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Dear Family and Friends,

Six weeks ago, just as Elisabeth and I were enjoying a second glass of wine in front of the fire, the telephone rang and Bill Carey softly asked me if I would like to join him on another trip to China. I nearly dropped my wine glass. “No,” I finally managed to say. “I cannot. My book on Iraq is due on August 15.” “Well, ok,” he said. “I’ll miss...” “Wait,” I almost screamed. “Ok...ok...I would love to come.” The flesh is weak. Particularly, mine. “I will...I will.” I did. And the following is a quick summary of what happened next.

I flew to New York on May 14 to join Bill, Matt Liu, the W.P. Carey & Co.’s able version of “our man in China,” and Bill’s young aide Sargent Collier. We flew on to Scottsdale, Arizona to pick up the rest of the group, Reggie Winssinger, a member of the Board of WPC and three couples associated with Arizona State University to which Bill had given \$50 million to endow the W.P. Carey School of Business. After a delightful dinner with the Winssingers, we took off for Shanghai by way of Anchorage, Alaska. (This is dangerously close to becoming a habit!)

Milbry, as is her wont, had helped to prepare me for the trip by providing me with information on “Peking Man,” the *Homo erectus*, various of whose bones, well chewed by a giant hyena, were found in a cave at Zhoukoudian in the 1930s. It was not him, but my friend from last October, Kouqing Li, the vice president of the Shanghai National Accounting Institute (SNAI), which is more or less China’s MIT, who threw his arms around me when I got off Bill’s plane in Shanghai.

The main purpose of the visit to Shanghai was to attend a forum on “management and leadership in a global environment” for the first group of participants in the joint W.P. Carey-SNAI Executive MBA program. I will later discuss the program, but here, I will just mention that the EMBA is unique. Its participants, the “students,” are some 65 chief executive officers, presidents and chief financial officers of China’s most important state-owned enterprises. They include the top three men in the 3rd largest steel company in the world, the president of Shanghai Airlines and the heads of all the major banks. It was both inspiring and sobering to talk with them.

The key speaker at the forum was Robert Mundell, who played a leading role in designing the Euro, was a former colleague at the University of Chicago and won the Nobel Prize in economics in 1999. We immediately struck up a friendship.

Robert’s topic might be characterized as “Chinese Money—How much is there? Where is it Going?” As he pointed out, decisions being made in China will affect the money supply, the cost of living and the jobs of people throughout the rest of the world. Despite pressures put on the Government of China to reevaluate its currency, he said, it is not prepared to do so. Over the last few years, China has been charged with the whole

range of economic “crimes” -- what economists call “overheating” (growing too fast), exporting deflation and also exporting inflation. But, he said, the Chinese have actually been doing nearly everything right for their economy. They have avoided excessive inflation and currency instability by anchoring their currency in the dollar. Partially as a result of having achieved currency stability, China has been able to grow at a 9% yearly average since 1979. That is well over twice the world’s average. Despite that, he said, there are still some 150-200 million Chinese who are unemployed or under employed, mostly in the rural areas and wages even in industrial jobs remain low. So, the Chinese government realizes that there is much that still must be done to increase the well-being of its citizens. This suggests that China must continue a rapid rate of growth and can do so, Mundell’s analysis shows, precisely because its economy is not “over-heated.”

China currently has a gross domestic product (GDP) equivalent to U.S. dollars 1.4 trillion (3% of the world’s total) and about one tenth of the American \$11 trillion (25% of the world’s total) and one sixth the Euro zone. It still ranks below Japan’s \$5 trillion and Britain’s \$1.7 trillion.

Not all is going well in China, however. Following Mundell, the Vice-Minister of Finance of the People’s Republic of China, Li Yong, focused the attention of the forum on the poor performance of the state-owned banks. They have contracted huge “non-performing” loan portfolios and required the infusion of hundreds of billions of dollars of capital during the last few years to keep them from going bankrupt. Since the banking system will be “opened” in three years, some of China’s largest banks may then fail unless their managements learn Western techniques of risk management, marketing and innovation. Change will be required, Minister Li pointed out, because the share of the national economy in state enterprises will fall during the coming five years from 70% to 20%.

