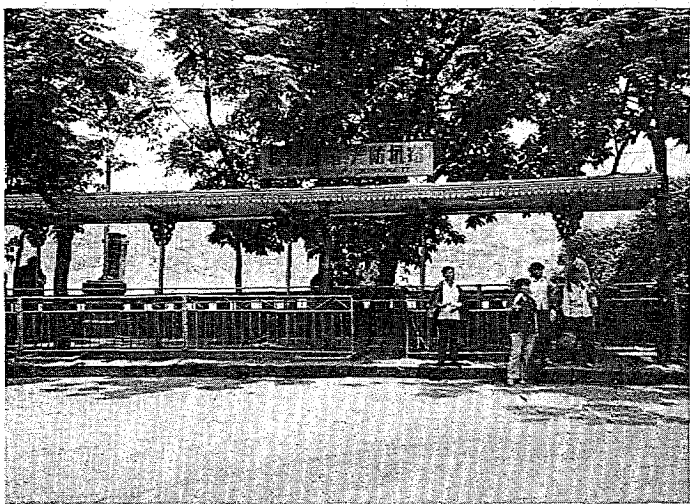


Business self-government

Among the most important of the laws and decrees adopted in the SEZs is the right of all foreign investment enterprises to manage their own affairs. Within the scope of their approved contract, firms are free to formulate their own production and operating plans, raise and use their own funds, procure materials, sell products, and determine their own wage standards and incentives. They are also free to employ personnel from Hong Kong and Macao or foreign personnel as managing staff. All hirings are contractual and all employees are subject to probation, warnings, demerits, cuts in wages, or dismissals according to rules and regulations of the SEZ enterprise. In essence, the old Chinese practice of "eating out of the same big pot" (i.e., rigid egalitarianism in distributing pay or bonuses, regardless of merit) has been abandoned in the SEZs. Similarly, the "iron rice bowl" (the system whereby workers or those in authority were virtually never dismissed or demoted, regardless of performance) has been smashed. These features reflect a willingness on the part of the Chinese leadership to adapt their policies to the demands of overseas investors.



Safety in English

At the same time, fourteen coastal cities have been opened to foreign trade and investment. These include Shanghai, China's largest seaport, Dalian, once known as Port Arthur, and Tianjin, the largest container port in China. China's long-term objective for the open cities is to absorb outside investment and import advanced technology, master it, and develop new products of its own.

To speed the progress of China's modernization, the State Council has raised the economic status of six large municipalities — Beijing, Chongqing, Shanghai, Shentag, Tianjin and Wuhan — to that of a province. This means that these cities are now empowered to conduct foreign trade and sign contracts with foreign investors. They report only to the central government, bypassing their respective provincial governments. Parenthetically, Chongqing, a sprawling mountainside city of fourteen million people located in the

upper reaches of the Yangtze River, has signed a "twinning" agreement with Toronto.

Since the process of opening up to the world began in 1979, China's import and export trade has developed rapidly, particularly with Japan, the scope of external exchanges and contacts has been widened and the techniques of economic cooperation have been diversified. Currently, there are some 7,700 Sino-foreign joint ventures, Sino-foreign cooperative enterprises and wholly foreign-owned businesses. Financial links with the outside world have increased too. So have political and cultural exchanges. These developments give some indication of the economic possibilities latent in China's open door policy. They also reveal that the Chinese leaders are serious about their economic reform program.

Remaining problems

Yet China's export-led growth means foreign borrowing. And China is worried about its rapidly mounting foreign debt which nearly tripled to US\$25-27 billion between 1983 and 1986 — a remarkable rate for a country which until recently had no apparent real need of external financing. Other current concerns include:

1. Some trends in agriculture. China's grain production has stagnated over the past two years, partly as a result of the conversion of farmlands into orchards, tea plantations, fish ponds and other cash crops. Cotton production and pig rearing are also decreasing. Equally important, farm price subsidies have risen to more than 7 percent of total state spending.
2. Rising prices. Although prices for a large portion of commodities are still at levels set many years ago, the prices of vegetables, poultry, pork and fish have risen significantly in recent years. As a consequence of these and other price increases, the real income of about 20 percent of the urban population of 200 million is falling.
3. The relatively slow pace of urban reform. For a variety of reasons, state-owned enterprises have not responded vigorously to the new economic freedoms. Observing the low growth in the state and collective sectors in 1986, Premier Zhao Ziyang, who is also Acting General Secretary of the Chinese Communist Party Central Committee, has recently called on the country's large- and medium-sized enterprises to improve their managerial performance by introducing various forms of the contractual responsibility system.
4. The increasing frequency of malpractices such as smuggling, fraudulent shipments, bribery, embezzlement and foreign exchange speculation in some of the special economic zones (especially Shenzhen) and coastal cities.
5. A breakdown in family planning. Many people are defying the one-child-per-family policy adopted in 1979, jeopardizing China's goal of a population below 1.2 billion in the year 2000. In 1986, China produced 1.6 million more babies than planned. Some studies suggest that the population may rise to 1.5 billion by the year 2025. At the moment, China feeds 21 percent of humanity on only 7 percent of the world's arable land.
6. An acute housing shortage. Despite spending US\$48 billion on urban housing since 1949, a recent survey indicates that almost one-third of all Chinese city dwellers live in sub-standard housing. While most urban homes have running water, electricity and kitchens, only