

Vol. 25, No. 17

April 26, 1982

BEIJING REVIEW



A CHINESE WEEKLY OF
NEWS AND VIEWS

- Improving the Standard of Living
- Chinese - Foreign Joint Ventures



HIGHLIGHTS OF THE WEEK

Sino-Romanian Friendship Improved Living Standards

President Ceausescu's recent visit to China highlights the identity of views between the two countries on many international issues as well as their common desire to expand co-operation in various fields (p. 5). The President's press conference in Beijing and Romania's independent foreign policy are also covered (pp. 11-12).

Chinese-Foreign Joint Ventures

This special feature provides a brief account of the policy relating to foreign investment in China and progress made in this field. It also addresses the operation of China's first foreign joint venture and two others (pp. 19-28).

Rural net incomes rose 60 per cent and real incomes in urban homes 30.8 per cent during the last three years. This article explains how the state raised people's living standards by increasing wages and employment, providing price subsidies and other benefits (pp. 15-18).

Combating Economic Criminals

A recent Party Central Committee and State Council decision calls for a protracted struggle against graft and corruption while assuring foreign countries that China's open-door policy will remain unchanged (pp. 7-9).

Shadow Over Sino-US Relations

The Chinese Government lodges a strong protest with the

US Government on the question of US sale of military-related spare parts to Taiwan (p. 7).

Sea-Law Treaty Negotiation

Despite all the efforts and compromises of many participants, the 11th Session of the Third UN Conference on the Law of the Sea is going to be tough as differences still exist between the developing countries and countries like the United States and the Soviet Union (p. 12).



Chinese and Japanese technicians working in close co-operation in the Tianjin Chemical Fibre Factory.

Photo by Zhang Yaxin

BEIJING REVIEW

Published every Monday by
BEIJING REVIEW
24 Baiwanzhuang Road, Beijing
The People's Republic of China

Vol. 25, No. 17 April 26, 1982

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BEIJING REVIEW (USPS No. 658-110) is published weekly for US\$ 13.50 per year by Beijing Review, 24 Baiwanzhuang Road, Beijing, China. Second-class postage paid at San Francisco, CA. Postmaster: Send address changes to China Books & Periodicals, Inc., 2929 24th Street, San Francisco, CA 94110.

Current Class Struggle

Is the current campaign against economic criminals a manifestation of class struggle? Why is there still class struggle after China has eliminated the exploiting classes?

Cases of smuggling, graft and corruption that have occurred in some parts of China have done great damage to the country and have aroused the strong indignation of the people. To ensure the healthy development of our socialist cause, the government has decided to take strong measures against these offences. This struggle is of course a major manifestation of class struggle today.

However, it is not isolated, but is a component of the present struggle in which socialist ideology is used to combat corruption by bourgeois ideology. Take smuggling for example. It is not limited to the economic field, but involves cultural affairs as well, evidenced by the fact that various kinds of reactionary and pornographic publications, records and video tapes have been smuggled into our country through various channels.

Three years ago when the Party Central Committee arrived at the conclusion that there still exists class struggle in China after the elimination of the exploiting classes, some people at home expressed doubts and some foreigners found it difficult to understand. Now facts have proved the correctness of this conclusion.

The reasons:

- Although the exploiting classes have been eliminated as

classes on the mainland, their remnants are still around, and a few unreformed old exploiting elements are still making trouble.

- The influences of the exploiting classes do not disappear with the elimination of these classes, but will remain for a long time to come.

- In Taiwan Province, the capitalist class is still intact and it will continue to exist. Moreover, there are numerous contacts between the mainland and Xianggang (Hongkong) and Aomen (Macao).

- There is also the influence of the capitalist class in foreign countries.

Class struggle, therefore, will not disappear, not for a long time.

Over the last few years, China has adopted an open-door policy towards foreign countries and introduced a more flexible economic policy at home. Some of our management systems and measures, however, are inadequate and cannot meet the requirements of the new situation; and in some places socialist ideological education has become weakened and class struggle has developed.

Our past mistake of enlarging the scope of class struggle will not be repeated. After the elimination of the exploiting classes, class contradictions have ceased to be the principal contradiction in our society. We have thrown overboard such erroneous slogans as "taking class struggle as the key link," but we are also opposed to the theory of "the dying out of class struggle." At the present

stage, it is very dangerous for us to turn a blind eye to the fact that class struggle still exists in certain spheres and is likely to become acute under certain circumstances.

The last two years saw a number of economic crimes involving some intermediate and senior cadres who had succumbed to the corruption of bourgeois ideas and degenerated into economic criminals. Although we must not overestimate these crimes or jump to the conclusion that the country is corruption-ridden, the serious damage they may bring to our country should never be underestimated.

Our Party and government are fully aware of the significance of this struggle and are determined to safeguard our socialist cause and severely punish the economic criminals. Appropriate policies and measures have been adopted. Punishment will be meted out on the basis of facts and according to law. The current struggle will not take the form of a mass movement as was done in the past.

The NPC Standing Committee held last March adopted a resolution for severely punishing criminals who do great damage to the state economy. Since its promulgation, many offenders have surrendered to the government and returned the money and goods they secured through illegal means, thereby receiving lenient treatment. We will continue to use legal means to ensure the healthy development of this struggle.

— Political Editor
An Zhiguo

LETTERS

Serve the People and Socialism

I found the article "Questions on the Ideological Front" (issue No. 4) both informative and reassuring as it answers some of the many questions I had about the present policies of the leaders in China. I was pleased to learn that there is little or no change in the basic philosophy as I had understood it.

I was pleased to see the phrase "serve the people and socialism" again in print as I had begun to think that the slogan had been abandoned. One of the pleasant memories I have of my visit to the PRC (1974) was the enthusiasm shown by the youngsters in their quest for an education. By this time they are in their teens and I wonder if they feel the same way about their environment.

Again referring to the article in issue No. 4, the second paragraph on page 17, is worth careful study, particularly the last sentence. ["Certain comrades blindly copy the fads of the West, including vulgar and decadent ones, or cater to the rank taste of a tiny minority." — *Ed.*] It expresses the fear that I felt when China opened the flood gates to the West. You can understand how this article has allayed my fears.

I haven't read anything recently on the status of the basic educational programme as there seems to be so much emphasis on higher education, in science and technology. I know these are important in the modernization programme but so is the education of the masses, particularly in the rural areas.

Richard A. Dannells
Tucson, Ariz., USA

Remarks on Some Articles

Among the articles in the "International" section of the six recent issues, I particularly liked the three articles in issue No. 3: "Iran-Iraq War: Too Much Bloodshed," "New Trend in Arab World: Ironing Out Differences" and "The Situation in Southern

Africa." Generally speaking, I find the articles in this column interesting. They inform us about the international situation, the attitude of UN members and assist us in our understanding of the major world events.

Issue No. 9 is especially interesting. Articles like "Juvenile Delinquency and School Education" [French edition only — *Ed.*], "Popularizing Science in China," "Marine Pollution Study" (English edition see issue No. 3, 1982) and "Natural Reserves in China" (English edition see issue No. 50, 1981) are all topics I like to read about. These articles help familiarize me with your country's geography and natural characteristics. They are helpful.

Letarte Pierre
Quebec, Canada

"The Diplomacy of Zhou Enlai"

Beijing Review carried an article about Zhou Enlai and his image as an international diplomat ("The Diplomacy of Zhou Enlai," issues No. 10 and 11). I hope that *Beijing Review* will publish further articles about the founders of New China.

As a Latin American, I hope you will publish articles expressing your views on how we overcome our economic difficulties.

The column "Facts About China" (Spanish edition) systematically provides us with facts about Chinese cities, rural areas and people.

Jacinto A. Mogollon Torres
Bogota, Colombia

Friendship Through Understanding

The *Beijing Review* editorial department pays attention to its readers' opinions. This shows the friendship between the peoples. I regard *Beijing Review* as a way to learn about the Chinese people, nation and socialism. This is particularly valuable as China's socialist construction is often distorted in our country.

I like the "International" section, for it gives a clear picture of international events. "From the Chinese Press" is also good as are articles about sciences and culture which enrich our knowledge. I

hope you will publish more articles about the Chinese Communist Party's views on Marxism-Leninism and current world affairs.

I think *Beijing Review* is generally realistic. Every reader will find something pertaining to his interests even though not necessarily in every issue.

Hoping you will work hard and continue ahead on the road you have been following.

Matagon Gerard
Dourdan, France

Scientific Farming and Water Resources

It is interesting to read about the events and trends in China. The articles on scientific farming and exploiting water resources of the Changjiang in the march 8th issue (No.10) were succinct and to the point. I also enjoyed reading "Earth Science — Desert Reclamation."

J.M.L. Clarke
London, Britain.

Suggestions

As a reader of your magazine, I find your news to be very significant. As for articles and subjects, I prefer those on social life, the Chinese Communist Party's revolution led by Mao Zedong and the application of Marxism-Leninism in People's China. In addition, I like to read articles on relations between China and Latin America, the contacts between their younger generations and political education.

Helar Ruben Naupa
Puno, Peru

My friends say that articles in *Beijing Review* are too difficult to understand.

I wish you would provide maps for those articles which cover many places. I also hope you will print more illustrations, charts and tables in your magazine.

What the Japanese people are interested in is: tourism, scenic spots, everyday lives of the Chinese people, culture and education and medicine. I wish to read more articles about these fields.