A major part of the problem is not so much economic as cultural: if the banks try to gear the rate of interest to risk, they must lend much at a much higher rate. Doing so would remind Chinese of the most hated figures in their history, gouging money lenders. Thus bank managers seek to avoid underwriting projects that would cause western bankers to demand more than 5.5%-6%.

A second problem is political. Bank officers are accustomed to making loans at the direction of the government rather than on commercial criteria. This is partly a legacy of the push to uplift the 70% of the Chinese population which is rural and poor, but it is a policy, Minister Li said, which is now hampering economic progress and must be changed.

Worse has been the failure of information in the system. Some borrowers, Minister Li said, use the same assets to borrow from several banks and thus borrow far more money than is justified. This is at the root of the problem of non-performing loans. Even in the issuance of credit cards, little has been done to check credit worthiness. Many credit card holders simply do not pay their bills. The result is that while the Chinese economy is booming, its banking center is in danger of bankruptcy.

After these sobering words, I joined Bill Carey in a briefing by Du Jiahao, the governor of Pudong and a member of the Standing Committee of the Shanghai Committee of the Chinese Communist Party on what might be thought of as “The World of the Future.”

Visitors to China have adapted an old joke to explain their reactions to what we were about to see. Hong Kong, they say, is for pessimists but Shanghai is for optimists; put another way, Hong Kong is now regarded as a city of the 20th century but Shanghai is the city of the 21st century. To a person, visitors report being stunned by the dynamism of Shanghai. Along the river front, one can still see the remains of the city of a century ago, much as the British, French and Japanese left it. The buildings, then so grand that they caught the imagination of visitors, now appear squat and even dingy while all around them rise huge skyscrapers. Starting with its population of about 16 million people, every statistic spells explosive growth. But, even modern Shanghai is now being put in the shadow by what used to be its kitchen-garden across the Huangpu River, its suburb Pudong.

Hardly a decade old, Pudong is separated from “old” Shanghai -- that is the Shanghai of the 1990s -- by the Huangpu River. It is still in the process of being built on a triangular peninsula of about 570 square kilometers fronting on the sea and is the permanent home to nearly 3 million people.

Getting to Pudong from Shanghai is not easy. Despite the construction of super highways and tunnels, long lines of the most modern and expensive automobiles form solid chains of traffic in both directions. At least one and a half million people move in both directions each day.

As one emerges from the tunnel under the river, he finds himself suddenly amidst buildings that dwarf even those of “old” Shanghai. Few are as much as five years old. “Futuristic” is perhaps the most apt word to describe the architecture. But it is not crowded. Since the government owns the land, it could scatter the new buildings in park land without concern, as in western cities, for price. Indeed, Pudong regards itself as a “National Garden Town” and proudly proclaims that it has 108.8 million square meters of open land or an average of 19.6 meters per person, several times that of most modern cities. Most of this open space is beautifully planted with flowers, bushes and trees. So the buildings tower over large expanses of carefully groomed gardens.

The Chinese government has made Pudong the symbol of its drive to modernize and “open-up.” The extent to which it has succeeded is shown in two numbers: the first is that evaluating its production (its GDP) as though it were a separate country gives Pudong \$18.1 billion. The second statistic is that whereas in 1990, it accounted for 8% of the income of Shanghai, today, despite the also explosive growth of Shanghai, Pudong accounts for 24% and expects to hit 33% within a decade. That is, whereas a high rate of growth for most economies is about 4% to 5%, Pudong has grown at a yearly average of 19.6% since 1990!

When the Government set out to make Pudong the model of what it wanted the new China to be, it hired some of the world's outstanding architects to design the buildings and parks. Naturally, each architect set out to build a monument. So the buildings seem fantasies cast in concrete. One now under construction as a financial center is expected to be the world's tallest. The museum of science and industry was described by one observer as a futuristic space station, seeming not to rest on the ground but to hover over it. By building high rises, the planners left room for gardens below. The impression of "monumentality" is heightened by the variation between flat gardens and soaring towers.

Clearly a major purpose of the project has been to attract foreign investors. One target group has been "overseas" Chinese who over the last two centuries have moved to Indonesia, Formosa (Taiwan) and North and South America. They are being shown rather than told that the future is here in China, not in the places to which they or their ancestors went during the long sequence of troubles – the Boxer Rebellion, the Japanese invasion, the Civil War and the Cultural Revolution. All these unhappy memories are now in the process of being forgotten in the golden rush toward the future that Pudong symbolizes.

