuits in China. To date it has never been tested.

"Luckily," says Brace with a sigh of relief, "I have never encountered any difficulty persuading Chinese borrowers to agree to foreign (usually New York, Hong Kong or London) jurisdiction. Hopefully it won't be one of my clients testing that provision."

The cascade of new laws and regulations requires the constant maintenance of a current library. If the laws are not published in English, Brace and Rubin avail themselves of translation services in Hong Kong where three or four large American firms keep an in-house staff of translators. Although they acknowledge that the ability to read and speak Mandarin would be an invaluable asset (both are fluent in French), they have found that conducting business in English has never been a hindrance.

"It is the service side of the legal business," remarks Brace, "that causes the most frustrations and communication gaps. They'll need to develop this side of their legal business alongside the rest."

"A Telex may sit around for weeks unanswered. And when I fly up to Beijing to sort things out, I may still be left in the dark as the legal officials cannot, or will not answer questions about new regulations.

"The level of skill is not as high as one would like. On one occasion when I was visiting Shenzhen I went to see a notary public to have some documents notarized. I knew the Code of Civil Procedure contained a provision saying that Chinese courts are required to recognize the validity of documents signed before a notary public, but I didn't have a copy of the code with me. The official insisted that there was no such provision. The discussion continued until he finally jumped up, grabbed a copy of the code he remembered seeing under a huge stack of documents, and asked me if this is what I meant. After I pointed out the provision he happily endorsed my views."

The lack of consensus between departments and officials and an unwillingness to take responsibility for decisions are two oft-voiced complaints heard from Westerners who have had experience dealing with the Chinese and their government.

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They are the wellsprings of the bureaucratic delays that are an irksome feature of the legal landscape.

For Brace and Rubin it has meant accepting delays of more than two years while a project is subjected to constant review.

"When the Chinese send you a final draft, after two years, it is often a verbatim copy of the feasibility study and initial draft that we submitted in the very beginning. So it is important to get your ducks in order from the start."

Brace and Rubin admit that their Chinese counterparts have always been very receptive to new legal ideas and are always eager participants at every phase of contract negotiations.

"They seem," in Brace's opinion, "to be reaching out to people in other parts of the world and trying to absorb what is best from the experience of foreign countries."

Rubin points out how quickly the Chinese have acquired legal savvy with respect to contract negotiations. "In 1984 the Chinese are very knowledgeable about international legal practice, more confident about their position and with the acquisition of more capital reserves, more flexible in negotiations."

Once the campaign to create a legal system and educate a legion of lawyers was launched and made priority, great strides were made. There are currently over thirteen thousand law students in 26 university law departments and three institutes of political science and law. Legal seminars, taught by visiting foreign academics and practising lawyers are given on a frequent basis. Law students and legal officials sent abroad to universities and legal institutions are now return-



Paul Brace: 'It is the service side of the legal business that causes the most frustrations.'



ing to positions in government legal departments and university law departments. Among them are four recipients of graduate degrees from Dalhousie University's Law School, which established an exchange programme in 1981 with China's premier law department at the University of Beijing. And Brace and Rubin hosted two Chinese lawyers for a six month period of internship. Although the figures are impressive, they still have not come close to the numbers that are required to service the rapid expansion.

The courtship is over and Brace and

Rubin are scrambling, albeit with considerable finesse, to keep pace with a client demanding in its naivete and exasperating in its eccentricity.

"We are at the stage now where we had hoped to be thirteen years ago," sighs Rubin in a tone of mock weariness. But the Chinese have always put a great emphasis on dealing with old friends and Brace and Rubin are among the oldest in the international legal sphere. The completion in Guangzhou of a 77 million dollar loan agreement between the PRC and a syndicate of banks, of which the French bank Associate Generale was the principal and a client of Phillips & Vineberg, was one of several projects that made this year one of the busiest in Brace and Rubin's China files. Four years ago they might have been travelling to China three to five times a year. Now they are travelling that often in a month.

Their experience has a currency that is attractive to their current and potential clients. Although they have become adept at leaping bureaucratic hurdles and agile at threading their way through the peculiar exigencies of an emerging legal system, they still cower at the menacing appearance of the ubiquitous glass of "maotai" (the national liquor which Brace likens to jet fuel) and plate of sea slugs that grace the Chinese banquet tables - banqueting being a ritual of the culture that goes with the China trade. It is, they say, tongue-in-cheek, one of the only remaining vagaries of doing business in China that they have yet to take in stride. When they find a way to diplomatically refuse the persistent offering of both, lawyering in China will strike a little less panic in their hearts ... and their stomachs. ●

About the Author

FRITZ VON KLEIN, AUTHOR OF our feature on the "Indiana Jones" adventures of Phillips & Vineberg lawyers in cracking the Republic of China market, is blazing trails of his own in the world's most populous nation. A law graduate of the University of Dalhousie, von Klein is currently doing graduate work - and some teaching - at the University of Beijing.

He writes:

"As far as I have been able to determine, I am the first Canadian lawyer to be 'officially' admitted to the law faculty in a Chinese university. It was only last autumn that Beijing University allowed foreigners to register as law students and

take a full diet of lectures. Previously, foreign students found not all courses were open to them. I was among the first [along with two Americans] to register for the full program last year. I have also heard that a Chinese-Canadian law student named Bing Ho [who is opening a Hong Kong office for 22-lawyer Bishop & McKenzie in Edmonton] studied language and was able to "sneak" into law lectures two years ago ...

"My obligations here have been strictly my own. I teach law in English to third-year students on a voluntary basis, as much as my own classes and activities allow ... I am still studying the language and attending lectures. Last year I con-

centrated on language studies, having arrived with not more than three or four Mandarin phrases in my vocabulary. It is still rather a struggle, and I will only be scratching the surface after two years. Nevertheless I now understand most of what is said in lectures, and can carry on, albeit a little haltingly, a more-than-basic conversation.

"I expect to be here for another year. But I am not certain that I will follow up on my experience and go to work for an international firm. At this point, I cringe a little at the prospect of living in Beijing for a few more years. I would prefer to be based elsewhere. I am simply playing things by ear." ●

May 15, 1974.

CHINA LOOKING INWARDS AND OUTWARDS

In the record of campaigns that have absorbed the time of millions of Chinese for weeks or months on end, the current struggle against Confucius and Lin Piao has been more than usually opaque. That it aimed to silence those who still questioned the value of the cultural revolution, and did so by reaffirming the values and the policies of that great upheaval, has been plain enough. That an internal struggle within the leadership lay behind the fictitious and often misleading labels of Lin Piao and Confucius has also been apparent. But when one asks how the divide between party and army, between radicals and moderates, between committed and less committed Maoists has actually fallen there is no clear answer. Above all Chairman Mao, the radical leader of such campaigns, has a habit of moving over to the moderate side when he thinks the time has come to disperse the mass rallies and end the sermon. There are signs that such a shift is going on.

Foreign reaction to the campaign has naturally been exercised by attacks on western culture and some evidence of the kind of xenophobia that surfaced so strongly during the cultural revolution. Did this mean a change in Chinese policy over the détente with the United States and closer relations with the European Community? Chinese spokesmen were prompt to note and to allay any such fears without attempting at the same time to explain just why an unprovocative film made by Signor Antonioni should be attacked in a spate of articles and most unspontaneous protest rallies. Probably the answer was that these were the offstage noises of the internal struggle and not to be read as a revised view of relations

with the West on the part of those in control of foreign policy.

The more significant gesture for those reading the Chinese oracle was the large gathering in Peking which gave a send-off to Mr Teng Hsiao-p'ing, leader of China's delegation to the current United Nations session; a rare turn-out of party, army and administration. Mr Teng is not only the most prominent figure resuscitated from among the outcasts of the cultural revolution and restored to power in the teeth of the radical challenge. As the first member of the political bureau of the Chinese Communist Party to visit the United Nations he was thus directly identified with the support for the Third World to which this special session of the United Nations is dedicated. By shifting the emphasis towards this aspect of Chinese policy the critics of a pro-western policy are deflected.

In fact Mr Teng's exposition of China's view of the world last week in no way departed from the formula that has been current ever since Mr Nixon breached the wall in 1972. The two super-powers, inevitably locked in conflict despite their attempts at détente, the developed powers in between, trying to shake themselves free from one or the other super-power, and the ever-growing power of the Third World with which China's sympathies lie—this version of change allows China on the one hand to side with the Third World against the "imperialists" but also to cultivate the ex-imperialists when they look to be allies against Soviet power.

If the momentum has temporarily gone out of the Sino-American détente and the European Community is too divided to present a united front

to either of the super-powers the Chinese can help to resolve their internal struggle by concentration on an area that unites all factions. Even the most lukewarm revolutionaries in China find their nationalist feelings can respond when the idealism of Peking is held up to the aspirant progressive forces of Asia, Africa and Latin America in contrast to the corrupt bureaucracy of Moscow. If the internal struggle is now coming to an end then this Maoist theme is the best one to harp on. The western world, whether the super-power United States or the European Community, can wait. But there is no reason to think that China is reverting to the kind of suspicion and hostility to the West common in the past; simply that the circumstances are not such that the Chinese are likely to be very active.

At one point in his United Nations speech Mr Teng did appear to be suggesting a new departure. Aware that the Soviet Union has been sounding out the world's communist parties in the hopes of a large gathering that might read the Chinese out of the world communist movement, the Chinese may be seeking to nullify any such dismissal. At all events Mr Teng said that "as a result of the emergence of social-imperialism, the socialist camp which existed for a time after the Second World War is no longer in existence". Such an explicit declaration may imply expectations for the future. Even with improved state relations with the Soviet Union after Chairman Mao's departure, this may be a forecast that no international revolutionary movement including China can ever again be foreseen. The China of the nineteen-seventies is indeed a long way removed from the China of the nineteen-fifties.

April 16, 1974

Chinese door still open

By Peter S. H. Tang

The new ideological campaign in China does not mean that Peking is about to abandon the policy of peaceful coexistence with non-Communist powers, which under Premier Chou En-lai has led to the normalization of relations with many countries in the West.

There has been much talk in Western newspapers of the possibility of a "return" to the Cultural Revolution and of another power struggle in China, and some people have wondered whether this implies that Peking's relations with the West will "freeze" again.

To understand what is happening in China we need to go back to some of the basic principles of communism, particularly within the Chinese context. It is a mistake to try to view the current phenomenon in strictly Western terms.

Peking believes that the "Proletarian Cultural Revolution" is quite distinct from the political, economic, and social aspects of communism, and must continue until human nature itself is completely changed. Without a persistent, thoroughgoing cultural transformation of traditional ideas, concepts, customs, and values, none of the results of the "total revolution" can be safeguarded, consolidated, and refined. Ideology, the revolution's "soul," is best served by a complete transformation of the Chinese man's cognizance of his role in the revolution.

Thus, for Peking, the Cultural Revolution is an ongoing concern. It was not confined to the years between 1966 and 1967. It could well last for generations, with periods of renewed emphasis on it from time to time. China is now in one of these periods.

The favorite theme of the current ideological campaign — to repudiate Lin Piao and Confucius — is designed to advance the struggle against "the revisionism" which is held to betray communism. Peking seeks to explain the implications of Lin Piao's "revisionist" activities, exemplified by his flight to the Soviet Union and by his "worship" of Confucius. It also wants to refute persistent Soviet attacks alleging a linkage between Mao thought and Confucianism, and characterizing Mao as a Confucianist rather than a Marxist-Leninist. The present campaign has been timed,

aimed and sponsored under Mao's personal leadership.

The far-reaching significance of the current ideological campaign surpasses that of any conventional power struggle. It is possible that many people, including some leading cadres, may be affected, but their fate will be decided on ideological grounds. This will be the consequence of, not the motivation for, the campaign, which is in essence a nationwide struggle to promote the theoretical study and practice of Marxism-Leninism and Mao thought.

In any case Mao's standing may be regarded as above any personal power struggle. His leadership, both de facto and de jure, unquestioned since 1935, has its strength in ideological work with a mass-line approach, rather than in pure power manipulation. Thus he has defeated quasi-personal opposition through the ideological struggle. As he told India's Jawaharlal Nehru in 1958, Mao has, since then, declined any state position in order to devote himself to ideological matters. He was willing to make Liu Shao-chi and Lin Piao his deputies and successors as long as they were correctly implementing the revolutionary ideology of Marxism-Leninism and Mao thought. Mao most likely will continue to maintain a similar attitude toward Premier Chou En-lai.

The Premier's most remarkable contribution to the Communist ideology is his creative implementation of the principle of peaceful coexistence. The recent rapid establishment of diplomatic relations with numerous countries amazed the world. With a little more cooperation from Washington, the normalization of relations with the United States under present circumstances would set a classic example for implementing the principle of peaceful coexistence.

Peaceful coexistence abroad and continued Cultural Revolution at home are complementary components of Communist ideology. Peking has no reason to abandon one while carrying on the other. Given that the ideological campaign is its current way of life, China can still share normal and fruitful relations with other countries.

Mr. Tang is professor of political science at Boston College.

July 26, 1973

China's foreign policy—1

By Charles W. Yost

New York

In foreign relations the primary preoccupation of China's leaders continues to be their unshakable belief in a Soviet threat to their country's independence. This is the overriding impression I gained from recent conversations with some of the most eminent of them.

Despite important differences with Stalin in the '40's, he is not blamed, indeed remains canonized in China as one of the founding fathers of socialism. Responsibility for the Sino-Soviet split is placed wholly on Khrushchev and his successors. His quip at a Bucharest meeting in 1960 — how could China, which did not even make enough pants for its people, make an atomic bomb — is quoted with both anger and glee, since China exploded its first nuclear device in 1964 in the very week of Khrushchev's downfall.

Chinese anxiety was redoubled in 1968 with the invasion of Czechoslovakia and the unveiling of the Brezhnev doctrine, which seemed to justify Soviet intervention in any Communist state. These may well have been the events that most of all decided China's leaders to wind down their cultural revolution and end China's isolation vis-a-vis the United States. Another push in the same direction might have arisen from the still mysterious intrigues surrounding the defection and fatal flight of Lin Piao.

The Chinese response to the presence of a million Soviet troops along their northern frontier is, as official doctrine puts it, "dig tunnels, store grain, never seek hegemony." Perhaps more pertinent is their growing arsenal of nuclear weapons. Their

leaders insist that these weapons are intended only to break the superpowers' "monopoly," that the Chinese would never be the first to use them, indeed would be only too happy to join others in abolishing them altogether. This is no doubt true since, if nuclear weapons did not exist, modern China would be invulnerable.

The most conspicuous symptom of the Sino-Soviet confrontation is their boundary dispute. It appears that the Chinese would accept existing frontiers — provided there was Soviet acknowledgment they are based on "unequal treaties." This stipulation, the Soviets fear, would provide the basis for a later claim for revision. Moreover, there are serious differences as to just where the line laid down by these treaties lies. The total area in dispute, some say, is about equal in size to the Netherlands.

Much more important than the boundary dispute, the Chinese passionately maintain, is the determination of the Soviets to interfere in their internal affairs, to exert "hegemony" over them. They believe Moscow will never willingly tolerate an independent Communist state, particularly a great power, or a rival center of doctrine such as Maoism. Soviet "social imperialism," they claim, is more dangerous than any other. While putting on the "cloak of socialism," it piles up armaments more extravagantly than anyone else.

* * *

What the Chinese probably fear more than overt military attack — though they certainly do not rule that out — is political and military pressure applied at some critical future time, conceivably the moment when there might be a contest for the succession to Mao or Chou. It is doubtful that the bilateral "accord on prevention of nuclear war" signed at the recent Nixon-Brezhnev summit will relieve their anxieties on this score. Indeed the reinforcement of their anxieties caused by this summit meeting fully justifies Henry Kissinger's planned visit to Peking next month.

According to the Chinese, the first move toward Sino-United States rapprochement was made in Warsaw in 1969, but was interrupted by the U.S. invasion of Cambodia in 1970. The effort was resumed in 1971 with Kissinger's first visit and came to fruition in 1972 with the Peking summit. Since then rapprochement has proceeded with astonishing rapidity.

The present Chinese posture is that Sino-U.S. relations cannot be fully "normalized" as long as the U.S. maintains diplomatic relations with Taiwan, since two Chinese embassies in Washington would imply a recognition of "two Chinas." This is of course anathema to Peking and was indeed explicitly disavowed in the Shanghai communique during the President's visit. As long as this situation endures, a visit by Chou to Washington is unlikely.

* * *

What Peking may hope for in regard to Taiwan, perhaps after Chiang Kai-shek's demise, is a settlement which would consolidate its status as an integral part of "one China" but would leave it wide autonomy, including its right to maintain the foreign investments and foreign trade which have been so profitable to Taiwan and, under some such loose arrangement, could also be profitable to the People's Republic. Whether such an arrangement is workable time will tell.

In other respects, if involvement in Southeast Asia continues to wind down, U.S.-China relations may be expected to continue to evolve favorably. There are no other serious conflicts of interest between them. The cordiality of the Chinese people toward Americans, after so many years of hostility, is remarkable. Chinese-American trade and cultural exchanges, though there are important limitations on present Chinese capabilities, may be expected to continue to expand gradually but steadily.

The author of this article writes from a background of 40 years as a United States diplomat.