Ichiro Fukuda
Himeji, Japan

**FOREIGN
RELATIONS****President Ceausescu
Visits China**

Nicolae Ceausescu, General Secretary of the Romanian Communist Party and President of the Socialist Republic of Romania, and Elena Ceausescu paid an official and friendly visit to China from April 13 to 17 at the invitation of the Central Committee of the Communist Party of China and the State Council. They were accorded a warm and grand reception in China. Nicolae Ceausescu held talks with Chairman Hu Yaobang and Premier Zhao Ziyang on separate occasions. The meetings proceeded in a warm, friendly, sincere and cordial atmosphere of mutual respect. The President also met with Vice-Chairmen Deng Xiaoping and Li Xiannian, as well as other Party and state leaders.

President and Elena Ceausescu and the other distinguished Romanian guests also toured northeast China's industrial city of Shenyang, where they visited a factory and spoke with workers and ordinary Party members. At a rally welcoming the Romanian guests in Shenyang attended by 10,000 people, President Ceausescu delivered an enthusiastic speech.

Meeting Hu Yaobang for the first time, Nicolae Ceausescu invited him to visit Romania. Hu Yaobang accepted the invitation.

During the period since Nicolae Ceausescu's last visit in 1978, great changes have taken place in China.

Hu Yaobang briefed the visitors on China's achievements since the Third Plenary Session of the 11th CPC Central Committee in 1978. Hu said that the political situation in China today, characterized by stability and unity, is one of the best since the founding of the People's Republic in 1949.

During his meeting with Ceausescu, Zhao Ziyang gave an account of China's economic situation. He said that China has passed its most difficult economic period and is on the road of steady progress.

President Ceausescu praised the Chinese Communist Party's achievements in every field.

During the talks, he gave an account of the tremendous achievements of the Romanian people under the Communist Party's leadership in the polit-

ical, economic, cultural and other fields. He said that in the 10 years starting at the end of the 1970s, Romania's industrial production has increased five times and farm output has risen markedly. The living standards of the Romanian people have steadily improved, and they are working hard to fulfil the Seventh Five-Year Plan set by the 12th Party Congress. He expressed confidence that through hard work the Romanian people will fulfil the five-year plan. Both Hu Yaobang and Zhao Ziyang rejoiced at the great achievements made by Romania.

Nicolae Ceausescu exchanged views with Chinese leaders on economic co-operation between the two countries. Both sides felt the existing economic co-operation was highly valuable, and expressed the desire to make further efforts to explore



Comrade Hu Yaobang meets Comrade Nicolae Ceausescu.

new channels of co-operation and expand trade and economic relations on the basis of equality, mutual benefit, mutual respect and mutual help to make up what the other lacks. Both sides believed there would be steady growth in annual bilateral trade on the 1981 basis.

A long-term agreement on economic, scientific and technical co-operation between China and Romania was signed in Beijing. Four other documents were also signed, including an agreement on the peaceful use of nuclear energy.

Leaders of the two countries also exchanged views on international issues of common concern and reached agreement on many questions such as the safeguarding of world peace and the independence and sovereignty of all countries, opposition to aggression and to the contention for spheres of influence. The two sides agreed to strive to prevent the international situation from further deteriorating and to encourage solution of international disputes through negotiation. Both sides made it clear that they oppose interference from outside and that people of various countries should be allowed to choose their own road of development. The two sides also agreed to work for the establishment of a just, new international economic order.

The Romanian Communists represented by Nicolae Ceausescu have made outstanding contributions to the continued growth of the friendship between the Parties and countries of China and Romania.

The successful visit by President and Elena Ceausescu and the other Romanian guests and the meetings and talks between the leaders of the two countries have written a new chapter

in the annals of friendship between the two Parties, countries and peoples, and will go a long way to expanding bilateral co-operation in various fields.

Greeting Kim Il Sung's Birthday

The Central Committee of the Chinese Communist Party on April 14 sent a message to Comrade Kim Il Sung, warmly congratulating him on his 70th birthday.

The message said that Comrade Kim Il Sung is the long-tested, great leader of the Korean Workers' Party and the Korean people, the outstanding representative of Korean proletarian revolutionaries. In the half century of his revolutionary life, he has made outstanding contributions to Korea's proletarian revolutionary cause and the progress of the world's people.

The message stressed that Comrade Kim Il Sung is a close comrade-in-arms of the Chinese people and has worked tirelessly for the consolidation and development of Sino-Korean friendship. The Chinese Communist Party and the Chinese people will, as always, actively strengthen and develop their friendship and co-operation with the Korean people, resolutely support the Korean Workers' Party and the Korean people in their just struggle against US aggression and intervention and for the independent, peaceful reunification of their fatherland, and resolutely support the socialist construction of Korea.

On the evening of April 14, Premier Zhao Ziyang attended a banquet given by Ambassador Jon Myong Su, marking the 70th birthday of Comrade Kim Il Sung.

The Commission for Cultural Relations With Foreign Countries and other units held a photo exhibition on the occasion of Comrade Kim Il Sung's birthday.

Vice-Premier Bo's Visit To Japan

Vice-Premier Bo Yibo paid a two-week (April 1-14) visit to Japan at the invitation of the Japanese Ministry of Foreign Affairs and the Japan Association for the Promotion of International Trade. The aim of the Vice-Premier's visit was to study the development of Japan's industry, the machinery industry in particular, and its technical renovation and economic management system.

During his stay in Japan, Vice-Premier Bo met with Japanese Prime Minister Zenko Suzuki and had talks with him. Foreign Minister Yoshio Sakurauchi gave a banquet in Tokyo in honour of the Vice-Premier and his party. Vice-Premier Bo and his party also met and held talks with President of the Association for the Promotion of International Trade Aiichiro Fujiyama and other prominent figures. They visited and inspected some factories in Tokyo and other places. They also laid a wreath at the monument of the late Premier Zhou Enlai at the foot of Mount Arashiyama, Kyoto.

During his meeting with Vice-Premier Bo, Prime Minister Zenko Suzuki said that he is looking forward to meeting Premier Zhao Ziyang who is scheduled to visit Japan in May.

Vice-Premier Bo Yibo said that the Chinese people will welcome Prime Minister Suzuki's visit to China at a later date. He added that economic co-operation between China and Japan will

be even more promising after China's economy is strengthened by the current economic readjustment programme. To develop the national economy, the Vice-Premier said, China has adopted an open-door policy while adhering to the policy of self-reliance. Prime Minister Suzuki expressed his appreciation at this.

At a cocktail party given by the Association for the Promotion of International Trade, Vice-President Koga spoke on behalf of President Aichihiro Fujiyama. He noted that last year the number of visits between Japan and China had increased to more than 90,000 persons and the total amount of trade between the two countries was more than 10,000 million US dollars. These two figures, he said, fully showed the close relationship between the two countries.

Bo Yibo said facts have proved that the promotion of trade is in the interest of both sides and that there are many favourable conditions for furthering their trade relations and economic co-operation.

He added: "Problems may occur during the development of bilateral economic relations, but as long as we face reality and work together in a practical manner, a new situation will be created for the promotion of bilateral economic exchanges."

Protesting US Sale of Military-Related Spare Parts to Taiwan

A spokesman of the Chinese Foreign Ministry issued a statement on April 14 concerning the US sale of military-related spare parts to Taiwan.

The statement said: "On April 13, 1982, the US Government officially notified the US Congress that it was going to sell military-related spare parts to Taiwan. The Chinese Government hereby lodges a strong protest with the US Government against this act of infringing upon China's sovereignty.

"With regard to the US Government's sale of military-related spare parts to Taiwan, back in December 1981 when the US Government unofficially notified the US Congress of the matter, the Chinese Government already expressed its strong objection. While making representations on the subject, the Chinese side was repeatedly given the explanation by the US side that this batch of spare parts was not a new sale of arms but was something that had been promised to Taiwan before the Sino-US high-level meetings held in Cancun and Washington respectively; that this batch would involve only spare parts with no supply of weapons; and that the United States would not consider military transfers to Taiwan while the two sides were continuing their bilateral discussions on a settlement of the question of US arms sales to Taiwan. The Chinese Government indicated that it had taken note of the above-mentioned three-point explanation and assurance given by the US side. At present, the Sino-US bilateral discussions on the question of US arms sales to Taiwan are still under way. If the US Government should continue to disregard China's sovereignty and go back on the above assurance given to the Chinese side, it must be held responsible for all the consequences arising therefrom."

Renmin Ribao on April 16 published an article by its commentator entitled "China's Principled Stand Is Unshakable." The article said: Now, the relations between China and the United States are still at a critical juncture and the question of US sale of arms to Taiwan is still unsettled. The crisis of a likely retrogression of Sino-American relations still exists. The US Government has stated more than once that it attaches great importance to US-China relations but, in practice, it insists on continued arms sales to Taiwan and goes ahead with implementing the policy of "two Chinas" or "one China and one Taiwan" by playing tricks openly or covertly. This is of course impermissible. The US sale of arms to Taiwan is an important matter involving China's sovereignty. This question cannot be solved if China's sovereignty is ignored. The relations between China and the United States must be based on the principle of mutual respect for sovereignty and territorial integrity, and non-interference in each other's internal affairs. If this fundamental principle is violated, it will be impossible to develop or even to maintain the status quo of Sino-US relations.

POLITICAL

Decision on Combating Economic Crimes

China's highest authorities have called on leading organs at all levels to carry the struggle against criminal activities in the economic field through to the end.

The call was made in a decision taken on April 13 by the

Party Central Committee and the State Council. In the past three months, the decision recalled, a number of serious cases of smuggling, corruption and bribery were exposed and dealt with. These included some cases which had remained unsolved for a long time. Offenders who have seriously damaged the nation's economy have been gripped with fear and unhealthy tendencies and evil practices have been checked to some extent.

Major points of the decision are as follows:

—The current struggle is a major manifestation of class



Chen Shouyang, deputy manager of the Jiangsu provincial branch of the China National Machinery Import and Export Corporation, being tried for bribery.