The overseas Chinese are not the only people being lured to Pudong. The international community is growing rapidly and is catered to by specialized schools for each major language group – English, German, French primary and secondary schools are available at European rates while Chinese language schools are free. A major new hospital complex is being developed in conjunction with the Harvard University Medical School. Sports facilities are about as good as they can get. And almost every fashion and retail company of note in the world has been encouraged to set up outlets here.

But, of course, what really counts, Pudong Governor Du Jiahao told us is the move into the area of major international business organizations. To facilitate this and to keep a balance in both production and living arrangements, Pudong has been divided into four areas including a free trade zone of nearly ten square kilometers which is to be the major transit point for trade in the Asia Pacific zone and for the vast Chinese market. The financial district has already attracted 71 of the world's major banks and other financial organizations and houses stock, commodities and real estate exchanges. The "hi-tech park" attracted \$6.5 billion worth of foreign investment during the last few years. And, lest Pudong become solely a white collar area, a 20 square kilometer manufacturing zone, which last year produced \$12.5 billion worth of goods and a housing development for the workers and staff, have been set up.

At the end of the Pudong triangle is the new international airport which is already one of the world's busiest, rivaling Chicago's O'Hare, New York's JFK and London's Heathrow. Far more than any of these, it is actually beautiful! It strikes the eye as a huge park with hundreds of acres of roses, fruit trees, shrubs and lawns. And it is tied to the city by a \$1 billion bullet train that moves at an astonishing 400 kilometers an hour and

so puts the downtown Shanghai just minutes away. But, oblivious to all this, many Chinese still peddle on their bicycles to work in Pudong as everywhere else.

Perhaps most impressive of all, and a living symbol of the new China, the governor of this vast project quietly announced that he wants to go back to school himself to learn the skills he believes he needs to make Pudong work better. He has signed up for the W.P. Carey-SNIA program. The Chinese respect for education is a tradition that remains strong among even the most striking signs of revolutionary change.

After this visit to Pudong, I went back to the SNIA to talk with some of the participants. When I told Vice President Li of my astonishment at Pudong, he nodded and smiled. “When Westerners come to China, they see our vast new buildings and read about our industrial growth. What they don’t see and cannot imagine is the wounds we all carry concealed in our experience. Most of the people of my generation lost a decade of our lives during the Cultural Revolution.”

Conversation after conversation I held with Chinese businessmen and government officials echo Dr. Li’s remark. It is the hidden dimension of China. What happened was that in 1957, the Chinese leader, Mao Zedong, encouraged criticism and dissent from the Communist Party program in what he called the “Hundred Flowers Movement.” Taking him at his word, intellectuals responded with a deluge of criticism. Mao and his colleagues were appalled by the reaction and hit back with the power of the state against those they had encouraged to speak out. About one in each ten students in Beijing University, for example, were denounced, arrested and packed off to remote areas to work as peasants.

Mao then promoted an anti-intellectual and anti-professional movement called “The Great Leap Forward” that aimed to get around the requirements of science and technology by such ventures as producing iron and steel in peasants’ huts and promoting agriculture with various unworkable projects. The result was that tens of millions of Chinese starved and the country slipped further back into poverty. For this catastrophe, Mao was bitterly criticized and went into semi-retirement. As he came out, he decided that what had gone wrong was not his program but a failure of Chinese discipline and will; so he set out to purge the Party and the country of “evil” influences. That was the impetus behind the Cultural Revolution that convulsed China from 1966 to 1976.

During the Cultural Revolution, young revolutionaries tore large numbers of the brightest and most able people in China from their jobs, schools, colleges and research institutes and, acting on behalf of the State, imprisoned them or sent them to work in remote areas in heavy manual labor.

After Mao’s death in 1976, China gradually regained its equilibrium and began to restore what had been damaged or lost in the decade of terror. Returning to their studies or regaining their places in government, industry and academic life, young men and women matured and gained skills. However, for many, those years of lost education remained a void which they yearned to fill. Ever since then, they have been haunted by

what they lost. “In a way,” as one of them put it to me, “we became China’s ‘Lost Generation.’”

