cause of their own poor efficiency, have been unable to repay.

As *Wen Wei Po* wrote on Nov. 17, "When the social and economic environment is relatively stable, such latent risks will not break out into a crisis. But when social and economic life is turbulent, such latent risks may become reality."

Non-banking financial institutions—credit cooperatives, development investment banks, trust companies—are in worse shape, badly indebted, and some are bordering on bankruptcy. The stock market bubble, though somewhat deflated, is far from eliminated. Many shares listed are of "poor quality," bringing more risks of stock market troubles.

The Beijing government has established a "Central Leading Group for Financial Work," led by Zhu Rongji, with the assistance of Vice Premier Li Lanqing, who is in charge of the financial system; CP Politburo members Wu Bangguo, responsible for state enterprise reform, and Wen Jiabao; and foreign trade minister Wu Yi.

China's vulnerability

China's leaders clearly recognize that their nation is all too vulnerable to the financial crises erupting all over the world. As *Wen Wei Po* wrote on Nov. 21, "the overseas economic crises since the 1980s have all been triggered by monetary issues, such as Japan's bubble economy, Mexico's monetary crisis, and the current monetary crisis in Southeast Asia. Hence, it is a global issue to adopt measures to guard against monetary risks. If China does not have a full set of mechanisms and methods for guarding against and mitigating the monetary risks, the effects of foreign monetary crises would exploit the advantages of the weak point to easily take their way into China and undermine China's monetary [stability] and economy as a whole."

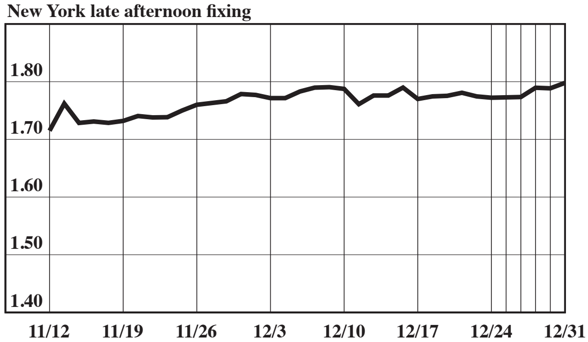
According to other press reports, a department of the State Planning Commission recently warned of the problem posed by China's "hidden foreign debt." Various methods have been used for enterprises to borrow abroad, in violation of all government policies or regulations. Such unregulated or "offshore" borrowing could well lead to China's foreign debt getting beyond knowledge and beyond control—such as has happened in the Republic of Korea.

A total of 15 measures were formulated at the financial work conference, to be enforced over the next 10 years, at least. These include tightening central bank control over regional administration, establishing a mechanism to deal centrally with bad debt, and making incursion of any further bad debt, the direct, legal responsibility of those involved. A key measure will be to clean up international speculative "hot money," and get, and keep, it out of China. The demands of the World Trade Organization, that China speed up its plans for free convertibility of the renminbi, will *not* be met. One high-ranking CPC leader was recently cited in the Hong Kong press saying that, to join the WTO, China would rather make concessions in other aspects than open up the financial market too early.

Currency Rates

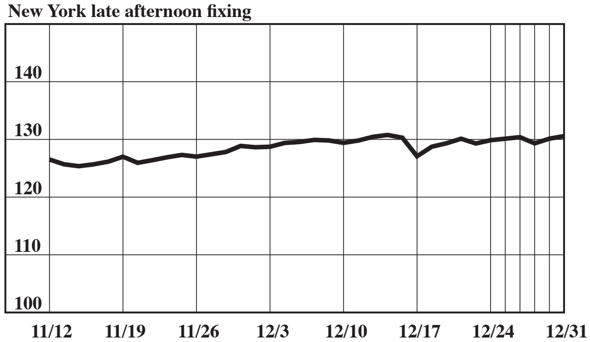
The dollar in deutschemarks

New York late afternoon fixing



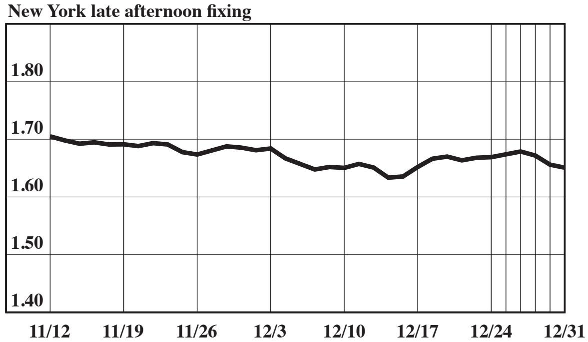
The dollar in yen

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