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China's many faces surprise and even shock the West's radical tourists

Peking

One of the characteristic sights of Peking is the small army of visiting western radicals, loping around in the spanking new cotton tunics and peaked caps which they are permitted to buy without the normal ration coupons at the city's big "Friendship Store".

China—with its nuclear tests in the atmosphere, its outlawing of extra-marital sex, and its admiration for Richard Nixon, Edward Heath and Franz-Josef Strauss—remains the idol of much of the western left.

Not all of the left, certainly. Members of the British Communist Party, and extreme radicals who profess to consider even China too right-wing, will not easily obtain visas for Peking. The interviewing officers at Chinese Embassies may show an insistent curiosity about the applicant's views on the Sino-Soviet dispute.

Many leave China, after their whirlwind tours, reinforced in their belief that it can provide such answers. Others, looking shocked and somehow offended, complain that the country has not fitted the mould they made for it in their minds. They clearly resent being told things which do not suit their concept of China, and may take it out on their informants by calling them "cynics".

It is difficult for many western visitors to accept that China is not an egalitarian society in terms of rewards and incomes, and that Chinese people do regard wages as important. It comes to them as a surprise to learn that a fairly senior official can earn eight times as much as a young industrial worker, and that there is no income tax to level the difference out.

Many radicals leave China convinced that it can provide the answers. Others are offended that it does not fit the mould they had made for it.

Having heard their Chinese tour-guides assure them that there are no splits or factions in the national leadership, western radicals blame such ideas on "China-watchers". They easily accept that the purge of thousands of senior officials in the late 1960's, from the Head of State and the Secretary General of the Communist Party down, was a necessary piece of social engineering.

However, the case of Lin Piao causes puzzlement, for the crimes he is posthumously accused of (revisionism, Confucianism and capitulationism) seems the exact opposite of the figure he cut in the eyes of western radicals before his disgrace (the master strategist of world revolution and the ultra-loyal comrade of Chairman Mao).

The return of so many formerly disgraced officials to power over the past three years (including the same former Secretary General, Mr Teng Hsiao ping, now in practice acting as Prime Minister) also presents difficult ideological problems for the radical. But Chinese guides and officials can go some way to alleviating such doubts, by explaining that almost anyone can be rehabilitated after thorough political and personal reform. Where and how those rehabilitated

underwent reform is not disclosed.

A favourite theme for visitors from the west these days is of course women's liberation. A country which has sent a woman up Everest, and which frees mothers from the burden of looking after their infants so that they can work instead, has surely something to teach us. The evident shortage of women in senior official posts is seen as a pity, but doubtless something which will be got over in time. Only there are some doubts about the "wisdom" of forbidding both women and men to have any sexual experience before they are married, preferably in their middle or late twenties, and about dictating the number of children they may have.

To silence any further doubts about the importance of China's experiment, the enthusiastic radical will point to its huge problems of population, underdevelopment, backwardness and political tradition. Surely there can be no way of solving such problems without rigorous social discipline, political uplift and economic austerity.

This raises exactly the questions that China fails to answer for the west. China has chosen its own way of development: at the cost of certain things it has bought others.

But clearly its problems are quite different from those of the developed west, and most of the solutions it has chosen would quickly prove unacceptable to the west's radical reformers, if there were any real chance of their being implemented there.

The western radical too often comes to China with an intellectual double standard. Confronted with low living standards, direction of labour, rationing, often grim housing conditions and patchy medical facilities, he or she will argue that such things cannot reasonably be compared with conditions in Britain, the oldest industrial country in the world. But precisely this observation should invalidate the notion that Britain or any other developed country has fundamentally important things to learn from China about the organization of social prosperity.

Many radicals contend that in China people have discovered a new form of cooperation and mutual trust unknown under capitalism. Yet they cannot possibly know this, because not even the best-disposed person from abroad is really admitted to China's confidences or allowed to share the life of the Chinese people. Fellow-travellers who have been in China for years still live shut away in comfortable hotels.

Too many preconceptions just do not fit the facts. It is a hallowed belief of some radicals that violent crime has been eliminated in China. But that makes it difficult to explain the bands of armed militia who patrol the streets at night, and the announcements of public executions which appear from time to time in the cities.

David Bonavia

Doc 6/75

A Chinese Puzzle

MAO

A Biography.
By Ross Terrill.

Illustrated. 481 pp. New York:
Harper & Row. \$17.50.

THE PEOPLE'S EMPEROR

Mao. A Biography of Mao Tse-tung.
By Dick Wilson.

Illustrated. 530 pp. New York:
Doubleday & Co. \$17.50.

By STANLEY KARNOW

AS befits one of the giants of this century, Mao Zedong is the subject of a seemingly endless number of books, articles and monographs. Reaching back more than four decades to Edgar Snow's celebrated "Red Star Over China," which contains the only account Mao ever gave of himself, the bibliography includes superb and sometimes provocative studies by such specialists as Doak Barnett, Jerome Ch'en, Simon Leys, Lucian Pye, Stuart Schram, Benjamin Schwartz and Richard Solomon, just to cite a few. Thus it takes courage to produce still another biography of Mao.

But these separate efforts by Ross Terrill and Dick Wilson are valuable additions to the already crowded shelf. They are not what the academics term "definitive"; the full treatment of Mao and his career awaits the scholar or team of scholars prepared to devote years to a set of volumes. Journalistic yet authoritative, Messrs. Terrill and Wilson are lively and readable, and they go a long way toward demystifying a figure who nevertheless remains mysterious. (Mr. Wilson shows guts in describing Mao as "inscrutable," a word that unfortunately went out of fashion with Charlie Chan.)

The two authors ought to have collaborated, since they complement and duplicate each other. It is difficult to choose between them. Mr. Wilson, editor of the prestigious China Quarterly, has mobilized a massive amount of detail, some of it admittedly apocryphal, since Mao was a controversial figure, and his own recollections must be self-serving. Mr. Terrill, whose "800,000,000: The Real China" made a considerable impact a few years ago, is perhaps more insightful in his attempts to unravel Mao's contradictions.

The appearance of both books now is timely. For one thing, the ebb and flow of China's political tides continue to wash up fresh material, so that Mao's turbulent past is continually being brought up to date with hitherto unknown information. I was fascinated to learn from Mr. Wilson, for example, that the young Mao once attended a lecture by

Stanley Karnow, syndicated columnist, is the author of "Mao and China: From Revolution to Revolution."

Bertrand Russell, who visited Mao's native Hunan province in 1920. Mao, then a budding radical, even went to the trouble of writing a critique of Russell's improbable thesis that China should be changed by remodeling the consciousness of its propertied classes rather than through revolution. Equally intriguing is Mr. Terrill's disclosure that, in spite of Henry Kissinger's admiration for him, Mao observed to French President Georges Pompidou in 1973 that "Kissinger likes to give briefings, and often his remarks are not very intelligent."

Messrs. Terrill and Wilson also humanize Mao with vivid personal anecdotes, some even revealing his rather prolific sexual activities in the caves of Yanan. Nor do they hesitate to repeat the four-letter earthiness of Mao's language, which not only underlines his peasant origins but dramatizes the fact that he and his comrades were a tough bunch, scarcely given to arcane ideological discussions in Marxist-Leninist jargon.

Except for two trips to the Soviet Union, neither very inspiring, Mao never traveled outside China, and that was his strength as well as his weakness. On the one hand, his insularity made him focus on China's enormous economic and social problems, the real challenge to any Chinese leader. But as Mr. Terrill suggests, his lack of firsthand knowledge of the outside world gave him a simplistic view of global affairs. One of his early quarrels with Moscow stemmed from his inability to persuade Soviet Premier Nikita Khrushchev, who had seen American industrial might up close, to get tough with the United States. His diagnosis of the Watergate scandal was that it resulted from "too much freedom of expression" in America.

Both authors assess Mao in perspective, and their similar appraisals seem to me to be sound. For Mr. Terrill he was "among the half-dozen or so most consequential rulers in the entire three thousand years of China's recorded history," whose only peers in his time were Lenin, Franklin Roosevelt and Churchill. But he was also a "semi-intellectual" who eventually "outlived his usefulness" to China. For Mr. Wilson he "invented for China a completely new system of life, economy and government." But he was also a "barrack-room philosopher . . . not able truly to compete with the great thinkers," and "in the end he failed," largely because he set his goals so high. I would submit that he was a romantic imbued with the poetry of revolution but bored by the prose of managing a huge, complex, unwieldy country.

What, then, was the secret of his success?

To a significant extent, he was the embodiment of his own homilies, which extolled self-sacrifice and determination and perseverance, the virtues that a more sophisticated person might have scorned as puerile. He was confident that he would ultimately triumph; as Mr. Terrill says, he was fueled by an inner fire. He was lucky, nar-

Continued on Page 25



James Grashow

Mao Zedong.

Mao

Continued from Page 6

rowly escaping death three or four times as he eluded his Kuomintang foes, who captured and executed his first wife and several other relatives. He was physically strong, surviving the grueling Long March, which killed thousands of his supporters. And he was not reluctant to use violence. His famous dictum, "Political power grows out of the barrel of a gun," was more than an abstraction to him. Among his childhood heroes, interestingly, were George Washington and Napoleon.

The Communist victory would almost surely have been impossible had not the Japanese created a power vacuum in China after their defeat in World War II. Mao's forces, which had been building up for a decade, were equipped to fill the void — and their task was facilitated by Chiang Kai-shek's ineptitude.

But above all, Mao was extraordinarily flexible. He could gull moderates into backing his "united front" programs, as he did in the 1950's, and then brand them as "rightists" when he switched tactics. He could unleash young leftists, as he did during the Cultural Revolution of the mid-1960's, and then arrest them as "counterrevolutionaries" when they had served his purpose. The only associate he tolerated for long was the indispensable Zhou Enlai, his urbane antithesis. In his twilight years, he even lost patience with Jiang Qing, his brazen wife, now about to be tried as the evil genius of the "Gang of Four."

Longevity tarnished Mao's image. Had he, like Lenin, died soon after seizing power, he would have been translated into glorious myth. But his attempt to run China through episodic upheavals that would "purify its soul" finally disrupted and exhausted the country that he himself had united. The Chinese themselves are currently writing his epitaph. They are reportedly planning to dismantle his mausoleum in Beijing and remove his embalmed body to a humbler resting place. ■

GIVE A CHILD A BREAK:
GIVE TO THE FRESH AIR FUND

Captivating look at Mao

Mao, by Ross Terrill. New York: Harper & Row. \$17.50.

By John Hughes

This book is a delicious piece of deception by Ross Terrill.

It is billed as a biography of Mao Tse-tung (now Mao Zedong). That, of course, it is. Brilliant, painstakingly researched biography.

But it is much more than that, too. Because Mao's life is so inextricably interwoven with the history of China, Mr. Terrill has virtually written a monograph of China within the life span of Mao. And this, too, is superb.

"Mao" is a scholarly book that will enhance Mr. Terrill's already well-established academic credentials. But Mr. Terrill's rare genius is that he is able to mesh the research of the scholar with writing that has the color and pace of the journalist.

Therefore, be warned. Should you dip into this book while swinging in a hammock this summer, you will be hooked until you have finished all 481 pages. In this volume, China is no musty, remote land, overladen with endlessly boring Communist rhetoric. Here is China exploding with revolution, overtaken by drama, riven by power struggles.

Most of us have an image of Mao in his latter years, rotund, brooding, aloof, elevated by the Chinese millions to deific status, manipulating the strings of international Marxist intrigue in masterful fashion.

This biography does little to diminish that elder-statesman stature. Mao, after all, unified China, became its Marx, Lenin, and Stalin all rolled into one, and produced, as Mr. Terrill puts it, a "Chinese wave on the shore of world history."

But the book also humanizes Mao in a remarkable way, from his early years of rebellion against his father, and his zealous quest

for education, through the turbulence of his early years as a party functionary, to his years of oblivion in Yanan, and then the Long March, and his ultimate scramble for power.

So we have here not only Mao the aesthetic ideologue, but an earthy Mao picking lice from his underwear. We learn of his marriages and his affairs, and his constant jousting with other party officials — tussle and intrigue that continued long after his ascendancy to party leadership, and all through the years of what, to the outside world, seemed his unchallenged grip on China.

There are incisive passages which reveal, perhaps for the first time, some of the maneuvering behind the Mao-fomented Cultural Revolution which plunged China into anarchy in the 1960s, and of which some of Mao's highest lieutenants privately despaired. But of course Mao, as Mr. Terrill discerns, was a man uneasy with stability, a man always intent on stirring the pot, a man who believed a nation was strengthened by turmoil and upheaval.

For those of us who spent long years assailed by the propaganda bombast that accompanied the personality cult surrounding Mao, perhaps the most heartening revelation is that Mao himself was somewhat embarrassed by much of it. All this, it turns out, may have been the sly work of Lin Biao, one-time designated successor to Mao, but who came to a bloody end trying to speed up the succession. Just how Lin died, Mr. Terrill has been unable to unravel. I remember Chou En-lai snappishly brushing aside my own doubting questions about Lin's end during a Peking session in 1972. We shall have to wait a little longer.

Part tiger, part monkey, as Mr. Terrill describes him, Mao was capable of extraordi-



Sven Simon photo

Rotund, brooding, aloof — but human too, points out author Terrill

nary contradictions. On the one hand, he permitted the death of many thousands during the Cultural Revolution. On the other hand, he expressed great kindness to a deposed Richard Nixon for no apparent reason other than that he liked him.

Ross Terrill has gone a long way to unraveling the enigma that was Mao.

John Hughes, the Monitor's former editor, reported on China for six years as this paper's Far Eastern correspondent.

Thousands held without charge or trial in China's prisons

By BRYAN JOHNSON

Globe and Mail Correspondent

PEKING — Six months after China's new legal code restored the "rule of law" here, a handful of well-known prisoners and thousands of anonymous ones are being held without charge or trial.

Among the known detainees are two young democracy activists who, despite the new laws against arbitrary detention, have been held incommunicado in prison for seven and 15 months respectively.

Reports reaching Peking from around China indicate that thousands more young people, from dissidents to vagrants to the merely unemployed, have been detained in rural labor camps without trial or any legal recourse.

Well-informed Chinese sources say that at least 6,000 young people have been sent to "reform through labor" camps in Peking since the new code came into effect on Jan. 1.

Reliable reports from Shanghai and

Canton indicate that the system is equally active in much of the country.

The maximum term for such detainees is set at four years, but informants say thousands of those incarcerated before this year have stayed for more than 10 years. No one, they say, can be released until he has a job and "clearance" from camp authorities — either of which can be withheld indefinitely.

Chinese authorities are apparently using two gaping loopholes to circumvent the no-detention-without-hearing rules in the new legal code, which arrived with much fanfare accompanied by a widespread legal education campaign.

In the instance of the democracy activists — Ren Wandong of the China Human Rights Alliance and newspaper editor Liu Qing — the authorities quickly passed a proviso that those detained before Jan. 1 were not entitled to the protection of the new code.

This is also the loophole under which chairman Mao Tsetung's widow Jiang Qing and the so-called Gang of Four are being held.

The thousands of labor camp inmates are being arrested under a 1957 law which led to the creation of the camps for the victims of chairman Mao's "anti-rightist campaign."

That statute was retained under the new code, and even reprinted on Feb. 1 on the front page of the official People's Daily. It allows the detention, without legal review, of "people who behave like hooligans, who have no decent occupation . . . counter-revolutionaries not subject to criminal prosecution . . . and people who re-

fuse to work or who wilfully keep making trouble, jeopardize public order and refuse to correct themselves despite repeated criticism."

Confinement in one of the camps carries a serious social stigma in China, where citizens are still routinely asked to reveal their "class background" — "rich peasant," for example, or the much more notable "poor peasant."

Former inmates of "reform through labor" camps join those of "bad class background" who meet

serious difficulties in earning promotion, in being assigned good living quarters, or in finding marriage partners.

Chinese sources say there are many such camps within a few miles of Peking, containing tens of thousands of prisoners. One former inmate says the camp guards sometimes engage in extreme brutality toward the prisoners, to the extent of arming one group of inmates and setting them upon a rival faction.

The original camps have apparent-

ly been in use continually since they were set up 23 years ago, but it is not known whether the latest influx of young detainees has forced the Government to set up still more such camps.

Chinese sources claim that at least a few hundred of those imprisoned in 1957 are still being "reformed" in the same camps.

Dissidents like Ren and Liu, however, are not thought to be in labor camps. Probably, both are being held in a prison inside Peking.

Catholic bishop released after 22 years in Chinese jail

PEKING (Reuter) — Bishop Deng Yiming of Canton, who refused to break with the Vatican when a Government-backed Chinese church was set up, has been freed after 22 years in prison.

Bishop Deng is believed to be the first Roman Catholic bishop of those jailed in the 1950s to be freed.

Monday's edition of Canton's Yansheng Evening News, received in Peking yesterday, said Bishop Deng, 72, had repented his "crimes" and undergone re-education.

Bishop Deng, better known as Monsignor Dominic Tang, was arrested in February, 1958, on a string of

charges of "counter-revolutionary activity," including one of accepting his post from the Holy See.

He was accused of preventing young Roman Catholics from joining Chinese "volunteer" units to fight in the Korean war.

The bishop also was alleged to have threatened to excommunicate Roman

Catholics who joined the Government-backed Patriotic Catholic Association, set up in 1957.

