

10 million metric tons of crude oil, and of electricity. Since 1982, that shortage has only increased. Energy efficiency is low, at about 30% as compared with 57% in Japan. About half of the P.R.C.'s electrical generating equipment dates back to the 1940s and 1950s. This equipment is obsolete and beyond its estimated lifetime. By 1985, the energy shortfall amounted to about 15-18% of total production. At any given time, 20% of all production lines are halted because of a lack of electric power. This is especially acute in the area between the Yellow and Yangtze Rivers—and this is the heart of China—where electricity is rationed by the “Stop 3-Open 4” system, by which factories take a three day weekend and work only a four-day week. Taipei experts estimate that by the early years of the next century, the energy shortfall of the mainland will reach 30% of total energy production.

The Taipei prognosis for Beijing is, therefore, “national economic collapse.” They sum up the factors as follows:

1) The rapid growth of the money supply, with bank notes in circulation doubling compared with the same month of 1987. In 1990, large interest payments to the International Monetary Fund will begin to fall due. Inflationary pressure can accordingly only increase.

2) The social fabric is torn by the fall in workers' purchasing power, while party bosses get rich through corruption, creating social conflicts and increased violent crime.

3) Beijing's budget deficit, which has hovered at 20 billion JMP, has now jumped to an estimated 30 billion JMP in 1988.

4) The rush of families to build individual private homes is exceeding the financial and material resources of the country, taking transport, energy, and materials away from even those few infrastructure projects that are planned.

5) 60% of all companies, totaling one-half million firms, are run by government and party employees and their families. Trading companies managed by moonlighting government bureaucrats are causing severe distortions of the merchandise economy through speculation, hoarding, and insider trading.

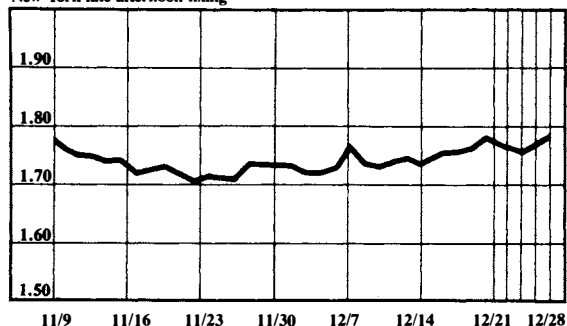
And, in the midst of all this, the central authority is getting weaker. Observers have concluded that the recent austerity measures and “cooling off period” have as much to do with a desire to reassert centralized control as with purely economic factors. But all indications are that it already may be too late.

According to the *United Daily News* of Taipei, Deng Xiao-ping has appointed a five-man collegial ruling group to run the country. These include Zhao Ziyang, the party boss who has been in the doghouse lately; Premier Li Peng, recently in the ascendant; Yao I-ling, Zhao Shih, and Hu Chih-li. The *United Daily News* commentary on these reports was summed up by columnist Thomas S.S. Dunn of the *Free China Journal* as indicating that “the new collective leadership is rather weak and that provincial Communist leaders will probably run things in their own ways.”

Currency Rates

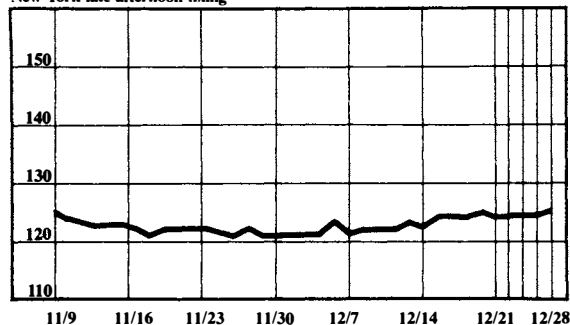
The dollar in deutschemarks

New York late afternoon fixing



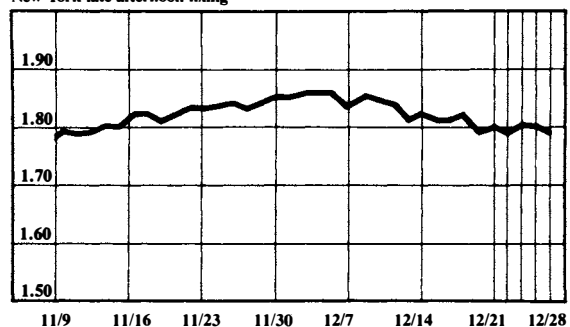
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

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