“That is how I felt about it,” the Chairman and Chief Executive Officer of Shanghai Airlines, Zhou Chi, told me. “I have been running this airline for ten years, very successfully, but I felt that I needed to learn much that I was prevented from learning before. It isn’t that I have been doing a bad job. I haven’t. The airline is going well and is improving all the time. But I was sure that there was much I was missing.”

Mr. Zhou, whose company owns 33 jet passenger aircraft and is comprised of 4,000 employees, is 50 years of age. He was perhaps typical of the students in the WPC-SNIA program. His attitude shows how keen the Chinese are for education. As one of the American professors laughed, “could you imagine the head of a major American bank or airline agreeing to give up his weekends of golf for the next two years to take a course on what he thinks he already knows? Even if he did, all his colleagues would think he had gone mad.”

And the group I met are not alone. “What we are finding,” said Professor Buck Pei, Associate Dean of the W.P. Carey School and head of the Shanghai program, “is that the second group of students is every bit as experienced and able as the first. They are almost literally fighting to get into the program. We had three times as many applicants as we could take.”

The self-inflicted “Great Leap Forward” and the “Cultural Revolution” are not China’s only wounds. From Shanghai, we flew north to the old imperial capital Nanjing. There we came to terms with a wound that was not self-inflicted and which, after over half a century, remains raw and painful. It was the Japanese “Rape.”

Rape is perhaps too mild a word. When Japan invaded China in 1937, it quickly conquered the land along the Pacific rim. Chang Kai-shek’s forces retreated ahead of the advancing Japanese army. However, the Japanese began to meet resistance, mainly from the Communist guerrillas, as their forces moved inland. In one battle just outside Nanjing, a Japanese royal prince was killed.

The senior Japanese commanders then either ordered (as prosecutors at the International Military Tribunal of the Far East later charged) or allowed (as their defenders claimed) their soldiers a week to wreak revenge on the hapless inhabitants of the city. In an orgy of rape and wholesale murder the soldiers bayoneted, burned or shot an estimated 300,000 civilians. Nanjing bore the initial brunt of a Japanese campaign that eventually killed roughly 10 million Chinese.

Astonishingly, an Episcopalian minister by the name of John Magee wandered for days through the blood and gore, armed only with a camera, a notepad and a pencil, to record at least some of the grisly events. Apparently, his bravery protected him or perhaps it was that he was in a state of shock. As he wrote, he saw “dead bodies in every street and alley in the city, so far as I could tell, and I went around quite

extensively...The raping of the women has been beyond description or imagination.” Magee did not try to describe, but his photographs were more vivid than anything he could have written. His photographs are now on view at the Nanjing “holocaust” museum.

The museum is an austere reconstruction of the events of that terrible week. As one enters, the naked foot prints of some of the survivors are etched into the cement walk way so that one almost literally walks with them through a small field of partially uncovered skeletons. Then, turning into the museum building, he passes a low shelf where mourners and visitors place candles in memory of the dead. Next, past a macabre collection of skulls and assorted bones, he files along corridors of Magee’s photographs showing the soldiers pointing bayonets, already smeared with blood at the bodies of terrified Chinese peasants, half-clothed young women who have been gang-raped before being murdered and one scene of a beheading. The effect is numbing. Emerging into the sunlight does not do much to lessen it.

Tens of thousands of Chinese pass through this experience each year. Few Europeans or Americans ever see it. And, of course, it is off-limits for Japanese.

Nanjing as a whole, not surprisingly, is more or less off-limits to Japanese. On the billboards that in Nanjing, as in all Chinese cities, cover the walls along the streets, I saw only one advertisement for a Japanese product. A few Japanese restaurants exist, but they are hidden away in hotels and do not advertise. And I was told by a young Chinese student that when a Japanese tourist braved the city and took a boat ride on Nanjing’s river, his Chinese fellow passengers threw him overboard.

What keeps Nanjing’s hatred smoldering is not just the memory of the event, vivid as this is made by the museum (and undoubtedly by family tales), but particularly by the fact that Japan has never officially acknowledged what it did. Worse, in the value system which China, Korea and, to some extent, Japan share, is the lack of “apology.” Japan is criticized, often bitterly, for the fact that the Japanese have not apologized for the massacre. Had they done what the Germans did about their holocaust, the issue would have been resolved with the passage of time.