The best known bishop still held is Ignatius Gong Pingmei of Shanghai. He also remained loyal to Rome, which does not recognize the Patriotic Catholic Association. He was jailed in 1955.

Sir Billy Butlin

His holiday camps catered to millions

JERSEY, Channel Islands (AP) — Sir Billy Butlin, who followed the motto "sell yourself big" and made his fortune through holiday camps, died yesterday at 80 of bronchial pneumonia.

Redecorating?

2

Thinking Ahead

Nov. 19 1993

For Asia, Only One Issue Matters

By Reginald Dale
International Herald Tribune

SINGAPORE — Seen from this strategic Southeast Asian vantage point, there is only one big story for the rest of the decade. And it is not what is going on in Washington or Brussels — or even Moscow.

What is obsessing this part of the world is China and whether it will be a force for stability or disruption in Asia and beyond.

Almost nobody doubts that China is heading for great-power status. And in the post-Cold War world, its strength will be measured not by the size of its armies or its nuclear force, but by its economic might.

Lee Kuan Yew, Singapore's elder statesman and veteran China-watcher, says the biggest challenge in the next century will be to ensure that China becomes "a constructive and cooperative partner" for the United States, Europe and Japan.

If China grows by an average of 8 percent a year — considerably less than last year's explosive performance — its economy will be larger than that of the United States in 15 years, Mr. Lee said at an international conference here this week.

That is basing the comparison on purchasing-power parity rather than current exchange rates, a measure that is in many ways more accurate.

Of course, such figures give only a crude measure of the size of the Chinese economy and say nothing about its sophistication. China is not going to rival the United States just yet in the cutting-edge industries or services of the 21st century.

Some economists doubt the heady growth

figures that have been coming out of China, which are impossible to check independently. Others say that China cannot keep it up, that its progress will be thrown off course by economic and political upheavals, perhaps even internal conflict.

But Singapore does not seem to think so. Mr. Lee says China's growth "will remain uneven and punctuated by bouts of overheating and political upsets." But it will not be stopped, because the economic reforms will

Lee Kuan Yew says China's growth "will remain uneven and punctuated by bouts of overheating." But it won't be stopped.

not be reversed and the country will not break up like the Soviet Union.

This week's announcement by Beijing that market reforms would be accelerated confirmed China's determination to follow in the footsteps of the booming "tiger" economies on its borders. With the collapse of the communist economic model, most developing countries see no other path to growth.

The question that is hotly debated by Asian economists is whether China will really be able to become another Hong Kong or Singapore on a vastly greater scale.

China has obviously grasped the point that the first essential element for a tiger-style boom is the adoption of free-market policies. But the second requirement, education, will

be far more difficult in a population of nearly 1.2 billion than it was for Singapore's 2.75 million.

In China's favor are its increasingly close links with the 50 million overseas Chinese in Asia and North America, links that are creating a powerful economic network already widely known as Greater China.

Greater China is fueled by a potent combination of skills and capital overseas and virtually unlimited cheap labor at home.

Singapore says it will take China 20 to 30 years to modernize, during which time it will need a peaceful international environment. "So long as the United States-Japan-China relationships are kept in balance, stability will prevail," Mr. Lee says.

Indications are that the U.S. administration, after a slow start, is beginning to think the same way. President Bill Clinton's meeting with the Chinese president in Seattle on Friday marks a move to cast the relationship with Beijing in broader strategic terms, just as his visit to Tokyo in July persuaded him to look beyond the immediate problems of the U.S. trade deficit with Japan.

Washington's leverage over China, and over the rest of Asia, is in long-term decline, both economically and strategically. As the booming Asian economies trade more with each other, they will need the American market less. And the U.S. security presence in the Pacific will continue to diminish.

That is why Washington and its allies should try to work with China now to help its economy develop and to integrate Beijing into the multilateral system. It will be in everybody's interest if China regards the West as a friend rather than an adversary.

Chinese let citizens hold foreign funds

All Chinese citizens are to be allowed to hold foreign exchange for the first time since the Communist takeover of the country in 1949. Officials also say special foreign currency shops may be established.

New regulations by the Bank of China, the nation's foreign exchange bank, say that anyone can now open foreign exchange accounts for deposits and withdrawals.

The Other China

A Tragic Beginning: The Taiwan Uprising of February 28, 1947

by Lai Tse-han, Ramon H. Myers,
and Wei Wou.
Stanford University Press,
273 pp., \$32.50

A Farewell:

A Collection of Short Stories

by Bo Yang,
translated by Robert Reynolds.
Joint Publishing Company
(Hong Kong), 139 pp., HK\$42.00

The Great Transition: Political and Social Change in the Republic of China

by Hung-mao Tien.
Hoover Institution Press,
324 pp., \$22.95 (paper)

Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization

by Robert Wade.
Princeton University Press,
438 pp., \$65.00; \$18.95 (paper)

The Protestant Community on Modern Taiwan:

Mission, Seminary, and Church

by Murray A. Rubinstein.
M.E. Sharpe/An East Gate Book
199 pp., \$39.95

Taiwan:

Beyond the Economic Miracle

edited by Denis Fred Simon
and Michael Y.M. Kau.
M.E. Sharpe/An East Gate Book
400 pp., \$49.95

Jonathan Spence

On the same late fall day in 1991, two stories about China appeared in the Western press. One announced that thirty-five drug dealers had just been executed in the southwestern Chinese city of Kunming, probably by a single police bullet fired into the back of each man's neck. Before their execution, the thirty-five had been paraded and "tried" in front of 40,000 people. A blurred photograph showed the defendants, arms tied behind their backs, each held by two helmeted policemen, in front of the enormous crowd. As their sentences were announced, a metric ton of refined heroin and four metric tons of opium, allegedly seized from the thirty-five dealers, were burned to ashes in sixty enormous cauldrons. Similar rallies and trials were said to have taken place in fifteen other southwestern Chinese cities, though the number of those executed or participating was not announced. The mass trials took place in a country where the annual per capita income was approximately \$350, according to the World Bank.

The same day, confirmation came from Taiwan of the government's six-year plan to spend \$300 billion on rebuilding and expanding public facilities all across the island: 779 projects, most to be put out for bids by local and foreign contractors, were designed to develop roads, rails and subways, schools, housing and medical facilities, refineries, sewage and power plants. Taiwan already had \$72 billion in its official foreign exchange reserves, and anticipated no problem in raising the rest from its rapidly increasing domestic tax revenues and lively foreign trade. The

reconstruction effort would substantially raise the living standards of Taiwan's population, whose annual per capita income was currently estimated by the World Bank to stand at \$8,000.¹

Six months later a different set of contrasting images was once more presented to us. The first, from the People's Republic, told of the ordeal of a young Chinese worker named Han Dongfang. Han had organized an independent Workers' Federation during the heady month of May 1989, with its headquarters on Tiananmen Square. After the June massacre in Beijing, Han was arrested. Though not summarily executed like several other workers active in the demonstrations,



Taipei, 1991

he was treated with sadistic cruelty in prison, tortured with acupuncture needles when he went on a hunger strike, and confined to a ward for seriously ill tuberculosis patients, where, not surprisingly, he contracted the same disease. Reluctantly released by the authorities, so that he would not acquire a martyr's fame by dying in prison, Han spoke to his American interviewer of his fear that his wife, now pregnant, would be forced to have an abortion as a further way to punish and intimidate him. In a response to Western protest China agreed in August to allow Han Dongfang to travel to the United States for medical treatment.²

The lead stories from Taiwan at the same time spoke of the hectic arguments and the flurries of excitement that gripped Taiwan's newly elected National Assembly, as the delegates grappled with the problem of whether the president of Taiwan should be elected by an electoral college system or by an island-wide popular vote. These contending delegates were from a new generation in Taiwan's politics, men and women chosen by popular vote in December 1991 in elections

¹Both stories were given lengthy coverage in *The New York Times*, October 27, 1991. Further documentation for such abuses is presented in enormous detail in *Anthems of Defeat, Crackdown in Hunan Province 1989-1992: An Asia Watch Report*, 1992.

²See "China Allowing Ailing Dissident to Leave for US," *The New York Times*, August 20, 1992.

where the newly legitimated opposition party, the Democratic Progressive Party, ran against the incumbent Kuomintang Nationalist Party, winning around 23 percent of the vote. Central to their concerns were the possibilities of Taiwanese independence, the significance (or lack of it) of the fact that the Taiwanese president, Lee Teng-hui, was a born-again Presbyterian Christian, and the chances of Taiwan's being granted full membership under its own name in GATT (the General Agreement on Tariffs and Trade).

What is intriguing about the contrast of these images is not so much their content, though that is dramatic enough, but rather how much we have taken them for granted. Yes, of

have strenuously pressed Taiwan's claims to be studied in its own right, as a counterweight to inadequately critical analysis of the People's Republic. He has also long called for more favorable assessment of the Kuomintang, the Chinese nationalist party built up by Sun Yat-sen and Chiang Kai-shek, which has controlled the government on Taiwan since the end of World War II. In the new book he has written with Lai Tse-han and Wei Wou, suitably titled *A Tragic Beginning*, he and his fellow scholars give us a detailed analysis of the February 28, 1947, uprising by the local Taiwanese against the newly arrived members of the Kuomintang, an uprising quelled by a blood bath that poisoned relations between the island's troubled residents and their Kuomintang overlords for a generation, and did much to reinforce the widely held view that the nationalist rule on Taiwan was both rapacious and bloodthirsty. The summary sounds harsh but the book may show the degree to which views critical of the Kuomintang are now tolerated, especially since Lai Tse-han himself has recently served as the head of a cabinet-sponsored panel on Taiwan to reassess and reanalyze the incident.⁴

A Tragic Beginning reminds us how frail was the foundation on which the Taiwanese government built up the economic successes that we now take so much for granted. Though the Japanese—who controlled Taiwan as a colony between 1895 and 1945—had built an industrial infrastructure on the island, and helped to educate a highly articulate and accomplished professional elite, they had also ravaged the domestic and cultural life of Taiwan's Chinese settlers. During World War II the Japanese insisted that all Taiwanese study Japanese language and history at the expense of their own Chinese heritage, that they declare their loyalty to the emperor of Japan, and even be ready to fight against Chinese forces on the mainland as members of the Japanese army. Japanese "order" on the island had been maintained by enormous forces of regular troops and police, whose sudden removal at the war's end threatened widespread crime and disorder. And the United States, in the closing year of the war against Japan, had bombed much of Taiwan's industry, harbor facilities, and transportation networks, making the prospects for effective postwar reconstruction extremely doubtful.

After Japan's surrender in 1945, a motley contingent of disorganized and poorly disciplined Chinese troops from the mainland stepped into this troubled situation, ferried to Taiwan on American naval transports or flown in on American planes. Initially received at dockside by smartly dressed honor guards of Japanese troops, and welcomed by excited crowds of their compatriots, these mainlanders moved swiftly to gut what was left of Taiwan's

(Cambridge University Press, 1991); Hung Yung Lee, *From Revolutionary Cadres to Party Technocrats in Socialist China* (University of California Press, 1991); Tony Saich, *The Origins of the First United Front in China: The Role of Sneevliet (alias Maring)*, two volumes (Leiden: E.J. Brill, 1991).

⁴On Lai Tse-han and the review panel, see the *China Post*, February 11, 1992.

Photograph © Patrick Zachmann/Magnum

economy. The melancholy story of incompetence, insensitivity, and graft was not helped by the character and actions of the governor that Chiang Kai-shek chose to run the island, Ch'en I. Born in the coastal province of Chekiang in 1883, Ch'en had studied in both Japan and Germany as a young man, and had grown up to be an obedient follower of the Kuomintang: inflexible, austere, and a master of factional politics. Ch'en packed the Taiwan administration with his own cronies, ignored aspirations of the Taiwanese for a say in the running of their own government and economy, and (although he knew both) refused to speak in the local coastal dialects or in Japanese, the most common languages of the Taiwan elites.

The rapid looting of Taiwan's resources by his subordinates or by other mainlanders, and the rigor with which a maze of new taxes and monopolies were forced on the Taiwanese, led to a growing local resentment that exploded in late February 1947 with hideous violence after Nationalist monopoly inspectors beat a woman street hawker selling black-market cigarettes, and killed an innocent bystander. Following days of rioting, in which many mainland Chinese were killed or savagely beaten by Taiwanese, Chiang Kai-shek ordered a division of his best troops to the island to quell the unrest which had now begun to include calls for Taiwanese self-government.

Ironically the Kuomintang's regular army units had recently been recalled to the mainland in a desperate last minute bid by Chiang Kai-shek to check the rapidly expanding Communist forces. The troops now ordered to Taiwan behaved with great cruelty, and the massacre of civilian insurgents and their supposed supporters—as well as Taiwanese shot at random in the streets, bayoneted to death, or drowned—continued until late March, leaving at least eight thousand Taiwanese, and possibly many more, dead. Even if, as the authors are at pains to show, the Taiwanese elite was not "wiped out,"⁵ the survivors were terrified and cowed, and many were held for decades in Taiwanese prisons—until 1987 in the case of one activist Taiwanese militia leader.

The authors of *A Tragic Beginning* suggest that, horrendous though this moment was in Taiwan history, it had in it certain positive elements. It spurred the Kuomintang leaders to think more constructively about economic reforms, and gave birth to the idea that Taiwan might be developed as a model province. Though some have also claimed that the insurgency helped to produce the Taiwan Independence Movement, the authors insist that the Independence Movement remained fragmented and rather unclear in its goals, and subject to ener-

⁵In a fact-filled paragraph on page 160 of *A Tragic Beginning*, the authors state that "0.012 percent of the elite were killed." Since they estimated those killed in the massacres at 8,000 Taiwanese and 4,000 of those victims as being members of the elite, with a total elite population being 325,000, one assumed there is a misprint in the text. If 4 out of every 325 members of the elite were killed, that would be somewhat over 1 percent.

vating conflicts of personality among its leaders, thus further reducing the long-range importance of the massacre. Furthermore, perhaps because of the violence of the 1947 events, and the hatred of mainland Chinese that was evidenced there, once the Kuomintang had been forced to the island for good in late 1949, they did allow limited forms of elections. But it was not until 1969 that any Taiwanese voice was allowed in the elections to the central government, not until 1977 that an "opposition party" was allowed to run candidates, and not until 1989 that martial law was fully lifted.

How far Taiwan was from being any kind of economic miracle during the 1950s is powerfully conveyed in the recently published short stories from that period by Bo Yang, himself a

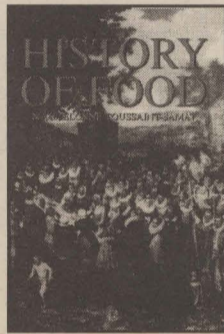
refugee from northern China, who joined the exodus to Taiwan in 1949, and wrote a series of searing short stories on the plight of the mainlanders. The harsh realism and almost unrelieved pessimism of these tales was in part the reason for the arrest of Bo Yang by the Kuomintang in 1968 on the grounds that he "undermined the affections between the people and the government." After serving nine years of a twelve-year sentence, Bo Yang was released, and amply had his revenge in the bitter indictment of Chinese hypocrisy and cruelty of his 1984 essay "The Ugly Chinaman," which circulated widely in the West, and eventually in both Taiwan and the People's Republic.

In one of the finest of Bo Yang's earlier stories, "On a Train," two

mainlanders who knew each other long before in China meet when traveling by rail in Taiwan. One has just been to see a former friend, now in desperate trouble with the authorities—the other is escorting a madman to a mental hospital in Taipei. Asked why the man he is taking to the hospital first went mad, the escort replies that he has no idea. He used to care about such things, but now he no longer does so:

I remember when I first started working at the hospital, I always wanted to find out why the lunatics got sick, and when I found out I couldn't help crying for them. As time went by, I slowly stopped caring and became indifferent. Why should I try to find

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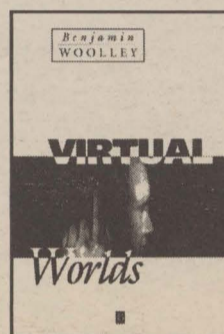
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out why they were like that? What does that have to do with me?

In an equally sad story, "Narrow Roads," two other mainland refugees reminisce over a dead friend. They conclude that he died because "he'd read too many books, and they led him into a dead-end street. They taught him too many principles: that a man should have spirit, should be fair, should refuse to bow down in the face of power, should hold to his principles even in poverty, and so on and so on." Whereas in reality the only truth that refugee life on Taiwan had to offer was the simple one that when people "need to be lied to, or when lying to them makes them happy, you should lie to them, and lie without mercy."