Open-Door Policy Remains Unchanged

(Excerpts from the April 13 Decision of the Party Central Committee and the State Council)

The policies of opening to the world and of enlivening the domestic economy and resolutely combating serious criminal activities in the economic sphere can be implemented without one conflicting with the other. Opening to the world and enlivening the domestic economy is an unswerving policy of the Party, which proceeds from the concrete conditions to meet the needs of socialist modernization. This policy will not be changed or affected by our struggle against criminals who severely undermine the economy. As everyone knows, in the course of implementing this policy, a handful of criminals will seize the opportunity to undermine the socialist economy. It is necessary therefore for us to adopt suitable management measures, draw correct policy demarcation lines and strengthen ideological and political education so as to carry out resolute struggles against corruption and degeneration. If we fail to do so, our economic activities with foreign countries and our modernization drive will not be able to obtain the expected results, but will deviate from the socialist road or even end in a fiasco.

In carrying out the policies of opening to the world and enlivening the domestic economy, it is imperative to adhere to the fundamental principle of relying mainly on the planned economy and supplementing it with regulation by the market. All important economic activities must be incorporated in the state plan and unified leadership over external economic activities and control over foreign exchange must be strengthened. Foreign economic activities must be confined to units approved by the state

and carried out according to principles and procedures stipulated by the state. All other units and individuals are strictly forbidden to engage in such activities no matter under what pretext and in what form. It is strictly forbidden for state organs and working personnel in enterprises or institutions to engage in trade.

Our open-door policy has won the praise and support of overseas Chinese and compatriots in Xianggang (Hongkong) and Aomen (Macao). Many far-sighted industrialists and businessmen in foreign countries have also actively sought economic co-operation and expansion of trade with us. In this field, a new situation has been created and tangible results have been obtained. We will persevere unswervingly in implementing this policy, actively absorb foreign investment, correctly introduce advanced science and technology from foreign countries and vigorously develop our economic relations with other countries. International monetary institutions and foreign industrialists and businessmen are welcome to invest in China and their legitimate rights and interests and profits will be guaranteed provided that they observe Chinese laws and adhere to the principle of equality and mutual benefit. We highly value the interest and support shown by overseas Chinese and compatriots in Xianggang and Aomen for the motherland's modernization drive, welcome them to invest in the motherland and guarantee their legitimate rights and interests and lawful profits according to state laws. Our struggle against serious criminal activities in the economic sphere has nothing to do at all with these people from the industrial and commercial circles who engage in normal and legitimate business operations and do not conduct any illegal activities. On the contrary, the purpose of the struggle is to ensure the continued development of healthy exchanges with them and to avoid their being deceived or blackmailed by some law-breakers in our country.

struggle in the economic sphere under the new historical conditions of China's socialist society. The struggle now being launched among Communist Party members and state functionaries for upholding communist integrity and against corruption and degeneration is vital to the success or failure of the socialist modernization drive and the prosperity or decline of our Party and state. Launched as it is under special historical conditions, this struggle is bound to be protracted.

— The stress is on big and serious cases, cases involving state organs, enterprises and government institutions; at the same time, emphasis is placed on consolidating the Party organizations, improving the cadres' style of work and institutionalizing all management systems.

— The law must be strictly enforced to punish offenders who have done serious damage to the economy, no matter who they are, what units they belong to, or whatever official posts they hold. There must be no exceptions, and it is absolutely impermissible for anybody to try to shield them or plead for lenient treatment. Anyone who violates this principle will be held responsible and punished accordingly.

As for minor cases, the offenders should be dealt with mainly through education and relevant management systems should be improved. These cases can be dealt with at a later date in order not to divert our attention from the major cases.

— The current struggle will not take the form of a mass

movement. Serious investigation and study should be carried out in all cases, and under no circumstances should confession be extorted nor credence given to them and innocent relatives or friends must not be implicated. Every case must be dealt with carefully.

— While carrying out the struggle against criminal activities in the economic field, China will continue to uphold the open-door policy towards foreign countries and the policy of enlivening the domestic economy. (See box on p. 8 for details.)

— Party members must take a clear-cut and resolute stand and actively participate in the struggle. Due punishments must be meted out to Party members and cadres who have committed crimes and done harm to the socialist cause. All those who have committed serious crimes must be punished according to law, removed from their posts and expelled from the Party, no matter how long they have been in the Party or how high their positions are. The very few Party organizations which are impure ideologically, politically and organizationally must be rectified resolutely and in a planned way under proper guidance. The very few Party and government organizations and enterprises and institutions which are really rotten to the core must be reorganized or dissolved after investigations by cadres or working groups sent by the Party committees, government organs or departments concerned at a higher level. The work of reorganization must be done well.

Model Workers' Conference

A national conference held in Beijing recently conferred the title of "model worker" on 144 individuals and the title of "advanced collective" on 110 units in the coal industry.

The model workers and advanced units were selected from among 4 million workers and staff members on the coal front throughout the country.

The conference, the biggest in the last few years, was attended by 2,000 people, including excavators, pit builders, drillers, engineers and technicians. Leading cadres, representatives from coal cutting, mining and washing teams, canteens and farms run by members of coal-miner families also attended.

Ai Youle, who was cited as a model worker at the conference, is a coal cutter at the Kailuan Colliery in north China. During the last eight years, he exceeded his production quotas by erecting 8,280 additional pit props and cutting 33,900 extra tons of coal. He is known as the "Iron Man in the Colliery." The term "Iron Man" was initially conferred on Wang Jinxi (1923-70), who made great contributions in opening up the Daqing Oilfield in the early 1960s.

Zeng Shilin is an engineer of the Zhongliangshan Colliery in Sichuan Province, who was downgraded to a worker because of unfounded charges lodged against him during two political movements. While working in the pits, he introduced three innovations for loading and unloading vehicles. He also designed a sample dust-



Minister of Coal Industry Gao Yangwen chatting with coal miner Chen Shifa.

proof mask which proved to be safe, effective, handy and structurally simple.

After liberation in 1949, national conferences of model workers, advanced producers and pace-setters were often held in order to motivate people and generate higher production. However, during the 10 years' disorder of the "cultural revolution" (1966-76), this practice was suspended and many model workers were accused of "working for the capitalist roaders."

ECONOMIC

Industrial Reorganization

China established 580 new companies and general factories and 730 integrated economic units during the past year.

This results from the nation's drive to restructure and merge industrial enterprises in order to achieve better organization and higher efficiency.

The industrial sector is also being transformed in order to generate a broader variety of products and an organizational structure consistent with the needs of the national economy. Production of high quality con-

sumer goods and famous brands has been expanded. The changes in Tianjin are exemplary. In 1981, Tianjin transformed 50 heavy industrial enterprises. They now produce bicycles, sewing machines, wrist-watches, woollen textiles, knitwear, foodstuffs and chemical products for daily use. This has significantly increased their productive capacity. For example, the output of best-selling "Flying Pigeon" and "Hongqi" bicycles was increased 104 per cent in one year.

Mergers have also produced significant results in the area of

comprehensive use of energy resources. Seven businesses in oil refining, chemical industry, light industry and power in Shanghai's Gaoqiao area have merged to form a petrochemical corporation; this was followed by the establishment of the Shanghai Shipbuilding Industry Corporation, the Nanjing Jinling General Petrochemical Corporation and the Fushun Petrochemical Corporation in Liaoning Province. Such effort facilitated the formation of efficient economic relations between cities and departments. The Jinling Petrochemical Corporation in Nanjing is expected to provide an additional 35 million yuan as tax and profit to the state this year, thanks to its new and more rational setup for the supply of raw materials and improvements in its management procedures.

Significant progress has been made regarding economic integration between processing units and raw material producers, between producers, scientific research institutions and institutions of higher learning and between state businesses and collectively owned ones.



Washing machines produced by an integrated economic unit, a merger of machine-building, light industrial and neighbourhood factories.

Romania's Independent Foreign Policy

THE Romanian Government pursues an independent foreign policy and is opposed to imperialism and big-power chauvinism. It also supports the struggle of middle and small nations to preserve national independence and state sovereignty, thus winning prestige in the international arena.

Basis of Foreign Policy

Romania has diplomatic relations with more than 130 countries, and during the past decade it has expanded its political, economic, scientific and cultural relations with them.

Romania is active in the international arena. Its foreign policies are based on "the principles of full equality of rights, respect for national independence and sovereignty, non-interference in internal affairs, mutual benefit, no threat of force in relations between nations and the entitlement of people to determine their fate."

Romania has always taken a clear-cut stand against imperialist policy, opposing power politics and all forms of interference in the internal affairs of other countries. As written in the Romanian Communist Party's programme, Romania is against "hegemonism and big-power chauvinism." In addition, Romania has always stood for the dismantling of foreign military bases, withdrawal of foreign troops and the dissolution of military blocs.

Romania deems that the current international situation has deteriorated, attempts at dividing the world into spheres of influence have been intensified and instances of dominating and intervening in the internal affairs of other countries have become all too common.

Given this, the National Working People's Council, the Front of Socialist Democracy and Unity and the Grand National Assembly of Romania issued appeals in 1981 calling on all countries to join efforts to

check the policy of creating tension.

Support Struggles Against Foreign Aggression

Romania has consistently supported struggles against foreign aggression. For example, it has always opposed the overthrow of the legitimate government of Democratic Kampuchea, stressing that Vietnamese troops should withdraw from Kampuchea; to allow the Kampuchean people to solve their own problems and to restore independence and sovereignty.

On the Middle East, Romania has said an independent Palestine state should be set up in accordance with the principle of self-determination to protect the sovereignty and ter-

Ceausescu Talks About the International Situation

ROMANIAN President Nicolae Ceausescu answered questions concerning the international situation at an April 16 press conference in Beijing.