Worse than the lack of apology, a number of prominent Japanese officials, journalists and scholars have persisted in denying that the massacre took place. Ishihara Shintaro, a prominent 1960s Japanese politician, wrote a book on how to deny atrocities and gave a magazine interview in which he said that the accepted account of the massacre “is a story made up by the Chinese. It has tarnished the image of Japan, but it is a lie.” While not denying that it happened, others have described it as “just a part of war.” Finally, even those who tentatively and privately admit national guilt have said that what Japan did was “excused” by American bombing of Tokyo, Hiroshima and Nagasaki.

Whatever is said about it, there is no doubt, at least here that the rape of Nanjing has poisoned the relations between Japan and China for nearly a century. In a world of terrible, continuing and nearly universal cruelty, Nanjing’s story remains vivid.

Also in Nanjing is an outpost of Johns Hopkins University where a number of young Americans are learning China in exquisite detail. They come to Nanjing after several years of studying Chinese in American institutions and while here are required to share living arrangements with Chinese students who are seeking an American-style education. At the head of the program is a former Foreign Service officer by the name of Robert Daly who must be one of the outstanding members of the new generation of American specialists on China. Working with him at the Johns Hopkins-University of Nanjing Center, were several American teachers who were giving the Chinese working insights into American life. In one class, taught by Professor Gary Goodpaster, the young Chinese were grappling with what to them was the quite alien task of balancing civil liberties and crime. In another, Professor Stephen Van Holde tried to relate the enormous Chinese problems of pollution resulting from modernization to “global environmental politics.” These courses, it seemed to me, were the other end of the educational spectrum from the WPC-SNIA EMBA program – one no less important a venture and obviously at least as well received by its Chinese students.

From Nanjing, we flew to Chengdu in Sichuan Province in southwestern China on May 24. Chengdu is a traditional Chinese city and a junction on the Buddhist pilgrimage route to Tibet. It is also, as I discovered, the home of the hottest of the Chinese cuisine where even I, who delights in Madras curry, admitted defeat in the dens of “hotpot.”

Hotpot is prepared at the table. In the middle are deep metal cauldrons, brought to bubbling boils from underneath by gas burners. Into them various forms of wildlife are tossed, more or less alive. The victims repay their agonizing deaths by inflicting the unwary with nearly lethal injections of searing thick liquid and body parts. Tutored by an exuberant and youthful Ed LaPuma from WPC, we all learned not to ask from what or from whom the body parts came. Beaks, claws and other unmentionables gave some away while plates of scorpions and other creepy-crawlers were impossible to miss. Ed loved it. I was grateful when I found a mushroom deep in my bowl.

It was probably not due to the “hotpot” but until recently, the Chinese have regarded their western provinces not as lands of opportunity but as China’s slums. Development took place along the Pacific rim with such cities as Shanghai, Nanjing and Beijing leading the way in explosive growth while the vast interior and western areas lagged behind in poverty. It is only in the last 10 years that much investment has been made in them.

The social thrust of China’s second “Great Leap Forward” has been aimed at the creation of a middle class. The government’s means of accomplishing this was in principle simple. It granted long-term leases on state-owned land to individuals favored by the right connections, education and/or some initial wealth; it then lent them money at concessionary rates with which to construct buildings on the land. Since they paid very little for their new capital and could lease the properties at much higher fees, almost overnight these favored people were catapulted into the middle class.

Having achieved so much so quickly, the Chinese government began about four years ago to turn its attention and investments toward the poor, backward West. Already the effects are evident. While not so spectacular as the building programs of the coastal cities, some areas are profiting from the spread of tourism among the members of the middle class. All the hotels are filled to capacity and filled not with foreigners but with Chinese. Research institutes and universities are being opened or upgraded and factories are being built or retooled. Such formerly sleepy towns as the old national capital, Xi'an, now have an impressive industrial and technical capacity. Xi'an, for example, manufactures wings for Boeing jet aircraft and advanced weapons systems for the Chinese military. Xi'an is the middle step in what the Chinese see as a long-term national strategy to integrate the West into the national economy.