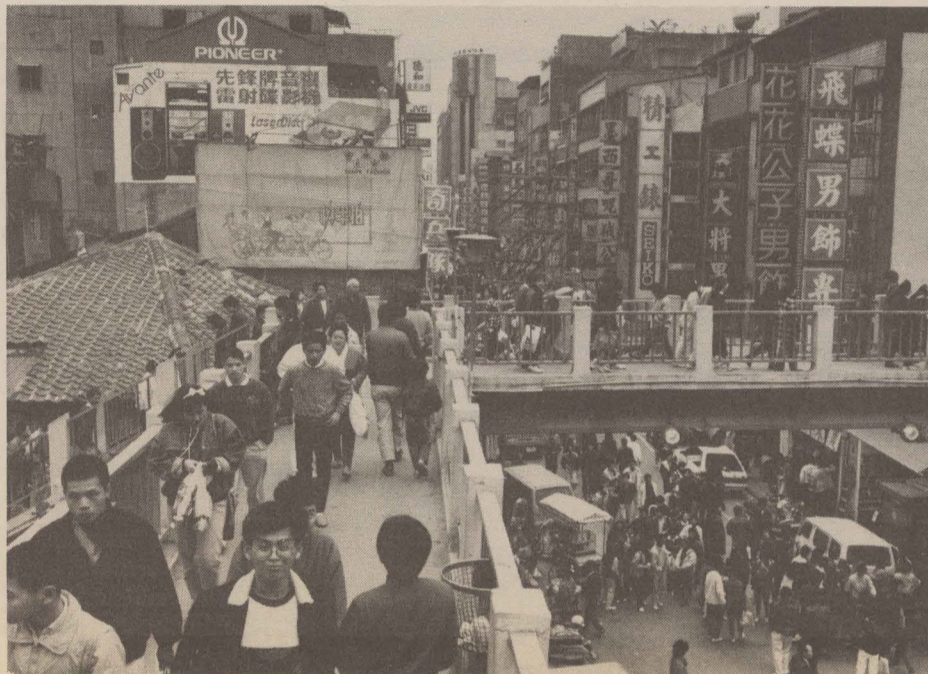
A useful way to see how these doubly despairing worlds of hounded Taiwanese resisters and of economically dispossessed and intellectually alienated mainland refugees somehow were brought together in a long-range pattern of astonishing growth, is presented in two recent books, Hung-mao Tien's *The Great Transition* and Robert Wade's *Governing the Market*. Tien shows clearly how the Kuomintang in Taiwan was able to accomplish virtually everything that it had refused to do—or been unable to do—in the long years of its attempts to unify mainland China between 1928 and 1949.

In the economic sphere, for instance, the new government proceeded to push through land reform, to end inflation, and to develop an indigenous Taiwanese industry backed by high tariffs, import quotas, and rigorous prohibitions of imported luxury goods. Japanese competition was curbed by these policies, and with advice from the American Agency for International Development Taiwan embarked on an aggressive strategy of increasing its exports. Despite the oil crisis of the early 1970s, the loss of the Nationalist seat in the United Nations and the end of diplomatic recognition by most other countries, and dislocations as the economy changed directions, the overall result was a remarkable annual economic growth rate between 1951 and 1984 of 8.9 percent and, after a dip in 1985, of around 11 percent in both 1986 and 1987. The share of the profit among those Tien identifies as the 2,699 most "influential industrial and commercial entrepreneurs" was not unfairly divided, with about 30 percent being mainlanders, and about 70 percent being Taiwanese.

This extraordinary growth was achieved in a strongly coercive political atmosphere. Political opposition, whether by dissatisfied mainlanders, or disenfranchised Taiwanese, was hardly allowed. The few attempts at even moderate liberal reformism were suppressed by Kuomintang police agencies who either arrested the dissident leaders for their alleged Communist contacts, or imprisoned them on the grounds of distributing "anti-government materials" if they tried to contest Kuomintang candidates at local elections, or to express opposing views in literary magazines. Only after 1977, in a number of complex and courageous organizational and electoral battles, well summarized by Tien, did members of the the opposition slowly learn to hold their ground; yet even here, as the rigged trials of eight

men who were accused of leading riots at Kaohsiung in 1979 (most of them in fact were writers for the independent-minded journal *Formosa*) showed, the government did not yield power easily.

The sentences by military tribunal ranging from twelve years to life imposed on these defendants—several of whom had not even been in Kaohsiung until the demonstrations there were almost over—reminds one that the sentencing in 1979 of the Chinese Democracy Wall dissident Wei Jing-sheng to fifteen years in prison was equally outrageous, but perhaps not worse than the Taiwanese abuse of justice. And to underscore these parallels, it was only in 1986 that the Taiwanese Democratic Progressive Party was able to hold its first Party Congress to discuss a reform program,



The 'youth district' Taipei, 1991

and even then those inside the new party who advocated an "independent Taiwan" were not safe from government wrath. As recently as 1988 two outspoken advocates of an independent Taiwan were sentenced to eleven and ten years respectively for their views, and in early 1992 the Democratic Progressive Party was threatened by the Kuomintang premier with dissolution for continuing to demand independence. That Taiwan now presents a moderately "democratic" exterior is thus a phenomenon of startling newness, and rights to free expression and to organize political opposition are still not secure there.

Robert Wade's book provides an admirably clear institutional and economic perspective from which to assess Taiwan's achievements. He is interested both in the scale of industrial development in Taiwan and in the precise ways that government either fostered or occasionally hindered this growth. By contrast with either Japan or Korea Taiwan has few huge firms, and almost none that figure in the *Fortune* list of five hundred biggest industrial firms outside of the United States (two to Korea's ten). In the period of swiftest growth during the late 1970s, only 176 firms in all of Taiwan had more than one thousand employees, and an astonishing 80 percent had fewer than twenty employees. This has led to a relative balance among Taiwan's fifteen largest firms, but also to an enormous flexibility in overall production patterns. As Wade puts it,

Amongst the many thousands of small- and medium-sized firms,

there is little sense of "belonging" to any one industry. The owners are prepared to move, grasshopper-like, to wherever a chance of quick profit shows itself. The same person may be proprietor of several companies producing quite different products. One such person owns an air cargo agency, a travel agency, an apartment-leasing agency, a construction company, a company to manufacture video games, and another to make counterfeit personal computers.

Government intervention in Taiwan's economy has been crucial, Wade argues, and at its best has proved both clear in its goals and swiftly adjustable. The large amounts

of aid sent from United States during the 1950s were put to skillful use, and the government carried out intelligent plans for import substitution that gradually expanded and strengthened Taiwan's communications, electrical power grid, and other parts of its industrial infrastructure. This pattern of development has not always been even, however. Taiwan's civilian companies have suffered consistently from the government's refusal to give them lucrative defense contracts, which are restricted to a small number of publicly owned firms. And as the government concentrated its attention on petrochemicals, plastics, and electronics, the Taiwan policy toward automobiles "wobbled and drifted," leading to the production of "some of the world's most deservedly obscure cars." A subsequent attempt to establish a major joint venture with Toyota ended in "fiasco."

Recent developments in microelectronic technology, as presented by Wade, give us an excellent look at the complex institutional planning that lies behind Taiwan's "economic miracle." In 1974 the Taiwan government formed a group known as "ERSO" (Electronic Research and Service Organization) that was to develop semiconductor design and production as a subsidiary of the officially sponsored National Industrial Technology Research Institute. By 1976 ERSO had opened a model plant for making electronic wafers, and in 1977 it signed an agreement with RCA to design integrated circuits. ERSO's growth was su-

pervised by an "industry task force" headed by two cabinet ministers reporting directly to the premier. To sharpen Taiwan's competitiveness with South Korea (which was putting its main energies into high-volume production of memory chips), ERSO planners decided to concentrate on custom-tailored chips. In 1979 some of this work was passed over to a newly formed ERSO subsidiary, United Microelectronics; at this stage, a 45 percent share of the equity was parcelled out among five private local firms.

By 1982 United Microelectronics was in full production, in collaboration with three Silicon Valley Chinese American firms that had agreed to relocate in a government-backed industry park in Taiwan. In 1985 the company designed and produced a 256K dynamic random access memory chip and by 1986 had progressed to even more powerful chips of a similar kind. As Wade, whose book is not noted for hyperbole, remarks, "these projects were already quite advanced by world standards."

Such details give a sense of the planning involved in Taiwan's growth and of the brain power the regime can muster. According to Wade's informants, by 1987 the Industrial Technology and Research Institute had a civilian staff of over 4,000, of whom a thousand had Ph.D. or MA degrees, and 1,400 had BAs. (A military "equivalent" to this institute employed a staff of over 20,000.) A separate development center for biotechnology was established in 1984, and other fields have since been selected for fast growth through government support during the last decade—including energy, automation, electro-optics, food-processing, and disease control.⁶

Taiwan's gradual moves toward democracy and the heightened complexity of its economic planning both coincided with the last years of the presidency of Chiang Kai-shek's son Chiang Ching-kuo, and the inauguration of President Lee Teng-hui in 1988. As Tien points out in his study, Lee "symbolizes the transition of power from the mainlander old guard to a younger generation of Taiwan-born leaders." Son of a Taiwan rice farmer, Lee went to four universities—Kyoto, Taipei, Iowa State, and Cornell—receiving a Ph.D. in agricultural economics from Cornell in 1968. After a few years as a university teacher in Taiwan, and as a consultant with a US-funded "Commission on Rural Reconstruction," Lee began his political rise within the Kuomintang in 1978, the same year that Chiang Ching-kuo succeeded his father Chiang Kai-shek as president. Lee's career was promoted by Chiang Ching-kuo, who saw him as an invaluable—and honest—middleman between the Taiwanese and the Mainlanders. After a successful term as mayor of Taipei, and as "governor" of Taiwan in the

⁶On other aspects of foreign policy and economic strategy, see especially the detailed studies by Yu San Wang, editor, *Foreign Policy of the Republic of China on Taiwan, An Unorthodox Approach* (Praeger, 1990), and Chi Schive, *The Foreign Factor: The Multinational Corporation's Contribution to the Economic Modernization of the Republic of China* (Hoover Institution Press, 1990).

Kuomintang-dominated structure that still claimed to govern the mainland provinces, Lee was named to the central Standing Committee of the Kuomintang, and chosen by Chiang as his vice-president in 1984. With Chiang Ching-kuo's death in 1988, Lee succeeded peacefully to the presidency.

But President Lee symbolizes not only a younger, Taiwan-born group of political leaders who are presiding over the demise of the old mainland-based Kuomintang political machinery. He also reminds us of the extraordinary ideological eclecticism of Taiwanese society, in which traditional Confucian family values, Buddhist spiritual yearnings, and modern Western technological skills can all co-exist. Lee Teng-hui is also a devout Presbyterian, who sought solace in the Christian church after his son died of cancer in 1982, and he often quotes the Bible in his speeches. His membership in the Presbyterian church is not without political significance, because the Presbyterians have long had a reputation for speaking their own minds on Taiwan and since the 1970s have been especially tenacious in urging Taiwan's independence from the Mainland, even though the expression of such views was completely forbidden by law. Thus their most natural allies, and many of their own congregations, are members of the Democratic Progressive Party which opposes Lee's own Kuomintang Party.

Though Christians are not dominant in Taiwan—there are only some 300,000 Protestants and 275,000 Catholics out of a population of 20 million—they are still a significant force

contributing to a more pluralistic atmosphere. Thanks to Murray Rubinstein's new study we can get a closer view of the Protestants on the island, one that highlights the variety and complexity of social and religious structures that coexist with the "economic miracle."

The variety of different Protestant evangelist sects on Taiwan is astonishing, and though Rubinstein writes without exaggerating their eccentricities, he shows how Taiwanese Christianity developed its own highly distinctive characteristics. One pioneer was the founder of the True Jesus Church, Barnabas Zhang, who traveled to the island with some fellow evangelists in 1926 and worked among the "mountain people" of Taiwan, that is, the descendants of the original inhabitants of the island. These people had been driven up from the plains into the hills by Chinese settlers in the eighteenth and nineteenth centuries, and then forced into reservation-like settlements, later surrounded with electrified barbed wire by the Japanese colonial administrators.

Another import to Taiwan was the Assembly Hall Church of "Watchman" Ni, which was founded in China in the early 1920s and preached a new brand of "Sinified Christianity," that drew some of its inspiration from the Anglo-Irish "Exclusive Brethren" of the early nineteenth century, but also responded to the anti-imperialist fervor prevalent in the Chinese revolution by rejecting the forms of worship of Anglo-American Protestant churches. Deeply nationalistic, and also a shrewd businessman and entrepreneur, Ni founded a branch of his church in Taiwan in the

difficult months of 1947 after the February 28 massacre. Though Ni himself stayed on the mainland after 1949, trying to keep his church afloat there under Communist rule, the Taiwan Assembly Hall Church flourished under Ni's lieutenant, "Witness" Li. It came to be seen as the "Mandarin" church and was therefore particularly popular among the mainland Chinese who found themselves in permanent exile on Taiwan after Chiang Kai-shek's flight to the island.

Within Taiwan's swiftly changing economy and society, these and other Protestant churches found an unanticipated ally in the "Prayer Mountain Movement" founded by Pastor Daniel Dai who had been working for the "Campus Crusades for Christ" when his wife experienced a series of spiritual visions in the late 1970s. After consulting with local Lutheran missionaries, and studying the organizational techniques of successful Korean evangelists, Dai set up weekend retreats that would allow Taiwanese Protestants of all denominations to renew their spiritual lives. A generous gift of land from a Taiwanese farmer who had participated in one of these retreats led to the establishment of a prayer hall and dormitory complex not far from Taipei. During the 1980s thousands of Taiwanese Christians visited Dai's Prayer Mountain in search of religious fulfillment. By their circumspect political behavior, Taiwan's Presbyterians and several other Protestant groups managed not only to keep alive ideas that challenged the authoritarian ideology of the Kuomintang, but even to form an independent base from which for-

mal political opposition could slowly grow and which now is central to the politics of the island.

Less fortunate were some smaller sects that got caught in the crossfire between their own religious goals and the government's unwavering hostility to anything that smacked of sympathy for the banned Taiwan Independence Movement. One of these was the "New Testament Church," founded in Hong Kong in 1962 by a popular singer and self-styled "prophetess," Kang Duanyi. The church had as its goal the restoration of the biblical church of the apostles, and when, after her death, the church's mantle passed to one of Ms. Kang's former followers in Taiwan, Elijah Hong, the sect ran into trouble. Elijah Hong believed it was his mission both to lead his church in a "holy war" against all other denominations on the island, and to convert some property owned by his church in the mountains outside the southern city of Kaohsiung into "the holy mountain of Zion."

To realize this dream, Elijah and his followers began to plant forests in their rather barren stretch of land as well as grow crops, dig fish ponds, build a prayer hall, and in practical gestures to the modern needs for security in Zion, they constructed guard towers and a cable car lift. Unfortunately, this burst of sectarian activity coincided with the 1978 riots in Kaohsiung, in which the Kuomintang government claimed that members of the Taiwan Independence Movement were deeply implicated. The Kuomintang destroyed Elijah Hong's Zion and evicted its members. For close to a

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decade the members of the beleaguered community fought for their survival through an international advertising campaign and by direct confrontations with Taiwanese authorities; in 1987 they won back their right to exist as a church and to reoccupy their sacred mountain in peace.

Each of the five books under review helps us fill in part of the story of modern Taiwan, but even when they are considered together they still don't give us the coherent view of the present that would also help us guess intelligently at the future. The book of essays edited by Denis Simon and Michael Kau, *Taiwan: Beyond the Economic Miracle*, goes further than any previous volume in doing so. Successfully avoiding the kind of pro-Kuomintang puff-pieces that have marred some previous collections, while also avoiding simple-minded criticism of the Kuomintang and skewed parallels with the People's Republic, the collection raises difficult issues and suggests that the next few years are not going to be easy ones.

The lead essay by Hung-mao Tien goes beyond the arguments he presented in *The Great Transition*, and takes a careful look at the "emergency provisions" that have been so central to Kuomintang rule. He considers the efforts of the opposing Democratic Progressive Party to gain support, and suggests four major tasks that may prove extremely difficult for Taiwan's leaders. Now that the old-guard Kuomintang with their vision of a reunified anti-Communist "one China" are fading from the scene they will have to create a new national identity based on consensus. They will have to work out a valid system for conducting elections for all the principal political offices and encourage the broad participation in politics that still does not take place. They will also have to alter the prevailing "corporatist" system of government in which the heads of the judicial system, the armed forces, and many university presidents are still members of the Central Committee of the Kuomintang Nationalist Party. Finally, they will have to protect citizens from criminals whose numbers (and violence) have grown alarmingly in the years since 1987 when martial law was lifted. Many well-to-do Taiwanese, Tien notes, now employ their own security guards and the level of lawlessness is "undermining the business and industrial communities' willingness to invest in Taiwan."

Parris Chang deepens the sense of the difficulties facing the government when he examines the power of the military within the political system, and shows how the so-called "academic" debates over Taiwan's political structure and electoral process in fact provide no more than the veneer for deep power struggles which can erupt in financial scandals and nuclear plots. Chang describes, for example, how the anti-Kuomintang writer Henry Liu was murdered in Daly City, California, by members of the crime syndicate known as the "Bamboo Gang," which worked in complicity with the Intelligence Bureau of the Ministry of National Defense.

A strong "ethnic" element has emerged just below—or even on—the surface of Taiwan's political, economic, and social life, as the essay by

Marshall Johnson makes clear. People don't like to talk about this on Taiwan, where the government encourages the view that the common "Chineseness" of all citizens produces social harmony and ideological unity. But the historical patterns of both jobs and marriages on the island, as analyzed by Johnson, suggest a very different interpretation, that the members of the Kuomintang who came to Taiwan after 1949 created a "settler society" that was imposed by coercion over the island's inhabitants, who were firmly excluded from the dominant companies and dominant family networks. Michael Hsiao, in a study of Taiwan's small but growing labor movement, also points out that the "economic miracle" has been "not without great human costs." State corporatist control over labor organizations was thorough and authoritarian, allowing an average of only thirty-six labor disputes per year in the 1960s. By the 1980s this number had risen to over a thousand a year, though the scale of each incident remained small. Hsiao reminds us that "the current liberalization can only be considered a necessary precondition for fostering further democratic development" and should not be confused with democracy itself.