- He said his country is worried about increasing tension in the Middle East, especially in southern Lebanon. He also said Israel should withdraw its troops from Sinai before April 25 and return it to Egypt.

- President Ceausescu said Romania will join other European countries in opposing the deployment of nuclear weapons in Europe. He urged the countries concerned to withdraw and destroy the medium-range missiles already deployed and to establish a nuclear-free zone on the continent.

"This will be conducive to peace in Europe and the world as a whole," he said. He also expressed the hope that developing countries will strengthen their unity thereby contributing to human progress.

- Referring to Sino-Soviet relations, Ceausescu said, "These are affairs between China and the Soviet Union. But, we always hope the two sides will, on the basis of equality and mutual respect of each other's independence and sovereignty, conduct direct negotiations to solve their differences."

- Answering questions on Sino-American relations, he said, "China is correct to require the American Government to abide by the relevant agreements reached by the two sides, and give up its support for Taiwan. We fully support China's position that the question of Taiwan is an internal affair and that there must be no interference by any foreign country."

ritorial integrity of every country in the region. Moreover, Romania has condemned Israel's aggression against Lebanon and its annexation of the Golan Heights.

Romania has always claimed that important world problems should be settled on the basis of equal involvement of every country, whether large or small, strong or weak. To Romania, this is "a fundamental condition to ensure world peace."

Pay Attention to the Relations With Third World Countries

Romania takes the view that small countries, developing countries and non-aligned countries have entered the world stage and have "played a more and more important role" in international affairs.

Romania has paid attention to developing and strength-

ening relations with third world countries.

Romania also has taken an active role in the struggle for setting up a new world economic order and has considered the new economic order a component part of the struggle against imperialism. Romania feels that the gap between developed and developing countries has widened. To eliminate this gap, it has said that unequal relations must be altered and the imperialistic policies must be ended. Every country has the right to ensure its own social and economic development, to guarantee reasonable relationships between prices of raw materials and industrial products and to ensure that every country enjoys equal rights in sharing raw materials, energy and modern technical achievements.

— *Xinhua Correspondent*

Sea-Law Treaty Negotiation Is At Crucial Stage

THE 11th session of the third UN Conference on the Law of the Sea is now entering a crucial stage. Although the United States has reportedly softened its stand on the projected sea-law treaty, tough negotiations still lie ahead.

The current session opened on March 8, with the third world countries pressing hard for the adoption of the 320-article draft convention on the law of the sea. The draft is a product of eight years of negotiations involving more than 150 countries, including the United States.

US Critics

When the current session began, the United States, which

withdrew last year because of proposed restrictions on deep sea-bed mining, rejoined the conference. But it introduced scores of major amendments to the draft treaty. The amendments seek, among other things, to weaken the power of the international sea-bed authority and to grant the United States, the Soviet Union and five other Western industrialized countries veto power and authority to compel the awarding of mining contracts.

The United States also demanded abrogation of certain provisions concerning control of sea-bed mining by the international sea-bed authority and the transfer of technology from

mining companies to enterprises under the authority.

These proposals incurred severe criticism from the developing countries. The "Group of 77" firmly opposed any fundamental changes in the draft convention and clearly stated that it rejected piecemeal renegotiations of issues which had already been agreed upon and included in the text as a package. It expressed its determination to adopt the draft convention at this session even without the participation of the United States.

The Chinese Delegation also criticized the US approach and urged the US Delegation not to insist on making unrealistic changes on major principles.

Differences Reduced

As a result of intensive negotiations during the past four weeks, differences over a number of pending issues are being reduced.

The United States has reportedly indicated a willingness to change its position in order to escape isolation. It has scaled down its demands and abandoned some of its proposed amendments.

Meanwhile, "Group 12," which includes Australia, Canada, Denmark and Norway, came up with a number of proposals in an effort to find compromise solutions to the controversial issues.

Informal negotiations have produced a compromise designed to protect investments made by "pioneer investors" before the convention enters into force. This would entitle them priority to explore an area of the sea-bed together with the authority's own enterprise on an equal footing. This proposal has paved the way for further negotiations.

However, this does not mean that differences no longer exist. The American press has reported that developing countries are still "not satisfied" with the US position.

The developing countries insist on imposing a sea-bed mining limit for the purpose of protecting the interests of land-based mineral producers.

At the session more than 40 countries, including China, are demanding the inclusion of a provision in the convention

which would require foreign warships passing through territorial waters to provide notification and receive authorization of the coastal states concerned because such movements involve sovereignty and security. But certain countries, the United States and the Soviet Union in particular, oppose this provision.

During the next stage of negotiations, the session will make decisions on all formal amendments.

— Yuan Jin

Reconstruction in Sinai

I visited the Sinai Peninsula with other Chinese correspondents a few weeks before the last Israelis pulled out and saw the Egyptians doing a fine job of building up the areas recovered earlier.

Sinai has been invaded by the Israelis twice in the past 30 years and Israel has occupied it since June 1967. Egypt liberated part of the peninsula in the October War of 1973. In accordance with provisions of the Camp David agreements,

two-thirds of the Sinai were returned to Egypt in January 1980. The remainder is supposed to be returned to Egypt on April 25 this year.

When we crossed the Suez and moved East, we saw traces of Israeli occupation and the ravages of war, but we were most impressed by the bustling scenes of construction. Each of the towns and villages we passed through was bustling with activity. People are optimistic. The governor of southern Sinai

told us a prosperous Sinai with more inhabitants is essential to the security of Egypt. He spoke also about the significance of building up the peninsula, about resources, achievements and prospects for the future.

Sinai is still sparsely populated. Only 160,000 people occupied its 61,000 square kilometres in 1976. Moreover, the region was barren and impoverished. War and Israeli occupation destroyed much of what had been built and the Egyptians have had to start again almost from scratch. But the Egyptian Government is making progress. Sinai is now one of the fastest growing regions in Egypt. The region has 220,000 inhabitants and the capital of northern Sinai, Al Arish, has doubled its built-up area. Al Tur, capital of southern Sinai, was a fishing village with a thousand inhabitants only a year ago. Today, it has close to 10,000 inhabitants.

The barren land outside Al Arish has the first modern poultry farm on the peninsula and in southern Sinai we saw modern sprinkler systems at work. Sinai oilfields produce a quarter of Egypt's oil. The people in southern Sinai raise all their vegetables and poultry and the level of self-sufficiency in the north is rising rapidly. Fish are being exported to Europe and the tourist industry is earning foreign currency.

Geological surveys (some of which are conducted by satellites) and prospecting indicate that the region has coal, iron, manganese, aluminium, gold, phosphorus, sulphur and other minerals.

Insufficient water is the major obstacle to development. If more water were available,



New buildings in Al Arish on the Sinai Peninsula.

a lot more of the peninsula could be irrigated to grow crops. Unfortunately, water has to be transported to many sections by trucks and ships. The government is devoting considerable resources to solving this problem. Over 30 wells have been sunk in southern Sinai. Concrete tanks are being built in villages and towns by the government to supply free water to residents and a pipeline is being laid to towns along the coast of the Gulf of Suez. Work on another pipeline which will be used to move water from the Nile to northern Sinai will soon be completed.

Another obstacle to development is the shortage of manpower. Nearly all of the officials and employees in the region are from other areas. The Egyptian Government is publicizing the necessity of increasing the population for national security reasons and building modern facilities in order to encourage settlement. Al Arish has constructed 700 apartments and 2,000 more will be completed this year. Cinemas, a stadium and a Youth Centre are being built. Hospitals, schools, bakeries, a garment factory and a new shopping centre are already open. A TV station began transmitting at the end of last year and people living on the Mediterranean side of the Sinai are now able to watch shows from Cairo.

Education is receiving special attention. The director of education in northern Sinai said students were previously forced to accept a colonial education. Hebrew and Israeli history and geography were taught. When the Egyptians took over they quickly began to emphasize Egyptian patriotism in the schools. In addition, trips are organized for the young to visit Cairo and other

sections of Egypt during the holidays to acquaint them with the nation's history and culture. The area now has twice as many schools as it did two years ago. Some of the new schools, including the technical secondary and business schools in Al Arish, were opened last year. A university also is planned.

The US Dollar — Flabby or Firm?

THE US dollar grew "firmer" in the international money market. Its exchange rate went up 18 per cent last year and is still rising. In the first three months of this year the Japanese yen fell more than 10 per cent against the US dollar. West European currencies have also declined.

A firmer dollar has not made US business circles happy. The American auto, steel and textile industries which are competitively weaker have raised an outcry. Each rise in the rate of exchange has made US goods more costly to the foreign buyer, with a corresponding reduction of prices of foreign goods in the United States.

A powerful domestic economy, competitive exports and high industrial productivity make a country's currency strong. But the US economy has been sluggish for more than a year and productivity has been going down. US foreign trade deficits reached 39,700 million dollars last year and is estimated to be larger this year. Under these circumstances there must be some other reason behind this steep rise in the exchange rate of the dollar.

Clearly it is the result of high interest rates. The exchange rate of the US dollar has been following the climb of the domestic interest rates for more than a year. When interest

Preparations are being made for the return of the remaining part of the Sinai to Egypt and a special government body has drawn up a development programme for the entire Sinai Peninsula right up to the year 2000.

— Fu Fuyuan

rates fell at the end of last summer, exchange rates also fell. When it rose again last September, the exchange rate also went up.

High interest rates have been attracting foreign capital for a long time and people have been buying US dollars. On top of this, the US Federal Reserve Board's rigid control of the money supply has continually pushed up the exchange rate of the US dollar.

The US dollar is only superficially firm. If this keeps up, it will undermine the US economy. This is why several major US newspapers are sounding alarms and are against further raising the exchange rate of the dollar. At the same time, they are calling for curbs on the large influx of foreign capital into the United States to stave off disaster.