Chinese historians point out that integration has been one of the major themes of Chinese history. Starting in the very earliest of the dynasties, the nearly mythical Shang, governments have moved to convert their alien neighbors into Chinese. Tibet is the latest in a very long string. Already that process has gone so far that few observers here believe it can be stopped. As Robert Daly told me in Nanjing, "there is simply no way that Tibet will ever be allowed to go off on its own. This government is determined that it shall be an integral part of China."

Tibet is the far edge of the periphery. Closer to the centers of power is Sichuan. I doubt that many have ever heard of Sichuan except as the name for spicy food. But Sichuan, treated as a "nation-state" is larger than Britain or Germany. On some 485,000 square kilometers lives a population of nearly 100 million. While Europeans are concerned with their few minorities, Sichuan has a complex social mix with some 56 separate nationalities in addition to the Chinese themselves. It has, for example, almost as many Tibetans as live in Tibet.

As Jiang Jufend, the Deputy Secretary of the Communist Party of the Sichuan Provincial Committee and Executive Vice-governor of the Sichuan government, pointed out at an investment briefing, Sichuan is rich in resources. It has, he said, deposits of over 130 kinds of minerals including some that are both rare and increasingly in demand for industry; it also has impressive resources of forest and pasture land. The climate is mild and the soil rich so its agricultural production has long been among the best in China. Hydroelectric generating on the upper reaches of the Yangtze can make available vast amounts of power. Its population is served – "uplifted" might be more accurate – by 62 institutions of higher learning and 54 research centers. Its scenery promises rapid growth in tourism.

Growth is already here. Considering it in terms of Gross Domestic Product (GDP), it has grown in excess of 9% for the past four years and in 2003 hit 11.8%. The GDP went up from the yuan equivalent of the U.S. dollar 1.25 billion in 1991 to 68.2 billion in 2003. Sichuan has already joined in fact if not in name the community of nations.

Impressive, yes, but what really gripped me and my colleagues was China's "national icon," the giant panda bear.

Sweet tempered and easily captured, the Giant Panda Bear was hunted almost to extinction. Not much good at making either love or war, it could neither reproduce well nor defend itself. Fifty years ago, its fate seemed sealed. Less than 1,000 remained alive. Then, in 1953, desperate efforts began to be made by a small group of ethologists to save the few that remained. There was no hope of preserving the animals in the wild; not only were they actively hunted, but they easily succumbed to diseases and failed to mate successfully. So in 1987 on the outskirts of the thriving city of Changdu, a unique combination of park, hospital and research station was established. Over the following years, some 63 of these beautiful and loveable bears were rescued, treated and then either released into the wild or kept for breeding.

Breeding Pandas has proved a major challenge. With so few animals left, inbreeding is a major danger. The loss of genetic diversity, the scientists pointed out, would quickly lead to weakened animals which would be even more susceptible to disease and less able to forage in their already deteriorating natural habitat. More significant has proven to be the aversion of females to copulation. Today, researchers believe they have found answers to both of these problems. They are holding about two dozen animals in captivity in conditions as near to their natural habitat as possible and they now use frozen semen for artificial insemination. The first infant that survived in captivity was a result of these two approaches.

However, survival of the first infant came only after severe setbacks. Due to hemorrhagic enteritis, large numbers of adults died and no cubs survived. After years of research, the scientists identified the pathogen that was causing the deaths and developed a successful treatment for it. From that time, 1988, the survival rate markedly improved so that 20 Giant Pandas suffering from this disease have recovered.

Ironically, for all their trouble in mating, twin births are relatively common among the Great Pandas. In the wild, no twins survived since the mothers could not feed more than one cub at a time. In captivity, the first twins to survive were born in 1990; they survived because they were bottle-fed by trainers until they could chew their natural diet, bamboo.

Twins were not the only endangered babies nor was disease their only enemy: many of the panda mothers were ill-equipped psychologically to handle births. Many, even in captivity, roughly cuffed their newborn cubs, regarding them as unrelated and perhaps dangerous animals – indeed, the newborn cubs look not unlike young, hairless rats. So, occasionally, a trainer must dash into a cage, grab the tiny, pink infant and rush out before the mother can do further damage.