As Jack Williams argues in his essay on environmentalism in Taiwan, the many small industries on the island are hostile both to organized labor and pollution control. Taiwan now ranks with the most highly developed nations in the amount of garbage it creates per person per day—1.2 kilos—and as the air quality grows worse and worse, around 50,000 Taiwanese are leaving their island each year. One response has been to move Taiwanese industries "off-shore" to countries that need cash more than they care about air pollution; thus, after years of strident protest from Taiwanese environmentalists, one of Taiwan's major petrochemical companies decided to build its new plant at Batangas in the Philippines. In response to rising pollution Taiwan's own Environmental Protection Agency, founded in 1987, has launched imaginative and highly publicized programs that the Bush administration might do well to consider. In "Project Eagle" the agency used helicopters with infrared sensors to locate polluters and then swooped down from the sky to impose fines on the spot. "Project Nightingale" was dedicated to locating and punishing of noise polluters. "Project Rambo" was designed to stop the illegal nighttime dumping of toxic wastes.

The most vivid essay in the collection is certainly Hill Gates's "Small Fortunes: Class and Society in Taiwan," which starts with a beautifully presented sketch of the "Gao family," whose members she first met in a busy Taiwan side street during 1970 and whom she revisited at five-year intervals, following their economic fortunes, their jobs, their births and marriages and deaths.

The Gaos, in their capacity for hard work, their shrewdness, their political practicality, their limited social goals, are presented by Gates as typical representatives of the "petty capitalists" who have been the key to Taiwan's success during the last decades. Mrs. Gao is both a housewife and an entrepreneur in businesses including a grocery shop, a restaurant, and an at-

elier for making boots for the Chinese operas that appear on TV; she runs her family and acts as an "investor-manager" in a vast "underground economy" which often evades official attention including taxes but which, if it could be monitored, would doubtless add 30 or 40 percent to the official figures we have for Taiwan's GNP. "Much of the wealth that enables people like the Gaos to fix their teeth, buy apartments, and educate daughters, has been seized from the flows that officials want to direct to the state, and capitalists want to send to corporate headquarters." The Gaos and millions of other petty capitalists, in Gates's elegant pun, "ultimately steal the show."

Always present in the background of Hill Gates's essay are the larger issues of Chinese behavior and politics. The local interests and needs of the Gao family may seem specific: "They want to be left strictly alone by officials, not bothered by tax agents or policemen. . . . They also want a 'strong leader' who will eliminate street crime (though not tax evasion), and manage society with benevolent despotism." But, as Gates suggests in an elaborate metaphor, the Gaos and other petty capitalists of Taiwan are inescapably part of a larger drama. It is mainland China itself that is "the vast theater" in which this drama will be played out. And even if for a brief time after the 1989 Beijing demonstrations and massacre "the Chinese audience became an orchestra pit full of poor relations," that will not be the case indefinitely.

In their various ways all the other essays in the volume edited by Simon and Kau speak to the problem of what Taiwan should—or will have to—adjust and react to the enormous country they claimed for forty years to rule. For running through the essays that deal specifically with the economy and with foreign policy is a sense of Taiwan's limitations—limitations within the world of diplomacy, limitations on further economic expansion, limitations even in their ability to defend their own territory. "Taiwanese independence" is thus not just a political movement or an ideological statement, it is a moral and economic conundrum of the most complicated kind. What is long term and what is short term in Taiwan's success? What is fundamental about recent political changes and what is superficial? Is there a common destiny with the mainland, or was it the period of unification from 1683 to 1895 that was the anomaly?

Clio's flexibility lets us approach these questions with a measure of information and a dash of common sense, after years of dismissal or exaggeration. Taiwan, as we can see from these studies, is clearly very much a part of modern Chinese history, but that is not the same as saying it is a part of China. In the next decade both China and Taiwan are going to have to confront the anomalies of their situation, and decide what it is that they really want from each other. One of Bo Yang's fictional mainland refugees expressed the paradox and the pain of this predicament with enigmatic vigor: "Illusions vanish when a man wakes up. But lunatics never wake up. Their eyes see a beautiful vision that never ends, a fulfillment of all their wishful thinking that never stops. The people who are really pitiful are the ones who aren't crazy, like us." □

EU and US in crucial Gatt talks

Weary Clinton sets sights on Pacific goals

The President showed new-found enthusiasm for the region at the Apec summit, writes George Graham

By George Graham in Seattle and David Dodwell and Frances Williams in Geneva

European trade negotiators arrive in Washington today for a two-day meeting with US counterparts that is likely to determine the shape and scope of the Uruguay Round package of world trade reform.

"I am confident now that there will be an agreement by December 15," the deadline set for an accord, a European Union negotiator said before departure. "The Washington meeting will decide whether it is a big deal, or something more modest."

While warning that a "small package" would be much harder for national governments to ratify, he signalled that outstanding differences over protection and subsidies for steel presented a stumbling block. Negotiators would be trying to "reduce matters to an absolute minimum" - focusing on market access, trade in services, anti-dumping rules, subsidies and disciplines over support for steel and aircraft.

The Washington meeting between Mr Mickey Kantor, US trade representative, and Sir Leon Brittan, EU trade commissioner, will allow EU negotiators to learn how events of the past week have influenced US strategy towards completion of the Uruguay Round. The EU has been a spectator during the approval by the US Congress of the North American Free Trade Agreement and the US courtship of Asian nations at the Asia-Pacific Economic Co-operation summit in Seattle.

US officials said at the weekend they believed that winning congressional approval for

Nafta had strengthened their hand in the Uruguay Round negotiations and had improved prospects of congressional support for the Gatt deal.

"A good consequence of the Nafta win is that while we really would like a deal, we don't have a high octane political need for one. When the president says we want a good one, we can mean that," an administration official said.

The Senate voted Nafta through on Saturday by 61-38. A total of 34 Republicans joined 27 Democrats in favour of the measure; 28 Democrats and 10 Republicans opposed it.

As the Uruguay Round approaches December 15, after which President Bill Clinton will lose his fast track authority to negotiate without line-by-line congressional oversight, the White House believes that the Nafta battle has re-established a constituency for free trade within Congress.

Mr Clinton said that the US would "not accept a flawed agreement" but added that a good Gatt deal could create 1.4m jobs in the US over 10 years.

Tom Burns adds from Madrid: President François Mitterrand of France underlined that the road to a Gatt agreement remained rocky when he used bilateral weekend talks with the Spanish government in Madrid to deliver a stinging attack on what he said were bullying US tactics following the Nafta accord.

He was supported by Mr Edouard Balladur, prime minister, who warned in a joint press conference with Mr Mitterrand and Mr Felipe González, Spanish prime minister, that the US would have to soften its stance on Gatt.

Judging by his haggard looks and weary tones as he delivered his final speech before leaving the Asia-Pacific summit in Seattle at the weekend, one might have thought President Bill Clinton had suffered a dismal week riddled with defeat. In fact, he left the summit as he arrived - riding high.

"Other than being tired, and he is very tired, he is loving it," a senior administration official said.

Mr Clinton came to Seattle fresh from victory in Congress on the North American Free Trade Agreement, and left after a step towards an ambitious vision of the US as a country that looks not only to the Atlantic but also, perhaps with keener interest, to the Pacific.

This vision is rooted in Mr Clinton's desire to place economics at the core of US foreign policy. In his election campaign last year Mr Clinton articulated the belief that US jobs depended on exploiting

trading opportunities overseas, but US officials say he did not make a "gut connection" until the summit of the Group of Seven industrialised nations in Tokyo in July.

His message sharpened by the Nafta debate, Mr Clinton last week in speeches in Seattle closed the circle between international security policy, international economic policy and domestic economic policy.

"We cannot remain strong abroad unless we are strong at home," Mr Clinton said. "Stagnant nations eventually lose the ability to finance military readiness, to afford an activist foreign policy or to inspire allies by their example."

At a time when wealthy nations must become ever more productive to meet competition from both low wage countries and highly skilled countries, the only way they can increase jobs and raise incomes is through expanded trade. "There is no alternative. No-one has yet made a convincing case that any wealthy

country can lower unemployment and raise incomes by closing up its borders. The only way to do it is to expand global growth and to expand each country's fair share of global trade," Mr Clinton said.

This emphasis on export opportunities has led the US inexorably towards the Asia-Pacific region, which is not only by far the fastest growing segment of the world economy but also the area with which the US has the largest trade deficit. Japan and China between them account for more than two thirds of the entire US trade deficit.

At the same time, Mr Clinton in Seattle directly linked US military presence in the Pacific and its security treaties with five countries in the region to expanded market access.

"We do not intend to bear the cost of our military presence in Asia and the burdens of regional leadership only to be shut out of the benefits of growth that that stability brings," he said.

The administration is anxious not to snub Europe. The approved formula adopted by even the most Asia-minded US officials, such as Mr Winston Lord, assistant secretary of state for the region, is that "no area will be more important than Asia," and Mr Clinton himself insisted that Europe remained "a central partner for the US in security, in foreign policy and in commerce."

But many senior officials can scarcely conceal the feeling that all Europe has to offer them is mature markets with few opportunities for expanded US exports, foreign policy nightmares such as Bosnia, and an unimaginative and backward-looking pessimism.

Turning Mr Clinton's new-found enthusiasm for the Pacific into something concrete may prove difficult. In the first place, the administration's approach to realising its goals in the region is largely built on combining divergent policies previously seen as incompatible alternatives: engaging

China on trade issues while taking a tough line on human rights; aggressively pursuing bilateral trade initiatives while pressing on with multilateral talks in the Gatt round; seeking to expand its free trade agreements in Asia and Latin America at the same time.

"We want it all," says Ms Joan Spero, undersecretary of state for economic affairs, while experts from the Bush administration scoff at their successors' inability to set priorities.

Second, many Pacific nations - including even those with a more western heritage, such as Australia - resent the US efforts to link its own values, such as human rights, market economics and democracy, to trade. Asian leaders look at a US beset by budget deficits, governmental gridlock and violent crime, and question whether this is a price worth paying for greater democracy.

Third, many Asian members of Apec have shown reluctance in Seattle to get sucked into

grandiose US schemes for Mr Clinton's "new Pacific community," in which Apec could play the same role of anchoring peace and prosperity in Asia that Nato played in weathering the Cold War in Europe. Several countries remained wary of any attempt to institutionalise Apec with larger bureaucracy and more regular meetings.

US officials describe these reticences as "birthing pangs," and for all their doubts, Apec leaders took several steps in the US's direction. They agreed tariff cuts as a token of sincerity in final Gatt negotiations, accepted the US proposal for a meeting of Apec finance ministers, and agreed on a leaders' summit in Indonesia next year.

But the US's Asia vision has a long way to go before, as Mr Clinton hoped, "future generations may look back and say they can't imagine how the Asian-Pacific region could have thrived in such a spirit of harmony without the existence of Apec".



Leaders at the Apec summit held a session in a log cabin on Blake Island off Seattle at the weekend

Associated Press

Hosokawa wins respite in battle on market access

By George Graham in Seattle

boost the world economy.

Japan's government has won a breathing space to press ahead with its political reforms before it faces more US pressure to open its markets and stimulate its economy.

US officials are increasingly convinced that Mr Morihiro Hosokawa, Japan's prime minister, is bringing real change to his country's political system, and are willing to wait until he can win this battle in the Japanese parliament before pressing their demands for access to the Japanese market.

President Bill Clinton, fresh from a bruising struggle to win congressional approval of the North American Free Trade Agreement, sympathises with Mr Hosokawa's political difficulties.

"The president clearly sees political reform as Hosokawa's Nafta," a senior administration official said, echoing Mr Hosokawa who said the next legislative hurdle, in the upper house, for his reform plans would be just as difficult as the Nafta debate was in the US.

US officials insisted they were not disappointed that the bilateral meeting had yielded no specific progress either on opening the Japanese rice market or on the additional measures to stimulate economic growth that the US believes Japan should undertake.

Mr Clinton said he hoped the two countries would over the coming months take action to

"By next June or July, certainly by a year from now, I believe that the responsibilities of the United States and Japan to do more to promote global economic growth will have been in large measure advanced," he said.

Mr Hosokawa, however, said later that he had no idea what Mr Clinton was talking about.

Senior US administration officials said they still believed further stimulus to demand in the Japanese economy would be timely, but said there could be no question of the US trying to dictate to Japan the size or timing of a tax cut or tax reform programme.

Progress on bilateral trade issues is unlikely to materialise until the days before Mr Clinton and Mr Hosokawa next meet on February 11.

"The pattern historically is that change occurs at the eleventh hour. We will have to see if the three key areas of procurement, insurance and automobiles yield concrete results or not," a senior administration official said.

But Mr Hosokawa repeated Japan's opposition to setting numerical targets for foreign market shares, and insisted that the bilateral trade talks could not be a one-way street.

"We will do our best with regard to market access, but efforts will have to be made on the US side to improve its competitiveness," Mr Hosokawa said.

Chinese leader cuts a figure on the world stage

By Alexander Nicoll in Seattle

China's President Jiang Zemin did not quite go to the extent of donning a ten-gallon hat - as did his patron, Mr Deng Xiaoping, when he visited the US in 1979.

But the crusty Communist party general secretary went out of his way to make an impact as a world leader during the weekend summit in Seattle.

Mr Jiang talked expansively but uncompromisingly in a 90-minute session with President Bill Clinton. He had individual meetings with leaders of Indonesia, Australia, South Korea, Canada, Japan and Thailand. He dropped in on a "typical"

middle-class American family, handed out a stuffed panda and a doll in exchange for cookies and a picture of Sleeping Beauty, and brandished pictures of his grandchildren.

For Mr Jiang, the summit could not have been held in a more symbolic city than the home of Boeing, which dominates the local economy. China has bought more than 200 Boeing aircraft since the 1970s and is the company's biggest foreign customer. Thanks to the country's economic boom and renewal of its infrastructure, it promises to remain so.

But if Mr Clinton removes China's most favoured nation trading status, as he threatens to do next year, Seattle would

fear the consequences. Visiting Boeing's Everett plant, Mr Jiang pointedly thanked Mr Frank Shrontz, Boeing's chairman, for the company's efforts to maintain China's MFN status.

Chinese officials repeatedly pointed out the US would suffer if MFN is revoked.

Mr Clinton, after several months of worsening relations, has embarked on a new policy of closer engagement with China, involving higher-level and more frequent discussions than had occurred since before the Tiananmen Square killings in 1989.

However, he made clear to Mr Jiang this does not imply a lessening of US pressure on China for improvements in

human rights, market access and nuclear non-proliferation - all conditions set by the US president for MFN renewal next June.

On human rights, Mr Clinton spelled out specific demands for International Red Cross access to Chinese prisons; release of political prisoners particularly if they are ill; a dialogue by Beijing with the Dalai Lama, the exiled Tibetan spiritual leader; and access by US customs officials to ensure prison-made goods are not exported to the US.

Mr Jiang delivered a 15-minute statement on the diversity of the world's nations and the need not to interfere in each other's affairs. But he did

discuss the North Korean nuclear threat and indicated China was prepared to discuss the issues which were of concern to the US.

Both men said the meeting was a "good beginning". Mr Clinton said it "established our determination to build on the positive aspects of our existing relations, and to address far more candidly and personally than we have in the past the problems that remain".

China had not been expected to give ground in so public an arena as the first meeting between the two presidents. But Mr Warren Christopher, secretary of state, was encouraged that they had met, that Mr Jiang had not refused to

"engage", and that they had "a vivid and animated discussion".

Despite China's rejection of US demands, stepped-up and forthright dialogue seems likely to continue, with end-year deadlines looming for resolution of market access and textile disputes and congressional hearings on the MFN issue due in January.

Mr Mickey Kantor, US trade representative, said Beijing's trade surplus with Washington could reach \$23bn (£15.6bn) this year and described it as "politically and economically unacceptable." Ms Wu Yi, China's trade minister, responded that "China has never been afraid of sanctions."

Leaders foresee wider economic partnership after historic summit

Pacific rim ushers in 'brave new era for trade'

By Alexander Nicoll and George Graham in Seattle

Leaders of Pacific rim countries, meeting in an unprecedented summit at the weekend, set out a vision of economic partnership which they said would give the Asia Pacific region a new voice in world affairs and would spearhead global growth in the 21st century.

Although they stopped far short of establishing a formal economic community, the leaders from the Asia-Pacific Economic Co-operation grouping indicated gathering momentum by agreeing to meet again in Jakarta in 1994 and calling a meeting of finance ministers in the first half of the year to discuss macroeconomic developments and capital



Fingers crossed: US president Bill Clinton bids farewell to Japanese prime minister Morihiro Hosokawa on the ferry from Blake Island, Seattle, after the Asia-Pacific Economic Co-operation summit

Reuter

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flows.

The heads of government of the US, Japan, China, Canada, Australia, New Zealand, South Korea, Indonesia, the Philippines, Singapore, Thailand and Brunei, together with ministers from Taiwan and Hong Kong, met for six hours in a replica of an Indian log longhouse on Blake Island, near Seattle.