Lowering interest rates will improve the situation. But with the Federal Reserve Board bent on controlling the money-supply to bring inflation down while federal budget deficits balloon, the US Government has had to borrow heavily from the money market. So how can interest rates be reduced?

The "firmness" of the US dollar can be compared to tinsel wrapping masking the growing contradictions and difficulties within the US economy.

— Gu Jin

Remarkable Improvement in Living Standards

by Li Chengrui and Zhang Zhongji

Despite economic difficulties, the state allotted 31 per cent of its revenue in 1979-81 to improve personal incomes and living standards. Rural net incomes rose 60 per cent and real wages rose 30.8 per cent, despite price hikes. Standards of living are still low, and some peasants and wage-earners still find life hard.

THERE were serious imbalances in the national economy for many years because of "Leftist" ideas. Wastages were staggering and living standards showed no improvement. After the Third Plenary Session of the 11th Party Central Committee held towards the end of 1978, the situation was righted and despite financial difficulties the government introduced measures to improve the people's lot. The grave disproportionate development of agriculture, light and heavy industries was adjusted and economic policies introduced to boost agricultural production and turn out more consumer goods. The inappropriately high rate of accumulation was lowered from 36.5 per cent in 1978 to less than 30 per cent in 1981 and the amount diverted to consumption was raised to 70 per cent from 63.5 per cent. Capital construction investments in state-owned units were adjusted. Investments in production were brought down from 82.6 per cent in 1978 to 58.9 per cent in 1981, while non-productive investments, such as in housing, cultural, educational, health, scientific research and other public undertakings were boosted to 41.1 per cent from 17.4 per cent. From 1979 to 1981, the state allocated no less than 140,000 million yuan, i.e., 31 per cent of the combined financial revenue for these years, to improve personal incomes and the material life of the people.

Li Chengrui is acting director and Zhang Zhongji, a staff member of the State Statistical Bureau.

Peasant Incomes

According to a study of commune members' incomes, the per-capita net income was above 220 yuan in 1981, 80 yuan more than in 1978, which is an annual increase of 18 per cent. In some former impoverished areas such as Guizhou's mountainous area, Gansu's Dingxi Prefecture, Anhui's Chuxian Prefecture, Ningxia's Guyuan Prefecture, Shandong's northwest and Henan's Kaifeng Prefecture, a remarkable improvement has taken place in agricultural production and living standards. A national sample survey of peasant families shows that families with an annual per-capita income of less than 100 yuan dropped from 33 per cent in 1978 to less than 10 per cent in 1981.

Higher peasant incomes are primarily due to the growth of production generated by



New housing in Tianjin.

the implementation of the Party's rural policies, the introduction of various forms of the production responsibility system and economic diversification in the rural areas. Furthermore, peasant incomes went up as a result of higher state purchasing prices for some lines of farm produce and sidelines and a reduction of the agricultural tax in some areas. In the 1978-81 period, the peasants received 50,000 million yuan resulting from higher purchasing prices and a lower agricultural tax.

Wage-Earners Better Off

According to a study of wage-earning families, the amount available each month for living expenses per person was 38.6 yuan in 1981, 46.8 per cent higher than in 1978 when it was 26.3 yuan. After adjusting for price hikes, real incomes still showed a rise of 30.8 per cent. The cost of living in China is low. An urban dweller needs at least 20 yuan a month for living expenses (see *Income and Actual Benefits*). Higher incomes for wage-earners have lowered the number of families with a per-capita monthly income of less than 20 yuan to 2.1 per cent. Fewer and fewer families are in economic straits (see Table I).

Table I

Per-Capita Monthly Income of Wage-Earning Families in 1981

	<i>% of all wage-earning families</i>
60 yuan and more	6.5
50-60 yuan	11.9
35-50 yuan	42.3
25-35 yuan	31.8
20-25 yuan	5.4
under 20 yuan	2.1

A series of policies and steps have been taken by the government to boost production and improve wage-earners' living standards.

One, everything possible is being done to create more job opportunities and to enlarge socialist undertakings. In the last three years, employment was found for more than 26 million people. This has almost eliminated the big backlog of people waiting for jobs. With more people working, the number each wage-earner has to support (including the wage-earner himself) has fallen from 2.06 persons in 1978 to 1.77 persons in 1981. This lightens the wage-earner's burden, increases incomes and also contributes to social stability and unity.

Income and Actual Benefits

THE average urban resident in China today has between 20 and 50 yuan a month to spend (approx. 12-30 dollars). Peasants have even less. Yet the average life expectancy is quite high, upwards of 67 year; 66.95 for males and 69.55 for females. Why is this?

Monetary income does not fully reflect actual living standards in this country. First, living expenses in China are low. There is, moreover, no personal income tax or social security tax. The state adopts various measures to ensure livelihood and medical care.

Since liberation, wage-earners have had free health service. There are state grants for those in difficulties, old-age pensions, and labour insurance. Subsidies are paid for hardship posts and occupations that need people badly.

Urban residents can buy various daily necessities at low prices with ration cards and coupons issued them. The state subsidizes food, clothing, housing and transportation. Rent accounts for about 5 per cent of a wage-earner's income (0.1 to 0.2 yuan per square metre of floor space). Commuters pay only a monthly 1.5 yuan for transportation.

More recently, the state has heavily subsidized agricultural and sideline produce in the wake of big increases paid to peasants for their produce. The edible oil and grain subsidy between 1979-81 came to 30,000 million yuan, averaging 150 yuan per urban resident.

Peasants get less cash income but the cost of living in the countryside is much lower. Grain is distributed as part of the peasant's income and they need not pay for housing, water and fuel. Peasants retain all income earned from cultivating private plots and sidelines. Since the early 1950s when co-operatives were set up, public funds have been established in the villages to improve the community's welfare. Individuals incapable of working and having no one to support them are guaranteed free food, clothing, fuel, education (for children) and burial — popularly known as "the five guarantees." Co-operative medicine is becoming more widespread in the countryside and costs the peasant a token payment.

Two, wages have been adjusted upwards for many workers and staff and a system of bonuses and piece-work payments introduced. In 1981, the national payroll of state-owned and collective-owned units combined came to 82,000 million yuan, which was 25,100 million yuan higher than in 1978 when it was 56,900 million yuan. In other words, there was an annual increase of 8,370 million yuan between 1978-81. Wage-earners got an average annual income of 772 yuan in 1981, which was 25.7 per cent higher

than 614 yuan in 1978. This meant the real wages of each worker or staff member went up 11.9 per cent in spite of higher prices.

Three, there is more and better welfare. Higher retirement pensions, subsidies for families with one child, payments for transport to and from work and to visit parents and miscellaneous subsidies have put more money in worker or staff member pay packets. The amount paid out for these by state-owned units went up from 6,700 million yuan in 1978 to 11,600 million yuan in 1980. The figure is estimated to be much higher in 1981.



At a savings bank in Nantong, Jiangsu Province.

Levels of Consumption

In the last three years, more farm produce and sideline products as well as more consumer goods in a greater variety have reached the market. In 1981, the national retail trade totalled 235,000 million yuan, 50.7 per cent higher than 155,900 million yuan in 1978. (The actual increase was 36.2 per cent after adjusting for higher prices.) The amount of foodstuffs, clothing and general consumer goods available all registered fairly large increases (see Table II).

Table II

Increases of Basic Consumer Goods Between 1978 and 1981

	per cent
Grain	12
Edible oil	88
Pork	44
Clothing	28
Sewing machines	32
Watches	27.4
Radios	61.2
Bicycles	13.4

At the end of 1981, there were 58 TV sets, 43 electric fans, 6.3 washing machines, 13 tape-recorders, 4.3 cameras, 44 pairs of sofas and 86 wardrobes per hundred urban families.

People now have more to eat and use and are more selective, tending to buy more expensive, better quality goods. According to one study of peasant families, each peasant in 1981 consumed 326 jin of unprocessed cereals, 81

jin more than in 1978 and only 188 jin of unprocessed coarse food-grain instead of 251 jin as in 1978. In 1981 people bought twice as much higher-priced clothing, such as woollen and silk fabrics, knitting wool and woollen jerseys as in 1978. People are turning more and more away from cheap and hard-wearing clothes to better quality, more stylish and more expensive clothes.

More Housing

The state invested 29,000 million yuan in housing over the last three years to put up 223 million sq m of floorspace. This averaged 74 million sq m a year, which is four times the annual average of 18 million sq m for the years 1966-76. Studies reveal that each member of a wage-earner's family today has 5.27 sq m of floorspace, up from 4.4 sq m in 1979.

Significant building is also taking place in rural areas. Because they now have enough to eat and wear, the peasants are improving their housing. The percentage of consumer spending used on housing has risen from 3.2 in 1979 to 10.3 in 1981. During the last three years, commune members constructed 1.400 million sq m of housing. The current per-person floorspace figure in the countryside is almost 10 sq m.

Private Savings Up

Combined rural and urban savings at the end of 1981 were 52,300 million yuan, 31,200 million yuan more than in 1978. This is a 2.5-fold increase. Urban savings stood at 35,400 million



Peasants are now buying TV sets.

yuan, a 2.3-fold increase, averaging 217 yuan per person. Rural savings were 16,900 million yuan, three times that in 1978 and averaging 21 yuan per person. The people in 1981 had 330,000 million yuan in their hands in cash, or 93 per cent more than they had in 1978. Higher savings indicate higher incomes and greater confidence in the country's economic future.

