

where there were remnants of the markets, in agriculture, a situation Russia cannot return to. In addition, Mao Zedong's Cultural Revolution had greatly weakened the Chinese *nomenklatura*, so that they could not resist the reforms. China never had to undergo anything like the destabilizing imposition of "shock therapy" from the outside, as did the eastern European countries.

Second thoughts in China

Some doubts about the "China model" may be also developing inside China itself. A most interesting article was published in the *China Daily*, the official English-language Beijing government newspaper, on May 8.

The article reported that a group of Chinese economists warned at a Beijing conference sponsored by the Chinese Academy of Social Sciences that dependence on cheap labor for fast "economic growth" will lead to serious problems for the Chinese economy.

Prof. Xue Mouhong, vice president of the China Association of Asian and African Studies, said that it is self-deceiving to paint "too rosy" a picture of the economic prospects for the Asia-Pacific region, and warned that growth in China is going beyond rational speed limits. He warned of the danger of high inflation, and said, "We have to look reality in the face."

Most conference participants held the view that "undue propaganda of imaginary future glory might fuel rashness," the *China Daily* article stated. Despite high growth in China in recent years, it is very questionable if that growth can be sustained, many were reported to have said.

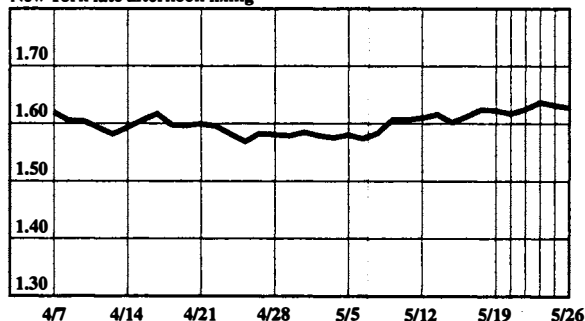
Prof. Feng Zhaokui, vice director of the Institute of Japanese Studies at the academy, warned against "bubble economies" in the region. Rapid economic growth in some developing economies in the Asia-Pacific region is partially based on cheap labor during the pre-industrialization process, and some countries, including China, have been too concerned with immediate profits to learn new technologies, he said. Professor Feng doubted that there could be sustainable economic growth in Asia-Pacific nations which continue to count on the low cost of labor. "We will have to pay for our ignorance after we have exhausted the potential of cheap labor," he said. The Japanese method of technology support may provide "food for thought" for these countries, Feng stated.

Even the prospect of China re-entering the General Agreement on Tariffs and Trade was downplayed at the academy conference as no panacea for China's economy. Conference participants "poured cold water on blind enthusiasm" for GATT. Prof. Kong Fanchang, of the International Trade Research Institute of the Ministry of Foreign Trade, said that GATT is now on a downhill path. Even if China enters GATT, its own outdated management and other economic problems will be a serious challenge in attempts to compete in the international economy, Kong warned.

Currency Rates

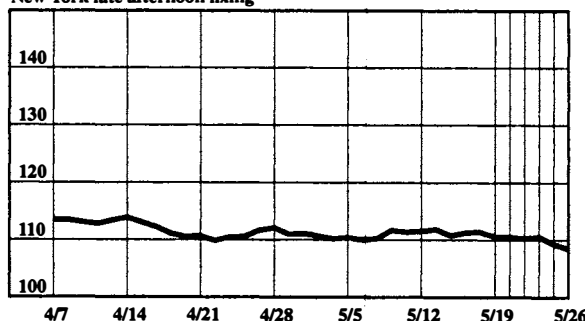
The dollar in deutschemarks

New York late afternoon fixing



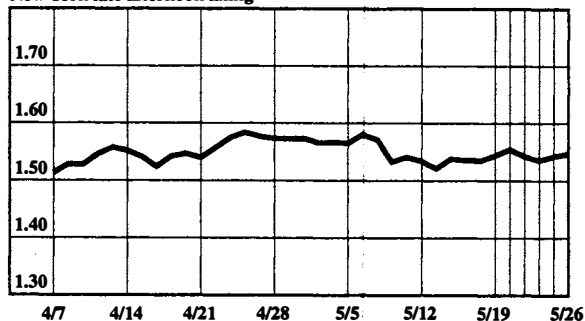
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