The summit, held at the invitation of President Bill Clinton, was symbolic of the rapid growth of Asian economies and Pacific trade. It was remarkable for its studied informality, with few prepared statements and plenty of chats in small groups.

The leaders issued a "vision statement" which steered well clear of the many bilateral problems dividing Apec members and contained few specific commitments, but said: "Our economies are moving toward interdependence and there is a growing sense of community among us." The region, they noted, accounts

for 40 per cent of the world's population and 50 per cent of its gross national product.

The statement's vagueness underlined the nervousness of Asian countries about creating new formal structures for co-operation, and particularly about agreeing to anything which could be interpreted as submitting to US domination.

However, Mr Paul Keating, the Australian prime minister, said the summit had "diminished fears some countries might have had about the US and its motives and the whole development of Apec."

Mr Clinton said: "We've agreed that the Asian-Pacific region should be a united one, not divided. We've agreed that our economic policies should be open, not closed."

The leaders were emphatic that they were not attempting to establish an exclusive trade bloc and that they were determined to win a strengthened General

Agreement on Tariffs and Trade. Most Apec countries, in a bid to give impetus to talks on the Gatt Uruguay Round, offered new tariff cuts in an agreement hammered out by ministers in Seattle last week.

Mr Clinton said: "We want Europe to work with us to get a good Gatt agreement by the end of the year. That's the message we want to send to our European friends." Gatt negotiators in Geneva are seeking an accord by a December 15 deadline.

Mr Winston Lord, the US state department official responsible for Asia, told reporters: "I think we will look back in ten or twenty years time and consider that this leaders' conference was a turning point in the Asia-Pacific." Apec members were, he said moving towards forming a community "in the sense of a family and in the sense of shared purpose."

The US enthusiasm for partnership with Asia underlines Mr

Clinton's recognition of the region's growth and the need for the US to be involved in it for the sake of its future prosperity. However, he also emphasised that the US was stepping up its focus on the pursuit of human rights and democracy, as well as market access.

Mr Clinton's bilateral meetings with China's President Jiang Zemin and Mr Morihiro Hosokawa, the Japanese prime minister, produced no new commitments. China's insistence that the US should not link trade and human rights issues found an echo with virtually every other participating country.

Nevertheless, the leaders agreed to establish a Pacific Business Forum which would identify areas in which trade and investment could be facilitated, particularly for small and medium-sized businesses. They will also establish a programme to develop regional cooperation in higher education.

Chinese-born missionary was peace activist

Monday
Nov. 29
1993
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BY DONN DOWNEY
The Globe and Mail

TORONTO — James Gareth Endicott, one of Canada's foremost peace activists in the 1940s and 1950s, died Saturday morning of heart and lung failure at Toronto's Queen Elizabeth Hospital. He would have been 95 on Christmas Eve.

Mr. Endicott was possibly the most vilified Canadian of the 1950s when the federal Government, in a sort of knee-jerk reaction to the Communist witch-hunts in the United States, considered charging him with treason.

At the time, Canadian troops were part of a United Nations force fighting in Korea and on May 15, 1952, the Chinese-born missionary said the UN forces were waging germ warfare against the Chinese and North Koreans. He said he had the evidence to back it up and blamed the United States which, he said, had orchestrated the Korean war to prevent recognition of the Communist Chinese Government.

It was not the first time Mr. Endicott had come out on the side of the Communists and not the first time he had paid a price for it. Six years earlier, he had resigned as a missionary in China, where he had served for 21 years with the United Church of Canada, because of his condemnation of the government of Chiang Kaishek. At the same time, he supported the revolutionaries under Mao Tseung who took over mainland China in 1949.

Although he resigned on his own accord, the church did issue an ultimatum. It told him to modify his public statements or resign and he chose to quit. Years later, in 1985, he regarded this as a mistake, saying he should have made the church take a stand and either force him out or change its own thinking.

It could have been worse. There was a move afoot to revoke his passport and it was also suggested that he be banned from using the mails. In the end Ottawa backed off. Treason was punishable only by death, a penalty it thought was too severe, and Mr. Endicott was able to keep his passport and the use of the mails.

He did, however, alienate the foreign affairs minister, Lester Pearson, whom he had known since his days at the University of Toronto, John Diefenbaker, then a prominent member of the opposition in the House of Commons, and George Drew, then leader of the opposition.

Mr. Pearson called him the "bait on the end of a Red hook" while Mr. Diefenbaker called his statements "damnable," one of the rare occasions when the two parliamentarians publicly agreed. Mr. Drew called him a "jackal of the Communists."

However, in the Communist countries he was something of a hero, receiving the Stalin Peace Prize in 1952 for working for "peaceful coexistence between the Christians and the Communists." He also was a friend of Chou Enlai, had met Mao Tseung and, like another Canadian, Dr. Norman Bethune, was revered by the people of China.

He never returned to the ministry and had to wait until 1982 before the United Church apologized. By then the Vietnam war had blackened the reputation of the United States and the church had moved closer to Mr. Endicott's views.

"Events of the past 30 years have borne out many of his predictions and prophetic actions on the issue of world peace," the church said in its apology, which prompted The Globe and Mail to comment editorially that the church "has clothed itself in the ideological garb of the minister it defrocked." (In fact, Mr. Endicott was never defrocked).

Yet in 1985, Mr. Endicott still felt there were jobs left undone and he was unchastened by his brush with the death penalty and the subsequent notoriety.

"I won't really feel vindicated until the truth about the germ warfare

is acknowledged by the Western governments," he said. "The other vindication I will not receive is the basic truth of the peace movement to which I have committed my life for 20 years and that is, in the world today, peaceful coexistence is the only alternative to a disastrous war."

The son of the second moderator of the United Church, also named James Endicott, he was born at a mission in Szechuan Province, where he spent his first 11 years and became fluent in Chinese. His family left China for Toronto, where Mr. Endicott completed his early education before enlisting as a private, serving overseas with the Canadian Army during the First World War.

He then attended Victoria College at the University of Toronto where he was president of the Student Council, chairman of the Student Christian Movement and won the Senior Stick, awarded by vote to the best all-round student of the graduating year.

During a summer at university he met Mary Austin, the daughter of a pillar of the Conservative Party in Chatham, Ont. On the surface the two seemed an unlikely match, but in the words of Mr. Endicott, she "was a bit radical" and they were married in 1925. That was the year he graduated with an MA, was ordained and returned to China.

He fell under the spell of Chiang Kaishek and his wife and was on their side before and during the Second World War. He once compared Chiang to Abraham Lincoln and described Madame Chiang as a combination of Helen of Troy, Florence Nightingale and Joan of Arc. In 1985, however, he admitted that he had been unduly influenced by them.

Mr. Endicott became disenchanted with them when he saw Chiang's officers starving the troops under their command and saw his government as corrupt. He made the break in 1947, emerging on the side of the revolutionaries.

Speaking out against them was typical of the man who acted out of conscience rather than political expediency. But every time he jumped the fence he lost allies, alienating along the way the United Church, the Canadian and U.S. governments and the governments in both China and the Soviet Union.

Mr. Endicott returned to Canada after he resigned from the church and in 1946 started giving lectures and publishing the Canadian Far Eastern Weekly, a monthly newsletter which Mr. Endicott described as an effort "to tell what the press wouldn't tell about China."

It was hardly a paying proposition. Although it once had 5,000 subscribers, by 1985 its circulation had dwindled to about 500 and Mr. Endicott was subsidizing it, hoping to keep it alive at least through 1985.

However, he was receiving a \$2,000 a year United Church pension which in 1949 was augmented by the \$2,000 he received as chairman of the Canadian Peace Congress, an organization with a decidedly leftist membership. That lasted until 1972, when he split from the congress over his support of the Chinese as opposed to the Soviet Union. The congress asked for and received his resignation.

Despite his clash with the United Church he remained a member and was unwavering in his support of leftist causes, although he repeated again in 1985 that he had never been a member of the Communist Party.

His first wife died in 1968 and in 1970 he married again. He leaves his second wife, Ella; three sons, Norman, a lawyer; Stephen, a professor at York; Michael, a typographer; a daughter, Shirley Small, who is married to a professor at York; 13 grandchildren and eight great-grandchildren.

A memorial for Mr. Endicott will be held Wednesday at the Bloor Street United Church, 300 Bloor St. W., at 7:30 p.m.

China claims copiers a threat

Reuter

BEIJING

China, still one of the most secretive countries, has warned that photocopiers pose a threat to state security and called for tighter controls over their use.

The Legal News said the spread of the machines in Chinese offices has resulted in the illegal copying of confidential documents.

It said the documents fell into the wrong hands because of official carelessness. "The results could be too awful to contemplate," it added.

It cited the case of rubbish collectors who discovered top secret Communist Party documents and other material classi-

fied "internal only" in a rubbish bin at one institution.

The paper acknowledged that photocopiers had made office work easier, but said some officials ignore rules that forbid the copying of top secret documents.

"Some comrades think that because the country has opened to the outside world, there are no secrets left to keep," the paper said. "This is a sloppy attitude. The more open the country becomes, the more we must keep secrets."

Many Chinese offices keep their photocopiers locked and employees must apply for permission to use them.

China classifies a wide range of information "secret," including routine economic statistics.

China accused of rampant abuses

Torture, arrests, executions widespread, Amnesty International report charges

BY PAUL KNOX
The Globe and Mail

With a new test of the world's tolerance for repression in China looming, Amnesty International said yesterday that officially condoned torture, arbitrary arrest and execution are widespread there.

In a report titled *No One Is Safe*, Amnesty says China's booming economy has brought prosperity to millions but has also led authorities to crack down on political dissent and crime, routinely flouting their own laws.

"Despite the dramatic changes that have taken place in China in the past decade, human-rights violations continue on a massive scale," it says.

And while laws aimed at repressing human-rights violations have been passed, it adds, "political repression and the arbitrary exercise of power remain systemic.

"There is no sign of fundamental changes in the human-rights policy, or in aspects of the legal system which foster gross and systematic human-rights violations."

The report says that if China wants influence consistent with its population of 1.2 billion and its growing economic power, "it must accept the responsibilities that come with it. In today's globalized world, China cannot make human rights an exception or violate them with impunity."

The report was released only days before the annual United Nations Commission on Human Rights meeting, which begins in Geneva on Monday.

At last year's meeting, a resolution condemning China's human-rights record, co-sponsored by Canada, failed by a single vote. A similar measure is expected to be introduced this year.

The report by Amnesty, an independent London-based group that lobbies for human rights and an end to capital punishment, is the latest in a cascade of reports listing widespread human-rights violations in China.

China routinely rejects the criticism as unacceptable interference in its domestic affairs.

A Chinese foreign ministry spokeswoman quoted by Reuters News Agency said Amnesty "has always harboured prejudices against China and often fabricates rumours

about the so-called abuses of human rights."

In January, U.S.-based Human Rights Watch said thousands of unwanted children were left to die in Chinese orphanages. The report was based on documents smuggled out of the country by a Chinese doctor.

Last week, in its annual global human-rights report, the U.S. State Department said China had stepped up repression during 1995 and suppressed almost all internal dissent.

The Amnesty report notes a growing tendency in China to execute those convicted of non-violent crimes. It says 68 offences are now punishable by death, up from 21 in 1980. Besides murder, people were executed for theft, prostitution, poisoning livestock and tax evasion.

The report says China has put more than 2,000 prisoners to death in each of the past two years, more than the total number in the rest of the world.

It gives several examples of harsh treatment meted out to dissidents: a car factory worker sentenced to 20 years in jail for organizing a discussion group and protest march; a suspected chicken thief tortured to death; the prison term of a Tibetan nun increased by eight years for recording pro-independence songs.

Amnesty also quotes a former family planning official who says authorities enforcing China's one-child policy have threatened violence to get pregnant women to undergo abortions.

The report calls on China to enforce its own laws, appoint a commission of inquiry into human-rights violations and compensate victims. It says other countries should press Beijing to allow independent monitoring.

"The world cannot ignore the human rights of a fifth of its people," Amnesty says. "What happens in China is an important measure of the state of human rights internationally."

In Ottawa, Foreign Affairs Department spokesman Ariel Delouya said a resolution on human rights in China is being drafted by the European Union for this year's UNCHR meeting. Canadian representatives will decide whether to support it when they see the text, he said.

Diplomat is serious, not stuffy

BY ROD MICKLEBURGH
China Bureau

BEIJING — When one thinks of an ambassador, one generally doesn't think of a man riding a camel into an embassy Christmas party, dressed in a Santa Claus suit.

Nor does one imagine a short, moustachioed man careering through the Chinese countryside with his silver-haired wife on a bicycle built for two.

But both those pictures fit Fred Bild, whose four-year stint as Canada's ambassador to China ended on Friday, leaving the embassy a much tamer, quieter and more conventional place.

"He was a blast," said Andrew Halper, who served for three years under Mr. Bild as an officer in the embassy's political and economic section. "There may be other great ambassadors out there, but I can't imagine working under one who would be more enjoyable."

Indeed, if anyone broke the mould of self-effacing drabness that some say Canada presents to the world, it was the 59-year-old ambassador in his old-fashioned bow ties and checked shirts, regularly demanding to bicycle rather than ride in the offered limousine when visiting other areas of the country.

Relaxing over a cup of tea during his last few hours as ambassador, Mr. Bild confessed that he does enjoy a good time, even in the serious world of diplomacy.

"I like to do things I would normally do," he said. "It doesn't hurt anybody, and people seem to like it. I don't know why stuffiness has to go along with seriousness."

Mr. Bild was a superb ambassador, said Mr. Halper, remembering a 2,500-kilometre overland trip he made with him across the desolate Tibetan plateau to examine some Canadian aid projects.

"We experienced some very primitive conditions, but Fred



Fred Bild

took it all with an amazing reserve of good humour and resourcefulness," he said.

"I also discovered there was nothing he wouldn't eat for his country. He ate stuff I wouldn't go near. He even asked for seconds," said Mr. Halper, now a Chinese trade lawyer.

"But he never lost sight of the fact he was Canada's ambassador to China. Despite the humour, he always kept a critical distance, always looking for ways of putting Canada on China's mental map. The Chinese liked him. He made a mark."

"This is a place where things are really happening," Mr. Bild said. "After more than a century of trying so many different things, the Chinese have finally found the way to modernize their country. They now know where they're going."

That wasn't the atmosphere confronting Mr. Bild and his wife Eva when they arrived in Beijing, 16 months after the 1989 Tiananmen Square massacre.

It was dead quiet at the embassy. High-level contacts between Canada and China had ended, and human rights were virtually the only issue on the

table. "I'd bring it up even in the 30 to 40 seconds I had with [Premier] Li Peng at receptions," Mr. Bild said.

Soon afterward, the trials of many of the leading Tiananmen Square protesters began. The Canadian embassy played an activist role, taking turns with other Western embassies to monitor the notices going up announcing which trials were taking place.

"We kept trying to get in. Of course we never made it, but we thought the gesture was important," Mr. Bild said.

Gradually, as China opened its doors wider to foreign investors, Tiananmen Square became less of a focus.

"It's an historical event that you can't forgive or forget. But you've got to go on from there. You can't punish them forever."

Under current government policies the focus has shifted to what is termed a constructive approach to China's atrocious human-rights record, promoting projects that try to improve specific areas, such as the judiciary and the treatment of women.

"If you always take them on in an adversarial manner, they just build up their defences and they become convinced you're as bad as they are," the veteran diplomat said.

Mr. Bild feels Ottawa's new low-key approach is working. Chinese academics have been touring Canada, preparing reports on what they see for the Politburo. One group asked for advice on transferring "a medieval state to a modern democratic society."

Although he admires many of the changes sweeping China, Mr. Bild sees huge problems ahead, particularly in higher education. The Chinese have the worst education record among all the current and former Communist countries, he noted.

"India and Pakistan are way in front of them," he said. "The Chinese don't have a reservoir of highly educated people. That

means they're going to be dependent on foreign technology for an awfully long time."

Mr. Bild also believes China has lost most of its cultural vibrancy.

"That really disappointed us. There's so little vibrant, indigenous cultural life going on in China. It was flattened and anesthetized by the early Stalinist years, and then by the Cultural Revolution," he said. "Now, the government is turning to Confucianism and other old doctrines. They're still afraid to allow any new cultural expression, and I think this is going to cost them very dearly."

But Mr. Bild remains optimistic about China: "I like the way the people are looking up. They are beginning to take their future into their own hands. I find that extremely exhilarating."

As for his own tenure, Mr. Bild went out with a bang, playing host to last month's landmark trade delegation to China, headed by Prime Minister Jean Chrétien and nine provincial premiers.

"I believe this was a watershed event," he declared. "Not just for the Chinese, but for Canadians, too. The forging of Team Canada focused Canadian attention on China for one whole week. It was more than any of us could have dreamed of, and things around here will never be the same."

After a 33-year diplomatic career, Mr. Bild will be back in Canada for the next year as an "ambassador in residence" at the University of Montreal. After that his plans are uncertain, but, like many who are bitten by the China bug, he's certain he'll be back.

"I would like another 10 years here. Both Eva and myself feel we've only scratched the surface," he said.

Canada's new ambassador to China is John Paynter, previously ambassador to India.

aside his rivals and putting hand-picked aides into key positions.