The state is rapidly building and expanding trade outlets and public facilities in urban areas. Urban residents are finding it less difficult to buy foodstuffs and clothing. They also have better houses and public transport. Educational and health services have been restored and expanded. At the end of 1981, there were 8.3 per cent more hospital beds and 13.9 per cent more trained doctors compared with 1978. College enrolment rose 49.5 per cent above 1978, totalling 1.28 million students, which is 33 per cent more than the record enrolment in 1960. The number of secondary technical schools, TV colleges and spare-time schools for workers and peasants have multiplied enormously. Cultural life is also richer. There are more films, plays and dramas and the scope of their subject-matter has vastly increased. Sales of newspapers, magazines, and books have shot up and radios are quite common even in the villages. Television sets have also appeared in most cities, but they are still rare in the villages.

Living standards have improved, but levels are low and not even. In a few places peasants still do not have enough to eat and wear and

some wage-earners are still finding life rather hard. Wage-earners generally live in rather crowded conditions and urban public transport, science and cultural and health facilities need to be improved. These problems will be gradually solved as the economy develops.

Rising Prices and Actual Incomes

Although incomes have risen for wage-earners, prices of some goods have also gone up. So have actual incomes gone up?

Prices have on the whole gone up. Some industrial goods now cost more and some cost less. Tobacco, alcohol, furniture, bamboo and wood products and woollen fabrics are more expensive, while mixed cotton-synthetic fibre goods, tape-recorders, television sets, electric fans, watches, refrigerators and most pharmaceuticals now cost less. Prices of the rationed amount of grain, edible oil and other basic necessities guaranteed by the state have remained basically unchanged. The biggest consumer gripes concern higher prices for vegetables and some other foodstuffs and shortages of state-priced goods. But there are now a lot more goods available on the free markets. Compared to 1978, the price index for foodstuffs in 1981 has climbed 32.1 per cent. People have the impression that prices have gone up much more than they actually have because many durable goods they buy are cheaper but not bought frequently, while prices of vegetables and other such daily necessities have gone up. But outlays for foodstuffs amount to less than 25 per cent of total consumer spending. Consumers spend 75 per cent on other things, such as non-staple foodstuffs, clothing and services. The price index of urban cost-of-living for wage-earners has risen 12.2 per cent since 1978, but during this same period the average per-capita income of their families has risen by an average 46.8 per cent. After adjusting for cost-of-living increases, actual incomes have gone up an average 30.8 per cent, rising faster than price hikes. Average real wages have risen 11.9 per cent.

Of course, because some wage-earners have not received a raise for many years and are
(Continued on p. 28.)

Joint Ventures With Chinese and Foreign Investment

Since the promulgation of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment in July 1979, enterprises run with both Chinese and foreign funds have sprung up one after the other, averaging one per month. But, how good is their operation and management? Are there guarantees for the legal rights and interests of the foreign investors? And does China still welcome foreign investments with open arms during its period of economic readjustment?

This special feature, composed of an essay by Ji Chongwei, adviser to the Foreign Investment Bureau under the Ministry of Foreign Trade and Economic Relations, interviews with two foreign businessmen whose companies were the first to invest in China and their Chinese counterparts, as well as reports by our correspondents, provides answers to these questions.

Prospects for China's Capacity to Absorb Foreign Investment

by Ji Chongwei

THE Chinese modernization programme calls for international co-operation. In the wake of the implementation of an open policy, China's economic and technological co-operation with other countries has expanded rapidly in recent years. The major form of co-operation has been the utilization of foreign funds to run joint ventures and to import applicable advanced technology and managerial experience.

Initial Results

The Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment (see *Beijing Review*, No. 29, 1979) was adopted by the Second Session of the Fifth National People's Congress in July



1979. The Chinese Government has since endorsed 40 joint ventures in China with an aggregated investment of 189 million US dollars (87.5 million US dollars from foreign investors).

These enterprises were selected on the basis of how well they met the needs of China's eco-

nomically readjustment and growth. They include 15 light industrial and textile projects, 3 foodstuffs and beverages enterprises, 9 factories producing machinery and electrical appliances for civil use, 8 tourist, publishing and other service projects, 3 farming and animal husbandry projects, one pharmaceutical plant and one rental service. Small-scale projects with investments of less than 10 million US dollars make up the majority, 35 in all.

The Swiss-funded China Schindler Elevator Company, Ltd., is a comparatively large-scale joint venture in the building industry, with a total investment of 16 million US dollars.

Of the 40 joint ventures, 27 have opened for business. From July 1979 to December 1981, approximately one enterprise was established or put into operation each month.

The construction tempo of joint ventures and the pace at which they generate returns on investment is faster than that of domestic enterprises. Most of those in operation are in good shape, gaining satisfactory results from increased production and improved quality.

Equality and Mutual Benefit

Actively developing international economic and technical co-operation by pursuing an open-door policy is a long-term strategic principle of China. On the basis of self-reliance, by employing the principle of equality and mutual benefit as well as honouring international customs, China has



Australian and Chinese cotton experts in Shihezi, Xinjiang.

endorsed about 1,000 items in this field. With a combined investment of 2,900 million US dollars, these include joint ventures with Chinese and foreign investment, joint exploration of oil, compensatory trade, and processing of raw materials supplied by foreign businessmen.

The Chinese Government encourages foreign businessmen to invest in China and upholds the principle of equality and mutual benefit, but will allow no terms in the contracts that impair the sovereignty and rights of China.

On the other hand, China provides protection for the legal rights and interests of foreign businesses, as was clearly stipulated in the 2nd, 10th and 11th items of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment.

Favourable Environment for Investment

Some foreign business representatives fear that Chinese policies might change so that their investments would be requisitioned or confiscated. They also fear that the enterprises will have operational or devel-

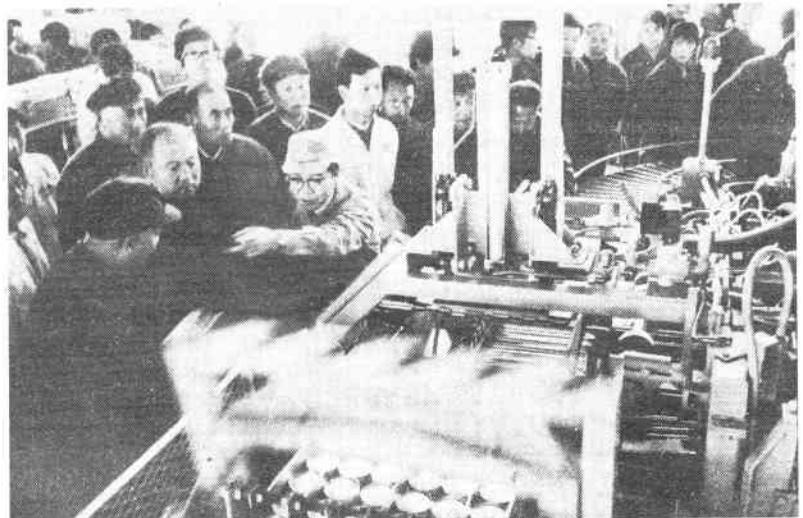
opmental problems due to too stringent limitations.

To reassure foreign investors that their legitimate rights and interests will be protected, China has already reached government - to - government agreements on investment insurance with the United States. Similar agreements are planned with Canada, Sweden, Switzerland, West Germany, Japan and other countries.

China is restructuring its economic management, a move which has provided some of the

necessary conditions for foreign investment in China. For instance, joint ventures have been granted greater decision-making powers than other domestic enterprises. The general manager runs the daily work of the company under the policy-making authority of the board of directors. Such companies operate independently so long as it does not violate Chinese laws and is run in accordance with the rules and regulations of the contracts signed.

These enterprises are also encouraged through the Income Tax Law of the People's Republic of China Concerning Joint Ventures With Chinese and Foreign Investment (see *Beijing Review* No. 40, 1980). The tax rate it stipulates is lower than the developed countries, and lower than some other developing countries. Although it is higher than some other countries or regions, preferential regulations have been or will be made in terms of time and scope of tax mitigation or tax waiver. China levies no customs, nor industrial or commercial taxes on the equipment and materials of the foreign investors brought in as part of their projects, nor on their raw and semi-finished



Qingdao Brewery's bottling line imported from Japan.

materials used for export-oriented production.

Other relevant laws and rules supporting joint ventures are the Income Tax Law of the People's Republic of China Concerning Foreign Enterprises and the detailed rules and regulations for its implementation (see *Beijing Review* No. 52, 1981 and No. 14, 1982). Furthermore, the Rules and Regulations for the Implementation of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment is being examined and will be made public soon. Efforts are also being made to work out other economic guidelines. Reasonable alterations and amendments are being considered in rules, regulations and agreements concerning taxation, pricing and enterprise operation and management.

For the convenience of foreign investors in China, the Chinese Government has simplified the examination and approval procedures for the joint ventures and has granted more power to some coastal provinces and cities. At the same time, it approved the establishment of international trust and investment companies in 17 provinces, municipalities and autonomous regions to serve as agents or advisers in negotiations with foreign businessmen involving foreign investment and co-operation.

China acknowledges the importance of contracts in international trade and co-operation, and has always honoured its agreements. To achieve better economic results and facilitate the construction and production of joint ventures, China is paying more attention to the planning of absorbing foreign investment and emphasizing that projects must be chosen only after a feasibility study has

been made and a comprehensive decision has been achieved.

Extensive Scope of Investment

China has taken numerous steps to readjust, restructure, consolidate and improve its national economy since 1979. These measures will continue during the period of the 6th Five-Year Plan (1981-85). Co-operation with foreign businesses will not be reduced. On the contrary, China will absorb foreign funds and introduce advanced technology in a more extensive way and methods will also be explored towards expanding such co-operation.

There are close to 400,000 industrial enterprises in China. Most of them are medium- and small-sized with a limited amount of equipment and technology. Improving them technically requires relatively little investment, but yields quick returns. China will actively encourage and co-ordinate investment and co-operation for these enterprises.