As the baby fattens on its milk diet, it quickly acquires the white and black fur that makes it seem the most cuddly and cleverly designed of toys. After being fitted out with an apron and gloves to protect not only clothing but the spreading of cold germs, Ed

LaPuma was allowed to hold one. It is a sublime experience for any animal lover. The baby appears big but is remarkably light. It clings tightly to the holder and searches for the nipple or treats it has learned to expect.

As the baby acquires the strength to climb, it is put in a protected area with tree trunks serving as bench and bed. One of the remarkable sights in the park are Pandas sleeping peacefully on the most improbable of perches among the branches. When they climb down, they sit spread-legged like fat old men as they pull great bunches of bamboo stalks into their mouths. Then, more bear-like, they amble along the park paths, sniffing the markings of their fellows.

The Chengdu researchers believe that the work they have done on the endangered Giant Panda is applicable to a number of other animal species. Among them just in China are the Golden monkey, the crested Ibis, the Red Panda and the South China Tiger. As the endangered species list rapidly grows, the work done here may lay the foundation for a world-wide rescue effort. The only real question is, "is it too late for many endangered species."

One species, it was clear that was not endangered in China was the tourist. We found him everywhere. He kept the airlines flying; he filled all the hotels and for him the museums were built. And most of all, he added another dimension to plans for development. Even far in the south, in Yunnan province on the Tibet/Burma/Vietnam border, he has begun to appear.

"Here in Lijiang," said Mayor He Zixing, "we believe we have the tourist's dream. This is an undiscovered place. It is not even in most guide books. But look around you. It is what remains of the Buddhist concept of 'Western Paradise,' a little piece of heaven on earth."

Lijiang is truly reality copying art: the town thinks of itself as Shangri-la from James Hilton's novel, *Lost Horizons*. And Lijiang has good reason. For centuries, it was isolated from its Chinese, Burmese, Vietnamese and Tibetan neighbors. Towering more than 5,596 meters over its lush valleys are the glacier-covered Jade Dragon Snow mountains and nearby is one of the world's most spectacular river gorges, "Leaping Tiger," where rushing waters tumble down 3,600 meters toward the Yangtze River. Many of the most beautiful sites where springs and streams have cut ponds into the mountains are occupied by Buddhist monasteries and antique villages. Everywhere, the countryside is ablaze in the springtime with over 50 varieties of wild rhododendrons and azaleas. Not like the spindly little fellows I manage to grow, some of the azaleas have trunks up to 40 centimeters in diameter. They flourish amid 5 species of camellias and 4 species of peony, dwarf pines, flowering crabapple and over 400 other varieties of trees and shrubs.

Although far to the south, Lijiang is given a mild climate by its altitude. It is 2,400 meters above sea level. Rarely are the days hot and the evenings are only bracingly cool. Rainfall is plentiful, but most days are sunny and dry. High along the mountains

there is a nearly perpetual mist that accounts for the luxurious plant life. Flowing through the valley is the Jinsha River which is noted for the gold mixed into its sands. If one stands atop one of the many hills or mountains, he peers onto countless terraces, marching like stair-steps down the valley walls. Each the product of thousands of man-hours of labor, the terraces are constantly tended and planted with rice paddies.

The area around Lijiang was discovered and inhabited already millions of years ago in Paleolithic times and proudly preserves its own skeleton of a remote ancestor, the "Lijiang Man." The first historical records date to the period of China's "Warring States" -- roughly contemporary with Classical Greece -- but Lijiang was only sporadically affected by the march of events in Chinese history. In recent centuries, it was a separate kingdom whose *wang* (king) showed his independence by building a replica here of the Chinese emperor's palace at Beijing. The palace, which was destroyed by the "Red Guards" during the Cultural Revolution, has recently been lovingly restored to its former gaudy grandeur.

All around the palace is "Old town," which has been designated a UNESCO World Heritage Site. Its nearly four square kilometers are laced with rushing canals, spanned by stone bridges and occasional precarious wooden plank walkways. Cobblestone lanes weave past hundreds of tiny shops and scores of restaurants, tea houses and inns. Washed by the Yu River, a tributary of the Yangtze, Old Town is impeccably clean. Street-sweepers must number in the hundreds; many are armed with what amount to long tweezers with which they search out the (very occasional) scraps of paper. Automobiles, motorbikes and even bicycles are banned. Yet it is a functioning town with about 5,000 inhabitants and is far from the pollution that mars so much of modern China.