Please see YELTSIN — A6
Russian North loses its glitter — A10

age was 40.
The lungs of those who gave up cigarettes completely deteriorated.

relative capacity of human lungs.
Please see STUDY — A2

ton."
Please see CANADA — A2

CHINA / *The economic revolution needs educated people, but leaders fear the effect of teaching their citizens how to think*

Nov. 16
1999
p. 1
Mao's thought still hangs over education

BY MARCUS BRAUCHLI
The Wall Street Journal
Shanghai

ABSORBED by its drive to develop, the world's most populous nation is neglecting the key to its potential treasure trove of human capital: higher education.

Communist China long has treated intellectuals badly, even brutally. Now, reformist China faces a difficult conundrum: how to become a globally integrated market economy without fostering free-minded institutions like universities. Most experts doubt it can be done.

"There will be a crisis within five years, at most," predicts Cheng Kai-ming, dean of education at Hong Kong University. He foresees a mismatch between the quality of education and fast-rising economic needs: "China doesn't really have universities in the Western sense of the term, with a culture of liberalism and critical thinking. But they need them if they want to innovate and grow."

Evidence of the shortcoming abounds. Job-recruiting season at a few good Chinese universities is intensely competitive, with wages offered to graduates far above what average new hires get paid.

Still, foreign companies often have to send Chinese university hires abroad for training in innovative thinking and problem solving.

The problem with China's schools is that, instead of teaching students how to think, they still teach what to think. Under the old, centrally planned economy, students were assigned jobs for life, and theory was jettisoned in favour of specific training for specific jobs. That system has driven nearly a quarter of a million Chinese students overseas in search of more flexible education; of

those lucky or connected enough to get visas to study abroad, fewer than one in five return.

Even China's best universities hew to old habits. On prestigious Qinghua University's bicycle-swarmed campus in Beijing, for instance, students spend several hours a week in factory workshops.

Top science scholars can be found working at lathes, churning out parts for railroad engines, in order to master the needs of basic industry.

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Educating the masses is China's challenge

• From Page A1

Like much of China's educational system, that populist approach is rooted in the communism that Mao Tsetung brought to power in 1949. A key Communist aim was to provide education to hundreds of millions of peasants. The regime has largely done that, enrolling more than 97 per cent of people in primary school.

But China's 1.2 billion population makes it all but impossible for Beijing to extend advanced education to everybody, and the academic winnowing is rigorous. Only 40 per cent of primary-school graduates pass tests that let them into junior-high school; two-thirds finish.

About one in eight Chinese reaches a general high school. Only three to four of every 100 Chinese pass the rigorous entrance exams for university. In the United States, by contrast, nine out of 10 students do some secondary school, and three out of four go on to some kind of tertiary education.

Parents put intense pressure on their children to study, sending even five-year-olds to boarding school and encouraging youngsters to do homework three hours a day. When East China Normal University education experts came up with a homework-free, primary-school curriculum called the "Happy Teaching Method," panicked parents tried to yank their children out of the program. They feared their children might not get into high school and the university.

The number of university openings has doubled to 2.5 million in the past 10 years, but the growth mainly has been in specialized or vocational programs at the expense of pure academics. This, suggests Ruth Hayhoe, a University of Toronto expert on Chinese education, is because China's leaders fear losing control.

Until the early 1980s, most university graduates could expect to find jobs in the Communist Party, the government bureaucracy or state-owned firms. But the state sector is shrinking, and only about one-third of university graduates now end up in such jobs or in the party.

To balance the need for expanded university education with the need to control free thinkers in Chinese society, the government has chosen to train workers for

industries like steel, coal mining and other favourites of the centrally planned economy, Dr. Hayhoe said.

"This sort of training is necessary to meet demand from the countryside and small enterprises," explained Han Jin, chief of planning at the ministry-level state education commission in Beijing.

Still, some officials like Chen Zhicheng, director of education in Tianjin, see a need for realignment. Tianjin is a port city that entices foreigners to open plants and other facilities by promising a well-educated work force. To this end, the city asks local companies what they want to see students learn, or lets them sponsor educational programs. Motorola Inc., which makes cellular telephones and pagers at a new plant in Tianjin, has pumped thousands of dollars into scholarships at nearby Tianjin and Nankai universities.

"We think there has been tremendous development in our higher-education system so far," Mr. Han said. "But there are

chemical factory to raise money to supplement its state financing.

In 1992, public expenditure on education was under 3 per cent of economic output, well below the 4.1 per cent average for the developing world and half the level in some growth economies such as Malaysia.

But China, with an economy that has grown at nearly 10 per cent a year since 1978, ultimately has a voracious appetite for well-schooled workers. Such official ambivalence toward educational spending has forced many schools to come up with their own money. An obvious course has been to impose tuition. Most universities now require students to pay the equivalent of half a year's income for an urban worker. In this socialist society, the demand that people should pay for education has created controversy.

The China Daily, an official newspaper, asks the question on many people's minds: "Will poor students with aca-

company's enterprises, many choose to as a way of supplementing their incomes.

So do professors. "This is so much more practical and less theoretical," said Lin Hanpei, a 59-year-old associate professor of material sciences who doubled his \$141 monthly income when he took over a university enterprise producing alloy rods used in oil exploration. Students drop by to learn how to use a \$60,000 instrument that analyzes metals' makeup — a machine the university couldn't afford — so Prof. Lin still does a little teaching.

Seeing such successes but determined to keep control over universities, the State Education Commission this year set up a specialized investment bank. The China Education & Sci-Tec Trust & Investment Corp. was created to exploit developments by universities and to produce income for education.

That arrangement, which gradually could put schools' successful enterprises under Beijing's familiar control, may disappoint schools like Qinghua and Jiaotong that have worked to build up independent financial bases. They already fear the advent of well-endowed private universities with well-trained teaching staffs — some poached from state schools where only one in 20 professors has a Ph.D. At least 10 private universities already exist.

If graduates from such schools get higher pay, education experts hope, it will put pressure on the Beijing authorities to revamp the meaning of education for students like Zhou Yi. The 20-year-old left her rural home town three years ago to enroll at East China Normal University, a prestigious teachers' school here.

Miss Zhou was lucky: 29 out of 30 Chinese never get to attend any college. Yet today she is reconsidering her commitment to education. "Becoming a teacher isn't popular any more," she said. "The wages aren't high. Our country needs teachers. But I want to stay in Shanghai."

So, on a fine autumn afternoon, she is nestled in the library stacks, honing her English. She hopes the knowledge will improve her computer skills — and her employment prospects in business.

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'We think there has been tremendous development in our higher-education system so far. But there are still gaps . . .'

still gaps that need to be filled."

Vocational training also can give rise to a problem particularly troubling to many Chinese: elitism. As more and more students get channelled into technical programs, an ever-smaller percentage are getting good, general educations. The result is that schools like the Hefei No. 1 Middle School in central Anhui province have become tiny pinnacles atop the educational system.

The junior and senior high school, a rambling campus of three-story, walk-up buildings, has an illustrious heritage, claiming a Nobel Prize winner in physics among its graduates. Three out of four applicants to the school are rejected, but opportunities accrue to those who get in. The school has a satellite centre, a computer lab and most of the equipment a North American high school would. But even a blessed school feels the pinch of limited state funding. The No. 1 Middle School operates an auto-repair shop and a

demerit be barred from college?" Emphatically not, officials say, because they have found a new way of coming up with money — by going into business.

At Shanghai Jiaotong University, often described as China's Massachusetts Institute of Technology, business now is the lifeblood of academia. The university has its own stock-market listed company, with 44-per-cent ownership. The company has five dozen operating units that generate income of nearly \$1.2-million (U.S.) a year and employ 1,200 people.

Bai Tongshuo, the university's 53-year-old vice-president, says the company, Shanghai Nan Yang International Industrial Co., specializes in the same areas that the university does — high technology, metallurgy, computers — and a few that it doesn't: real estate, financial futures and a bronze shop that recently cast three giant eagle sculptures for Saddam Hussein. While the university doesn't require its 13,000 students to work in the

Inscrutable Deng

JONATHAN MIRSKY

Richard Evans

DENG XIAOPING AND THE
MAKING OF MODERN CHINA
339pp. Hamish Hamilton. £20.
0 241 13031 X

David Shambaugh, editor

THE CHINA QUARTERLY
Volume V, number 135: September 1993
School of Oriental and African Studies/
Oxford University Press



Deng with his daughter Deng Yue in 1992

the official *Deng Xiaoping: A photo-biography* (Evans refers respectfully to its brief chronology); there are also thirty or more Chinese-language biographies of Deng to which Evans does not refer. This is surprising, not least because they are listed in David Shambaugh's excellent "Deng Xiaoping: The politician" in the indispensable Deng issue of the *China Quarterly* (Evans states that he was allowed to read parts of it in draft form).

The problem of sources is central to writing about Communist China, where for so long the materials – and the photographs – have been shamelessly doctored. Stuart Schram has demonstrated how, in successive editions of Mao's works, entire paragraphs were excised and others added, to ensure that, even in his earliest years, Mao was always "right". The same surgery has been applied to Deng's collected works. In this kind of biography there is little notion of fact or an authentic text; instead, there is the old Chinese practice of "praise and blame", which has been prevalent since the Han dynasty, 2,000 years ago.

So one feels a quiver of alarm when Evans first thanks Foreign Minister Qian Qichen; then the deputy director of the party's Central Committee research department and other department members, including the head of its Deng Xiaoping Study Group. Evans spent twelve hours with these officials, who provided him with answers to forty or so questions which he had put to them in advance. He thanks them for their "information and guidance", to which he says he owes much – and nowhere discusses the quality of the information which they provided; nor does he disclose how he evaluated what they had to say about a supreme leader who is still alive.

This trusting quality is reflected in Evans's book. It is evident throughout his survey of what is known of Deng's life, which he presents pretty much as the party would like it to be presented. He feels that Deng's drawbacks, his "blemishes", which he explores in somewhat gingerly fashion, "pale beside the general success", and that most Chinese "will see much more white than black...". Wherever possible, Evans feels it necessary to exonerate his subject. Take, for instance, his treatment of Deng's first large military failure, in 1929–31, during the civil war in Guangxi province, when he appears to have left his troops in the lurch. Benjamin Yang, a leading Deng specialist whose essay in the *China Quarterly* Evans does not cite, refers to this episode as "a tragic failure and a black mark" in Deng's career. Evans, though, denies that Deng acted "discreditably", citing the official biography and dismissing Red Guard accusations. But Yang's Chinese sources, which Evans appears not to have examined, are more complete and convincing.

During 1957–8, the Hundred Flowers and Anti-Rightist campaign claimed between 400,000 and 700,000 intellectual victims (some of

them not rehabilitated for twenty years). Deng was Party Secretary-General then, and oversaw the operation which he still maintains was necessary although "far too broad". Evans rightly says that, because of this episode, Deng's reputation still suffers among "many Chinese intellectuals"; nevertheless, he issues "an open verdict". Later, he indulges in that most fatal of historiographical phrases, "must have". In this case, Evans used it to exonerate Deng from responsibility during the 1959 purge of one of China's greatest military heroes, Marshal Peng Dehuai. Peng enraged Mao by warning him that the great famine, in which tens of millions died, was decimating Peng's home region. Evans writes that Deng, who was a key politburo member but was not present during the actual purge, "must have been deeply worried by Peng's fate – and about Mao's behaviour". And although he admits that Deng followed Mao's line on virtually all matters, Evans advises that because Deng has made no public pronouncement in support of Mao's megalomaniacal view of a nuclear holocaust, which would wipe out imperialism, "it would be fair to give him the benefit of the doubt".

On the subject of Tiananmen Square, Evans's account of the background to the demonstrations, and of their course, is scrupulously accurate and in no way minimizes the regime's brutality. But, in describing Deng's address to his officers on June 9, 1989 (during which he could be seen on television enthusiastically congratulating his smiling commanders), Evans states that Deng "did not say a word about the conduct of operations by their commanders or about the orders these had received from above". The implication, Evans claims, was that "Deng was angry about the manner in which the whole operation had been conducted". He bolsters this assertion with "direct evidence from a party source"; namely, that Deng told Premier Li Peng and President Yang Shangkun that "they had bungled the military operation appallingly". Evans writes, too, that because of Deng's anger Li Peng was not promoted to the General Secretaryship of the party. (Evans does not tell us what it was that Deng would have preferred to have occurred in Tiananmen.) But by the time that the appointment of General Secretary had to be made, Li Peng was so hated in China that it would obviously have been politically inept to promote him.

As for Deng's supposed fury about the orders for the massacre: during his speech, in which he

refers to the soldiers as "our most beloved people", and as "a great wall of steel", Deng tells them that Tiananmen was nothing less than a counter-revolutionary attempt to overthrow the state, and, in words which Evans correctly terms "the harshest... of his career", reminds them of "the cruelties of our enemy for whom we must show no mercy or even an iota of forgiveness". If the Deng who said this was not responsible for the treatment of the Tiananmen crowds – and the thousands of activists who, throughout China, were detained in its aftermath – then who was?

The *China Quarterly's* treatment of Deng is more analytical and meticulous in its use of Chinese materials, and, surprisingly for a professional journal, it is often more vivid than Richard Evans's account. David Shambaugh, the journal's editor, explains how Deng attempted, and to some extent succeeded, in simultaneously preserving Mao's reputation and showing how he had harmed China, "without jettisoning the Great Helmsman altogether as Krushchev had done to Stalin". Barry Naughton, in "Deng Xiaoping: The economist", claims convincingly that while Deng must be given "some of the credit for China's recent string of economic successes", he has also "never said anything original about economics or economic policy...". There is no Deng Xiaoping vision of the economy or the economic system." But Naughton observes that of all the revolutionary veterans, only Deng is "willing to accept spontaneous economic activity among the masses". He might also have noted that this generosity of spirit extends to Deng's immediate family and has contributed to corruption so pervasive that party leaders have warned that it could bring down the state itself. There may be something unintentionally ominous, therefore, in Naughton's contention that Deng's "positive economic legacy" is too durable for any single leader to destroy; the negative aspects of his economic legacy may be equally durable.

Michael Yahuda, in "The Statesman", emphasizes that Deng's ruthlessness is "absolutely central to [his] political philosophy and strategy", because although both his internal and international reforms involve a great degree of opening up, Deng also insists on the primacy of the party. Yahuda concludes that Deng is indeed a statesman in that – despite his cold-blooded brutality and lack of diplomatic charm – he has led China out of dark Maoist isolation into the world community. But his contribution may be limited, Yahuda suggests – and Evans agrees – because his powers and legitimacy are those of the now nearly extinct "generation of the founding fathers of the revolution".

Lucian Pye's masterly "Deng Xiaoping and China's Political Culture" is so psychologically and politically cohesive that I will not violate it with a summary. He believes that the Chinese are immeasurably better off under Deng than under Mao, but asks a central question: to what extent are the post-Mao changes "the product of long and imperceptible processes that suddenly surfaced"? Part of the answer, he feels, is that Deng has essentially responded "to the universal desire of the Chinese people to escape from the stifling effects of Mao's rule". Pye focuses on Deng's avoidance of the highest offices of state and of party, thus enabling him to remain a "truly invisible puppeteer". How, Pye asks, can one criticize "an elderly private citizen who played bridge with his cronies twice a week, happily chain-smoked, and played with his grandchildren every day?" He points out that "Chinese political culture traditionally operated on the premise that omnipotence lies in the mystery which invisibility evokes". On Deng, the short teenager living a clandestine Communist life in Paris with mature men like Chou Enlai, and never experiencing the usual pleasures and pains associated with youth. Pye notes that "as a Party fighter he could use all the fury and venom which he otherwise had to suppress in his efforts to show that he was not an emotional boy among men". Pye's final word on Deng is that, in the annals of history, "The big chapters are reserved for those leaders who brought political freedom and security to their people".

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do so effectively is beside the point). Dr Kissinger comments that the new element "about the emerging world order" of the 1990s is that "for the first time the United States can neither withdraw from the world nor dominate it". Yet is that incapacity real? President Clinton has sensed that the United States would not be able to conduct a foreign policy at all, would have no money for such a thing, unless there was a moral purpose. Thus he told the United Nations General Assembly in 1993: "our overriding purpose must be to expand and strengthen the world's community of market-based democracies." In January 1994, he even talked of his desire to see "democracy everywhere, a market economy everywhere". This was a Reaganesque idea, as expressed in that president's "Campaign for Democracy", but it has too a Wilsonian and perhaps even earlier origin. Dr Kissinger rightly comments that it is to the "drumbeat of Wilsonian idealism that American foreign policy has marched since his watershed presidency and continues to march to this day".

We should thus not be surprised if sooner or later there is a "Clinton doctrine" to "bring the Golden Rule into the international affairs of the world", in Truman's words in 1945, which will be seen to derive ultimately from Theodore Roosevelt's Corollary to the Monroe Doctrine, of 1904. (This conclusion is not explicit in Dr Kissinger's narrative but it is implicit.) The Roosevelt Corollary gave a general right of intervention: "in the

Western hemisphere, the adherence of the United States to the Monroe doctrine may force the United States, however reluctantly, in flagrant cases of such wrong-doing or impotence, to the exercise of an international police power". For the Western hemisphere, now read the world – as Theodore Roosevelt foresaw (in a message to Congress in 1902): "more and more the increasing interdependence and complexity of international political and economic relations render it incumbent on all civilised and orderly powers to insist on the proper policing of the world". President Wilson said much the same in 1917: "I am proposing . . . that the nations should with one accord adopt the doctrine of President Monroe as the doctrine of the world."