Foreign investment and co-operation are welcome in areas that represent the weak links in the chain of our national economy and in projects that can adopt advanced technology

and scientific management, upgrade products and lower production costs, expand exports and facilitate the training of technical personnel.

Co-operation could be applicable to almost every trade, including energy exploration and economizing, the construction of harbours and ports, telecommunications, infrastructural facilities of city and industrial zones, light industrial products for daily use, foodstuffs, the textile industry, building materials, chemicals for daily use, machinery, electronics components, processing of farm products, timber, animal products, aquatic cultivation as well as means of agricultural production, education, public health and medical care appliances, tourism and other service trades.

In June this year, China will hold meetings on foreign investment in Guangzhou co-



Jianguo Hotel built with Chinese-US investment, Beijing.

sponsored by the United Nations Industrial Development Organization. There, 130 items for possible Chinese-foreign joint ventures will be advanced for examination by foreign investors.

With a stable political situation and correct strategy for our economy, the focus of our work has shifted to socialist modernization and construction.

Premier Zhao Ziyang said last November in his report on the work of the government, "We shall most probably enter a new period of economic re-

newal in the last decade of the century. . . . We have built up a fairly extensive material and technical base which will play a bigger and bigger role."

At present, China is committed to the readjustment of the economic structure and technical transformation of the existing enterprises to create favourable conditions for the large-scale development of production. It is predictable that there will be a new high tide for international economic and technological co-operation before the advent of the anticipated economic renewal.

Preliminary Exploration

by Our Correspondents Xia Zhen and Jian Chuan

THE China Schindler Elevator Co. Ltd. stands out among the first group of enterprises involving the Chinese and foreign investment. Its prominence is not only due to its large size and its modern equipment but also to its innovative nature.

The company is jointly managed by the China Construction Machinery Corporation and two world famous elevator builders — the Schindler Company of Switzerland and Jardine-Schindler in Xianggang (Hongkong). It represents a total investment of 16 million US dollars, 75 per cent from the Chinese side and 25 per cent from Switzerland and Xianggang. When it opened in July 1980, it was granted a license for 20 years.

The agreement for the establishment of the joint venture was officially signed in March 1980, shortly after the publication of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment. At that time, there were no detailed regula-

tions for the implementation of that law nor of the income tax law. All the terms included in the agreement were worked out after repeated consultations with the support of the Chinese Government.

The board of directors is the decision-making body of the company, with its eight members divided according to the amount of the capital stock — China has six; Switzerland and Xianggang each have one. The president of the board is Chinese and the deputy president of the board is Swiss. All major policy questions have to go through the board. Decisions are made by consensus in the spirit of equality and mutual benefit.

The company's general manager is in charge of the day-to-day work and is directly accountable to the board of directors. He has an immediate support staff of two assistant general managers and several managers. The company is further divided into departments responsible for

production, technology, planning, marketing, assembling and maintenance, and is aided by two foreign experts. These 30-odd management professionals with an average age of 40 make up a head office that is highly efficient.

The company commands two factories (the Shanghai Elevator Plant with a history of 30 years and the Beijing Elevator Plant built only six years ago) with a combined payroll of close to 2,000.

Since the two plants came under joint management one and a half years ago, progress has been made with respect to the quality and quantity of their traditional products. In the latter half of 1980, they produced 330 elevators of various kinds. In 1981, 772 were made, a 37.2 per cent increase over 1979, the year prior to their amalgamation. Consequently, their profits markedly increased.

The first generation of joint products were mixtures of Chinese and foreign designs made with modern techniques. Most of these were built by the end of 1981, with the second generation in trial production. Now, tens of thousands of blueprints and technical information needed for the complete transfer to Schindler products are being brought from Switzerland for translation and assimilation. A corresponding plan for the first phase of the renovation project has been endorsed by the Chinese Government and is included in the 1982 state plan for capital construction.

Following are excerpts of interviews given by several company leaders made upon our request when they last met at Beijing for a board meeting.

Fundamental Principles for Joint Ventures



Xiao Gang (President of the board of directors, representative of the China Construction Machinery Corporation): As was stipulated in explicit terms in the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, each side involved in a joint venture should follow the principles of equality and mutual benefit. The legal rights and interests of the foreign businessmen should be protected and all the activities concerning the joint venture must abide by the Chinese laws, decrees and related rules and regulations. These constitute the fundamental principles guiding the operation and management of our company.

Each side of this joint venture has been faithful to these principles so far. For one thing, the income tax in our agreement is 31.5 per cent of the gross profit of the company. This is lower not only than the tax rate of some countries but also lower than the 33 per cent figure stipulated in the Chinese income tax law passed later. But the Chinese side stands by the original contract, making no changes at all.

The land tax levy was worked out in accordance with the fair and reasonable land prices and

with reference to the tax rate abroad. The existing factory buildings and equipment of the Chinese side were also valued in the light of internationally acknowledged prices.

Although most of the board members are Chinese, things are done through consultations. We do not follow the principle that the minority is subordinate to the majority.

Both Swiss and Xianggang partners have also made efforts to stay within the context of the agreement.

All this has meant positive results. Contradictions and conflicts, however, are not nonexistent, in part due to differences in social systems and interests, and in part because China is inexperienced in such matters. But problems are being solved by reasoning things out on the basis of equality and mutual benefit.

Understanding, Mutual Trust And Patience



Uli Sigg (Vice-president of the board of directors, representative of the Schindler Company of Switzerland):

We look at China as a strong future perpetual. For this perpetual, we have made a heavy investment, including technical know-how, for which

we expect no immediate return, but a return in the future. Another motive force has been that we meant to find a source of supply for export into South-east Asia.

When we look back now one and a half years later, we certainly have been successful. But whether it is actually a success, we can only judge three or four years later when the remoulding of the factory is completed and the products are turning out in quality and quantity according to the plan.

Today, we still have to overcome difficulties in various fields, like there are legal questions, financial questions and technical questions that still need to be settled. These are understandable at this stage of time.

As a foreign participant, we have to form an understanding because joint venture has no precedent within the People's China. China did have previous experience in doing business with foreigners. Due to the fact that China has long been in isolation from international business section, those which have been accepted as common practice in Western countries have to be negotiated, explained and accepted in China. But once confidence is obtained, I trust that the business will go well. As people, the Chinese are closer to us Swiss than most peoples of developed countries.

I think our legal rights and interests will be guaranteed in China. So far we have one example. It is the tax rate. We have been encouraged by the Chinese authorities to conclude our contract before all respective laws concerning tax, foreign currency regulations, labour management, etc., were issued. Of course, you will have to put down the question: What

will happen if later regulations oppose the constituent of our agreement in some parts? But members of the Chinese Foreign Investment Control Commission assured us that the agreements will be observed. The tax rate which we had negotiated at that time is slightly lower than that stipulated in the Chinese income tax law. It has been accepted by the Chinese authorities and has not been altered.

I'm very impressed by the performance of the China Schindler Elevator Co. Ltd. The Schindler products and technology are very complicated, involving about a thousand steps. Now we are in the full process of technical transfer. So far remarkable progress has been made, more than we have expected at the beginning. I hope that things will go on in the future in this spirit. We will need all the support from various Chinese authorities and organizations. I hope they will help this young baby.

Advancing Amidst Experiments



Wang Jianqing (Member of the board of directors and General Manager):

This was our first joint venture with foreign investors. We have made advances while carrying out experiments.

Our company motto is: "If we want to survive, we must

produce quality goods." Under the guidance of the board of directors, we have established a responsibility system which applies to the company managers and the directors of the two factories as well as to the shift and group leaders. This is part of the effort to raise the quality of our products and improve the business management.

In the field of marketing, our company is largely regulated by the market [not by the state plan]. The heads of the company and the two factories personally conduct market surveys. We visit the users and supervise the delivery of elevators. Our business is doing very well. By the end of 1981, we had already signed contracts for all of our 1982 production. Now we have begun to sign contracts for work to be completed in 1983.

In order to compete on the market, we set up a special branch for installation and maintenance. With some 200 people, this branch has raised the ratio of elevators installed to the total being sold from 12 per cent before the joint venture was set up to 19 per cent now. At the same time, we now offer a routine repair service to our customers. The number of elevator breakdowns has been drastically reduced since the joint venture began.

The entire general headquarters staff is competent and efficient. Most of the 30 cadres are young and are professionally trained. They are in their prime. This is a guarantee for us that we will run the company well.

This year is important for our company. We will spend it consolidating the enterprise and improving our management, so we will be prepared to import

all the advanced technology of the Schindler Company of Switzerland and complete the transformation of the production processes of four major elevators by 1983. By 1985, we will have basically completed the transition and will be turning out "Swiss" Schindler products.

Helping the New Baby



Del Farrall (Member of the board of directors and representative of Jardine-Schindler in Xianggang): The first year of a baby's life is the most difficult and also possibly the most important. I think that none of us would pretend that everything has been smooth and easy. But if we consider the soreness it brings and the great differences in background and experiences which the three parties have, I'm saying we've made enormous progress.

The difference between coming into China and going to some place where we have had long experience is that it is not just a question of building a new company, but also a mutual education process to teach each other about their respective systems and positions, because it is impossible to impose a Western style co-operation into China's environment. Equally,

SPECIAL FEATURE/CHINESE-FOREIGN JOINT VENTURES

our Chinese friends have to adapt to some degree in order to be able to see the benefits of the other side. As to the co-operation, I think, so far so good.