Unlike many old Chinese cities, Lijiang was not walled. The probable reason is that it was protected by its isolation, but, like many things Chinese, this sober explanation is embroidered by a legend rooted in the written Chinese language. The early city was made largely of wood, for which the Chinese character resembles a snowflake. When this character was combined with the character for city wall, a square, \square the resulting meaning was to be "besieged." The citizens apparently thought it best not to tempt the gods!

Hit by a terrible earthquake in 1996, much of the new city was destroyed. The drama of the event brought international attention on a scale never before experienced. That started a rush toward modernization that figures most startlingly in the tourist industry. Ten years ago, according to Mayor He, Lijiang had only one more or less modern hotel; today, there are over 100. Tourists now arrive at the modern airport 24 kilometers outside the city. Last year, they numbered nearly four million, of whom about 8 in each 10 were Chinese. The others are mainly Japanese. The number of Europeans and Americans who have "discovered" Lijiang is tiny. Walking around Old Town, sitting in tea houses and restaurants and attending a brilliant concert of Naxi and Chinese music, I saw less than a dozen.

The town population contains some 26 of China's 56 nationalities. Although China's record of treatment of minorities has occasioned much criticism, the "minority peoples" as they are called here have the unique privilege of having more than one child for each couple. Most of them aggressively keep their national customs and continue to wear their native dress. Because of their value to the promotion of tourism, the provincial government encourages them by subsidizing music and dance performances in the town's many entertainment centers.

Probably the most interesting of Lijiang's nationalities are the *Naxi* (pronounced Nakh-si). Who the Naxi are, where they came from and much about their past are still unknown. A gentle, friendly people, they number today less than 300,000 and would, undoubtedly, have long since disappeared into the ethnic maw of China had they and their distinctive culture not been protected by China's vast distances. Lijiang is 3,780 kilometers from Beijing and 600 kilometers from the more accessible provincial capital, Kunming. All around the town and its valley high mountains were true barriers in the age before aircraft.

The Naxi follow a religion known as Dongba. Dongba has neither priesthood, temples nor elaborate doctrine. Its followers believe in a pantheism in which all natural objects and forces are held to have "spirits." Thus, the Naxi venerate nature in all its variegated forms. Their ancient culture was recorded in pictographs which have no relationship to Chinese characters. A surprisingly well-preserved but nearly dead literature can today be interpreted only by Dongba shamans. In government schools, the modern inhabitants still study their language along side of the dominant Han Chinese language, Mandarin.

The Naxi are the anthropologist's dream. Their society claims to be matriarchal. Young women become free at age 13 to *mi rou huo* (experiment with love) and at 16 begin to take lovers but do not marry. Since their children do not know who their fathers are, they are cared for by their mothers' brothers.

The Naxi have a particularly strong musical tradition which gives rise in Lijiang to the Dongba Ensemble. Its performers, wearing traditional dress, are as captivating for their faces and antique instruments as for what they sing and play. Like many Chinese of his age, the conductor, Xuan Ke, is a victim of the Cultural Revolution. After years in prison where he underwent "re-education," he reconstructed his orchestra, strictly devoted to classical Chinese music and now performed by a vanishing generation of men in their late 70s and 80s. The ensemble, like much of traditional China hovers on the brink of modernization. How long it – and Shangri-la itself – can survive is in doubt.

Like characters in Hilton's *Lost Horizons*, we flew on and on. But for us, it was away from Shangri-la. For me, that flight became even more marvelous because, on a brilliantly clear day, we sauntered along the northern edge of the Tarim Basin's Taklamakan desert, almost exactly following the middle stretch of the Silk Road that linked China to Central Asia, the Middle East and Europe. Having been thwarted in my

desire to “do” it by horse, camel and yak, I had the intense, if at 43,000 feet the vicarious, pleasure of seeing it unroll under me.

Much lay ahead of us in Kazakhstan, Uzbekistan and Azerbaijan, but, wishing to avoid the fate of Marco Polo, who while languishing in jail, was regarded as a great liar by his compatriots, I will here discretely fall silent.

Bill

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