Of course, there will be other centres of power (Europe, Russia, China, India, Japan) which perhaps may operate, together with the United States, as "something akin to the Metternich system . . . in which a balance of power is reinforced by a shared sense of values . . . [which] would have to be democratic". Though it does not seem for the moment as if these secondary power centres will challenge the United States, they could evolve into a modern version of Franklin Roosevelt's "Four policemen". (FDR saw these as Britain, Russia and China, in addition to the United States, a suggestion which overestimated the capacity of Britain, then in decline.) None of these modern "police-

men", except perhaps Japan, are nation-states in the old sense of the word, any more than the United States and Russia are. They are conglomerations of peoples, sometimes of immigrants as in the United States, brought together by common economic interests and a common language. Dr Kissinger suggests provocatively that if "the European Union fulfils the hopes of its supporters", it could look like what China has become: a comment which will surely please William Cash.

As for Britain, our problem is whether we want to participate fully in the construction of "policeman Europe"; or, if continuing to wish only to obstruct, we are strong enough to ruin its present Napoleonic order – as we have wrecked other, less worthy, previous attempts at European unity. Kissinger would probably advise that Canning was right when he said in 1821: "Let us not in a foolish spirit of romance think that we alone could regenerate Europe."

If the United States does succeed in its mission of democratizing the world, the "end of History" will presumably have been achieved. But given "the long held American doctrine of nonintervention in the affairs of other states", it is possible that another power, perhaps a renewed Russia, perhaps even a small state, but one as highly motivated as it is technologically advanced, will one day seek to wrest the torch of opportunity which the United States will have offered but failed completely to ignite, and impose – why not? – world empire, as suggested by the Chicago

historian, W. H. McNeil, in a concluding passage of his *The Pursuit of Power*:

A global sovereign power willing and able to enforce a monopoly could afford to disband research teams and dismantle all but a token number of warheads. Nothing less radical than this seems in the least likely to suffice . . . An empire of the earth could be expected to limit violence by preventing other groups from arming themselves so elaborately as to endanger the sovereign's easy superiority. War in such a world would sink back to proportions familiar in the pre-industrial past . . . The alternative appears to be the sudden and total annihilation of the human species.

This is not Kissinger's conclusion. Yet when everything is taken into account, including that that passage was written when the two arsenals of the West and the Soviet Union, with its allies, were sharply disposed to face each other, the idea still seems to point a way ahead which, if at first sight unacceptable, is in truth positive, providing the United States does permit herself to be the supreme motor. As Rathenau, the brilliant German foreign minister of 1922, put it on his way to Rapallo, "le vin est tiré; il faut le boire". In this instance, *le vin* stands for the long history of diplomacy to which Dr Kissinger has devoted this enthralling work.

Hugh Thomas's most recent book is *The Conquest of Mexico, 1993*.

The fate of the *montagnards*

PETER CAREY

Gerald Cannon Hickey

SHATTERED WORLD

Adaptation and survival among Vietnam's highland peoples during the Vietnam War
297pp. Philadelphia: University of Pennsylvania Press; distributed in Europe by AUPG. \$34.95 (paperback, \$14.95).
0 8122 3172 4

Wars and insurgent movements have usually spelled disaster for highland (*montagnard*) peoples in South-East Asia. Often given special favours by the European colonial regimes, and courted by would-be revolutionaries – one thinks of the use made by Pol Pot and the Khmer Rouge leadership of some of the Khmer Loeu (hill tribe) peoples of the mountainous north-eastern provinces of Cambodia in the late 1960s, and of the years spent by Ho Chi Minh among the minority peoples of north-western Vietnam during the Second World War – their subsequent fate has nearly always been tragic.

According to Gerald Cannon Hickey, who has dedicated a lifetime of research to the ethno-history of the peoples of the Central Vietnamese Highlands, this was nowhere more true than in Vietnam. Numbering some 1 million in the mid-1950s when Hickey began his field-work, the populations of the Central Highlands had been reduced by over a fifth by the end of the Vietnam war in April 1975, when 85 per cent of their villages were either in ruins or abandoned. According to Hickey, "not one Bru, Pacoh, or Katu house was left standing . . . [Of the estimated 220,000 who died] a great many were not killed by bombs or bullets, they perished because their world was shattered." In the aftermath of the North Vietnamese victory, ill-conceived collectivization policies and the resettlement or spontaneous migration of large numbers of lowland Vietnamese (some estimates range as high as 2 million) have made life even more difficult for the remaining *montagnards*, turning them into a minority in their own homelands and placing intolerable pressure on existing resources.

In his previous monographs (*Sons of the*



From *Where Feasts Come Rarely: A Vietnam album* by Kerry Henbeck (unnumbered pages. Artwork, 8 Galliford Road, Maldon, Essex CM9 7XD. Paperback, £13.95. 0 87654 432 4)

Mountains: Ethnohistory of the Central Highlands to 1954, and Free in the Forest: Ethnohistory of the Vietnamese Central Highlands, 1954-1976, 1982). Hickey described the ethno-history of the Vietnamese highland peoples from the pre-colonial period through to the mid-1970s. Despite the ferocity of the war, the underlying message of these books was one of hope, a hope based on the ever-versatile ability of the Vietnamese *montagnards* to adapt and pioneer new survival techniques among the wreckage of the old. Although the subtitle of the present work also reflects this theme, Hickey's mood is more sombre – a reflection on the "world we have lost" rather than paradise regained. Jeh songs recorded in refugee camps in the late 1960s expressed a deep nostalgia for the life they had known before the war:

One woman sang a variation on the traditional *si'ang* . . . with lyrics expressing gratitude for visitors who had come a long way to see her. But now, she sang, she was almost destitute and barely existing. Her visitors had many possessions and the blessings of the spirits, but she had nothing and no chance of improving her lot. Other women sang the traditional laments (*akah*), reminiscing "about past life in the village, activities of rice planting days, the abundance of

food or the carefree hunting and fishing of long ago".

With their land poisoned by dioxins (the infamous "Agent Orange" defoliant dropped by the Americans) and fought over by Viet Cong, PAVN (Peoples' Army of Viet-Nam) and the armies of South Vietnam and the United States, is it any wonder, Hickey muses, that, in the squalor of the refugee camps, "thievery, interpersonal conflicts, and infractions of sexual taboos signalled a [rapidly] eroding moral order . . . most were now impoverished, none could demonstrate [traditional] potency, and religious prescriptions were neglected. Man-nature-cosmos harmony was in shambles." In this world turned upside down, sinister new taboos made their appearance, such as the prenatal proscription which required pregnant women to avoid watching aircraft dive-bombing lest the newborn baby "make a sound like an airplane engine and lose its breath".

Despite its title, Hickey's main focus remains the ethnographic description of the pre-1960 traditional worlds of the Mon-Khmer and Austronesian speaking peoples of Central Vietnam – the Rhadé, Stieng, Katu, Bru, Pacoh, Sedang, Jeh, Rogial and Chru, whose lands swept in a broad arc from just below the DMZ (Demilita-

rized Zone) on the 17th Parallel along the Vietnam-Lao and Vietnam-Cambodian borders to the Stieng populations in Song Bé province, close to the flatlands of the Mekong Delta. He looks in detail at the religion, myth of origin, settlements and longhouses, family, land guardians (spirits), economic activities and local leadership of each separate group. Numerous black-and-white photographs taken during his field-work, and sensitive line drawings commissioned from American and Vietnamese informants, greatly enhance the quality of these descriptions.

When he comes on to the impact of the Vietnam war and its aftermath, Hickey is on less sure ground, partly because of his lack of access to the highland communities after 1975 (except in the unnatural environment of refugee camps, or the *montagnard* diaspora in the United States). There are thumb-nail sketches of the fate of the minorities as they were caught up in the military débâcle in the Central Highlands, which sealed the fate of the US-backed South Vietnamese regime in March-April 1975, but "adaptation" and "survival", the twin themes of the earlier sections, are hardly addressed amid the refugee maelstrom.

It is striking too how little reflection there is here – as elsewhere in Hickey's work – about the less than benign role played by American anthropologists in providing information and advice on how best to use the *montagnard* peoples in the war against the Communist North. In the case of the Hmong people in northern Laos, the result of an ill-fated relationship with the CIA and their secret war against North Vietnam was the almost total destruction of Hmong traditional communities (today some 120,000 Hmong live in the US, and many others eke out a miserable existence in Thai refugee camps). Perhaps the fate of the highland peoples of Central Vietnam was less horrific, but there is still scope for some self-criticism from specialists who should perhaps have considered how far they themselves were contributing to the very tragedy they are now so eloquent in condemning. With the founding of the new office for Ethnic Minorities and Mountainous Areas in 1990, and the calls by Hanoi for a new policy of sustainable food production and greater variation of economic activity rooted in the "interest and competence" of the traditional swidden cultivators of Central Vietnam, there may now be opportunities for Western experts to make a contribution to the future of those very minority communities who suffered most from the doomed American war in Vietnam.

MS W & d JAN. 23 1985

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(Hr)

China takes first steps on road to rule by law

From Mary Lee
Peking

China has taken first steps in moving the country towards rule by law rather than by arbitrarily enforced administrative regulations.

Its efforts to build a base of civil law bore fruit this week when the standing committee of the National People's Congress adopted legislation on accountancy; the next important step will be introduction of a law governing inheritance.

As the Communist Party newspaper, *The People's Daily*, pointed out last month: "Some comrades look down upon the legal system... and think that law is too binding and can be dispensed with.

"They hold that if there is policy, there is no need for law. They are used to replacing the Government with the party and replacing law with verbal orders, practising arbitrary rule like a patriarch, with themselves alone having the say.

"We should see to it that the law will not change along with a change of leaders, nor with the change of the opinions and attention of the leaders."

The accountancy law, China's first, comes into effect on May 1. It will allow accountants to perform their duties unfettered by political constraints or threats of retaliation.

Mr Yang Jingyu, deputy secretary-general of the Congress's law commission, said such legislation was made necessary by China's extensive programme of economic reforms.

"We need accountants to exercise supervision of the state financial system, help reinforce economic management and promote the rational use of funds."

Young Deng joins in debate on God

Peking (AP) - Mother Teresa of Calcutta debated yesterday with the disabled son of China's leader over whether God was the inspiration for their work on behalf of the needy. Mr Deng Pufang, deputy director of a welfare fund for the handicapped, who was crippled during the Cultural Revolution, when Red Guards threw him from a window, said he was an atheist, and "although we start from a different standpoint, we are doing the same work." The Nobel Peace Prize winner replied: "It is the same standpoint, out of love for God in action."

The next big step, he said, would be the inheritance law, which entitled individuals to own private property. Asked how that squared with "public ownership of means of production", which is the slogan the leadership uses to ward off any suggestion that China is becoming "capitalist", Yang replied, "As a socialist country, we have public ownership of the means of production. But in the wake of economic reforms and in the face of reality, private ownership of the means of production has been developing. Many citizens now own cars and trucks and livestock."

Yang also said that when the sixth National People's Congress is convened in late March, it will examine draft legislation dealing with other issues, such as enterprises wholly-owned by foreign investors, arising out of the economic reform and the new open-door policy.

Beyond range of pity

Jonathan Mirsky

YUE DAIYUN and CAROLYN WAKEMAN

To the Storm: The odyssey of a revolutionary Chinese woman
405pp. University of California Press. £12.25.
0 520 05580 2

In the summer of 1966, at a Peking school for girls from high-ranking intellectual families, the students forced their headmistress, one of China's first Western-educated women, to crawl through an underground drain. Then they beat her to death. Yue Daiyun describes this episode in *To the Storm*; then tells us that "These teen-age girls, ordinarily shy, mild and gentle, had somehow become capable of unimaginable cruelty."

Yue's book is a terrifying memoir of more than two decades of party-directed persecution, the most vivid account to date of the violence of the Maoist years, and an unanswerable refutation of any suggestion that China's agony only began during the decade of the Cultural Revolution, 1966-76.

The pace and energy of *To the Storm* are provided by Carolyn Wakeman, an American who periodically teaches English in Peking, where Yue is associate professor of Chinese literature at the university. After Yue came to Berkeley, where Wakeman is based, they collaborated for two years on this record of thirty years of anti-intellectual campaigns. Although neither woman knew the other's language well, Wakeman has convincingly translated Yue's experiences and sentiments into her own words, synthesis and sequences. Wakeman makes clear, however, that her collaborator returned to China without seeing the final rewrite. This may save Yue if in some future Chinese convulsion she is charged with having libelled the motherland.

Yue's book demonstrates the enthusiasm with which millions of intellectuals, much older than the murderous Peking schoolgirls, engaged in tormenting each other because the

party gave them the chance. "Always in China, when someone is placed in another category and classified as an enemy, he is moved outside the range of pity. Even the most extreme treatment is then justified." Until 1957, Yue, the party secretary of her academic department, and a devout Maoist, had done her share of purging others, including the execution of a harmless landlord, and the compiling of dossiers to make up the party's quota of victims among her colleagues. She concedes, "I thought it was necessary in a class struggle to kill those who were guilty."

But in 1957, despite her unswerving Maoism and energy in victimizing others, Yue was suddenly designated a Rightist. During the next twenty-two years she was expelled from the party, sent repeatedly to labour in the countryside, ostracized by her comrades and most of her friends; she failed to shield her children from condemnation as the "children of rats". Her husband, also a university lecturer - a sort of Chinese Vicar of Bray - did virtually anything to save his own skin, including working for the Gang of Four. A fellow victim gave Yue some advice: "Now we are enemies of the Party... we must admit we are guilty... only in this way can we help the Party by confirming the correctness of its policy."

Almost twenty-three years later, in 1979, as is so often the case in China when the line changes, Yue was coldly informed that her conviction and torment had been "an error". No one apologized, but she was offered back her party membership; with thirty years' service she would now be honoured as a "veteran Party member". She tells us that for a moment or two she hesitated, remembering her murdered friends, her mother's agony, her children's years of disgrace. She suspected that the apparatchik who was offering her the honour did not even believe that the party had made a mistake. But she accepted anyway - because "the Party alone could lead China forward".

Nothing in Yue Daiyun's previous 386 pages exposing party malice and sadism prepares us for this submissive penultimate line.

A saving superiority

Delia Davin

NIEN CHENG

Life and Death in Shanghai
496pp. Grafton Books. £12.95.
0 246 12948 4

"How can I remember every sentence we ever spoke ten years ago?" Nien Cheng demanded of her interrogator in a Shanghai prison. The question could be turned against her, for in this memoir long dialogues are reproduced as if the writer could indeed recall them verbatim. Such minor irritants are insignificant, however, beside the achievement of the book which movingly describes the miseries inflicted by the Cultural Revolution on the author, her friends and associates.

One of the proclaimed aims of the Cultural Revolution was to rid China of all traces of foreign imperialist influence. It followed that Shanghai, once the greatest centre of such influence, was hard hit in the upheavals. Nien Cheng, a rich, foreign-educated widow who had worked for Shell in Shanghai, was an obvious target. Her home was looted by Red Guards in 1966. Soon afterwards she was arrested on suspicion of spying for the British and kept in solitary confinement for six and a half years. Despite harsh treatment and enormous pressure to make a confession, she steadfastly protested her innocence. On her release in 1973 she was told that her only daughter had committed suicide five years earlier. Persistent enquiries revealed that the girl had in fact been beaten to death by Red Guards.

Of course, all too many Chinese can tell a similar story, but certain factors make this one special. Numerous prisoners of the revolution, including Yue Daiyun (whose book is also reviewed on this page) had been committed to the party, working for it and believing in it. Nien Cheng had always thought of the communists in the third person. With no political faith to destroy, she was spared the agony of wondering whether she or the party was

wrong. She was also distinguished from a great mass of her compatriots by wealth and privilege. Before her arrest she employed three servants and lived in a house with 11 rooms and four bathrooms. Her manservant dealt with the telephone, with callers and with the neighbourhood committee, acting as a buffer between her and the petty annoyances of life in People's China. Cushioned from ordinary life, she was sometimes insensitive to the impression she made on others, as when, with the Red Guards actually in occupation of her house, she ordered a breakfast of coffee, toast, butter and Cooper's marmalade.

It is a tribute to her spirit and endurance that she survived her detention despite illness, dreadful privations and a meagre diet. Yet even here, at the worst of times, money helped. She was allowed to purchase soap, towels, toilet paper and vitamin pills.

Nien Cheng tried to make sense of the terrible things people did to her and to others. At one stage she asked herself whether, had she been young and working-class, she would not have behaved exactly as the Red Guards did. She also comments that the attitudes of the beneficiaries of the communist revolution were inevitably different from her own. On the whole, however, she maintains a detachment from those around her based on a firm sense of superiority. Lonely though it left her, it was this which ultimately carried her through.

Her greatest vulnerability was her love for her daughter, Meiping. After years in prison Nien Cheng's winter clothing was reduced to tatters and she asked if she might buy replacements. A bundle subsequently dumped in her cell turned out to contain the only winter clothes her daughter had been allowed to keep, but they were scarcely worn. She could only conclude that her daughter was dead.

Out of prison at last, Nien Cheng started to put her life together again in a society which she notes was severely disfigured by the corruption the Cultural Revolution had been meant to sweep away. When the opportunity arose to leave China, she took it.