In most developing countries, technology is transferred in a slow way. But what we have done in China is very unusual as to the technological transfer situation. Here in China, the situation is very different because China would be serving markets where highly sophisticated products are needed. China Schindler has a greater ability to assimilate technology than many other developing countries. The whole situation in China in the way the business is run in relation to market is quite different to that in Hongkong. In some way, the free market, such as the market in Hongkong, often brings problems of inefficiency for the manufacturer. I think one of the biggest challenges of the China Schindler is how to react to the continuously changing demands in the market.

The greatest single concern to us and to those foreign companies that followed us is exactly this [refer to the legal interests]. In China, we have every reason

to believe that our legal position and the relationship we have will in fact give us an adequate position.

This baby [China Schindler] also has other relations, aunts and uncles, such as the construction authorities, finance authorities and export people. I think the attitudes of other relations will have a great benefit on the development of the China Schindler. If they can identify with it and see the benefits and the prestige which China Schindler will bring to China, it will always have their assistance. If they say: "Well, this is none of our business and let it struggle," and they will do just like a bore.

Turning Out "Schindler" Products

Wang Weili (Member of the board of directors and concurrently Director of the Shanghai Elevator Factory) and Wang Enxiang (Member of the board of directors and Director of the Beijing Elevator Factory):

From our experiences in the past year and more, we have come to realize that China's industrial development will be accelerated through running joint ventures with both Chinese and foreign investment, introducing

advanced foreign technology and managerial know-how.

The Schindler Company of Switzerland has a history of more than a century now and the construction, performance and manufacturing techniques of its products are fairly advanced. According to agreement, we plan to introduce its products and technologies to China step by step and upgrade our elevators and escalators to the level of "Schindler" products in three to five years.

When the joint venture was first set up, we restructured the business management, and by and by, we devoted more efforts to studying the future market and made serving the users our main concern. Since the setting up of the joint venture, the output and profit of both our factories have markedly increased, the period of delivery has been shortened and the installation and maintenance force has increased three-fold, compared with that before the venture was started.

In order to attain the technological level of Swiss "Schindler" products as quickly as possible, we have worked hard to train our own technical personnel, to digest and master

A workshop of the Shanghai Elevator Plant. Show room of the Beijing Elevator Plant.



the blueprints and technological data provided by the Swiss side. We are also making active preparations for the technical transformation of our factories. We expect that the Shanghai factory and the Beijing factory will meet the technological requirements to turn out "Schindler" products in machining and sheet metal respectively after im-

porting some key new technology and equipment and adding some home-made auxiliary ones.

While making efforts to carry out the above-mentioned plans, we will try to compete on the international market by raising our products' quality, lowering the prices, shortening the period of delivery and providing good service.

Better Service

by Our Correspondent Jian Chuan

CHINESE airlines food is "delicious" and has reached "international standards." These were remarks made by foreign passengers about the service of the Beijing Air Catering Co. Ltd.

Situated by the southern gate of the Beijing International Airport and connected with the waiting room and the guest house, the company has become an indispensable component of the service trade of the capital's airport. It opened in May 1980 as a joint venture run by the Beijing Administration of the General Administration of Civil Aviation of China (CAAC) and the China Air Catering Co. Ltd., in Xianggang (Hongkong).

Experience Trials

Managing Director Xu Zhixue, who has worked in airlines catering for CAAC since 1968, said that before the joint venture, food was prepared in a small 300-square-metre kitchen attached to the Beijing Administration of the CAAC. Conditions were poor, equipment was simple and the techniques of food preparation were inadequate for the needs of foreign passenger liners. The kitchen could only prepare food for 600 passengers daily. Most of it was

prepared for Chinese civil aviation. Passenger liners of foreign aviation companies seldom cared to ask about Chinese food.

The new venture was founded to meet the ever-increasing demands of civil aviation. Its aim is to improve the quality of Chinese airlines food so as to provide better service for both Chinese and foreign passengers.

The clean and brightly lit new food-preparing workshop has advanced food-preparing equipment introduced from Xiang-

gang. A number of measures have been taken to ensure the hygiene of the food. The workers wear white work clothes and bacteria-free plastic gloves while making up various kinds of delicious food. The prepared cold dishes, dessert, sandwiches and cold noodles are wrapped with fresh-preservation paper. Hot dishes and rice that need to be heated are wrapped with aluminium foil. Fruit, crackers and bread are wrapped and sealed in non-toxic-plastic bags.

In June 1980 and February 1981, S. Tucker, the food manager of the West German airlines Lufthansa, twice inspected the Beijing Air Catering Co. Ltd., and examined 12 items, all of which were up to standard. He sent a cable from West Germany saying he was happy to report that a chemical examination showed that the Beijing Air Catering Co.'s environmental sanitation in the food-preparing area was excellent and the hygiene standard was very high. "Very good, please keep up these standards," he added.



Preparing food for airliners.

Constant Progress

Managing Director Xu said that the menu is a combination of Chinese and Western food and also contains some famous Chinese and international delicacies. Since June 1980, the company has changed the CAAC menu at regular intervals. Five totally different menus have been offered, including 38 hot dishes, 37 cold dishes and 30 variations of snacks. Since July 1981, the company has prepared Beijing roast duck for the first-class cabin of CAAC, he said.

Apart from supplying rich and varied air food for foreign airliners, the company also supplies special foods needed by foreign customers. The company can now prepare the famous dishes in the world and can supply whatever the foreign passenger liners need. Despite this offer of specialty orders, many foreign aviation companies have said that they are very satisfied to be able to select dishes from the various menus of ready-made food listed on the order form.

In the past two years, the company's development has surpassed what was expected. When the business began in May 1980, Wu Zhande, vice-president of the board on the Xianggang side, estimated that the company would incur a loss of 200,000 yuan in the first year. Spokesmen for Chinese side also thought the best they could hope for would be a balance of revenue and expenditure that year. But the actual situation was very good. At present, 13 of the 14 foreign passenger liners which land in Beijing, use the catering company. The one exception travels such short distances that it doesn't need Chinese air food. The average number of people served daily grew from 600 in 1979 to 2,000

in 1981. In the meantime, the financial turnover rose from 0.96 million yuan to 8.40 million yuan. The company made a

profit of 550,000 yuan during May-December 1980 period. It reached 1.38 million yuan last year.

Result of Sincere Co-operation

by Our Correspondent Jian Chuan

THE Sino-French Joint-Venture Winery Ltd., is a joint venture run by the Tianjin Vineyard and the French Remy Martin Financial Group (Far East) Ltd. It represents a total investment of 0.53 million US dollars, of which the Chinese side makes up 62 per cent and the French side, 38 per cent. With these comparatively small investments, it has yielded rapid and positive results.

When I visited this company on the northern outskirts of Tianjin, the 1981 grape-pressing season was already over. In the spotlessly clean workshop were stainless steel barrels full of wine. Some workers were emptying the barrels and others were checking the packing. The sweet scent of wine was diffused in the air.

High Efficiency

Chen Zhenshan, assistant-manager of the company with over 20 years of experience in the wine-making industry, said that it took the company only six months between gaining government approval for the business to the bottling of the first batch of wine. Such speed has rarely been seen in the wine-making industry in China. The accomplishments of the company derived from the co-operative spirit exhibited by both sides, who strictly adhered to their agreement.

Following is the course of arrangements made by the company:

On January 26, 1980, both sides signed the joint venture agreement;

In April, the Tianjin Vineyard sent a team for an inspection tour to the branch company of Remy Martin Financial Group in Australia and returned with an analysis and feasibility report;

In May, the Chinese Government approved the plan, and the French side sent its expert Peter Carton Nichols to Tianjin where he conducted an on-site investigation and proposed a construction plan;

In June, a 518-square-meter wine-making workshop was built in the Tianjin Vineyard; the equipment supplied by the French side was shipped in and installed as stipulated in the contract;

On August 25, the grapes were harvested and the company went into operation;

Although China has a long history of wine-making, it has generally adopted the method of natural fermentation, which usually requires two or three years from pressing the grapes to producing a marketable product. Using the new French method only two months are needed to finish the whole procedure.

On October 16, the first batch of wine was made.

According to the agreement, the French side has the exclu-

sive rights to sell 90 per cent of the products while the rest of it is sold in China.

The 100,000 bottles of wine turned out in 1980 and 130,000 bottles produced in 1981 have been shipped to the international market.

New Techniques

The co-operative attitude and the French experts' high sense of responsibility to the work have left a deep impression on Chinese workers.

While passing on his new technical know-how to the Chinese workers, French Wine-making expert Peter also set strict demands on himself. Sometimes he worked more than 12 hours a day. Later the French side sent two young experts, Peter Delair and Sophie Delair. They were also conscientious and meticulous in their work and made constructive suggestions on improving the variety of grapes and the planting techniques. Under the guidance of these experts, the Chinese workers have by and

large mastered the new techniques of wine-making.

Wine Tasters Approve "Dynasty"

The "Dynasty" brand produced by the Sino-French Joint-Venture Winery Ltd. is a medium dry table wine of good quality. Having a clean, fresh bouquet, it bears a distinctively Chinese flavour.

In October 1980, Xianggang (Hongkong) wine tasters were invited to comment on three different flavours of wine produced by the company. They unanimously agreed that the wines compared favourably with those produced by the Australian branch of the company.

In June 1981, the "Dynasty" brand was displayed at the first world wine fair held in Bordeaux, France. It aroused great interest among the people who attended the fair. About 300 people a day tasted the "Dynasty" wine and many said that it was nice. Some merchants re-

quested that they be the first importers of the wine. A restaurant manager commented that if his restaurant was supplied with the Chinese wine, his business would surely improve.

Manager Xu Wenheng said he had recently completed talks with the agent of the French side on the development of the company, and that both felt the prospects for the future were heartening. The company has now produced five kinds of medicinal liquor needed in the Southeast Asian market. Ten thousand bottles of each type will be soon shipped to Xianggang, he said. It is estimated that the company's output of "Dynasty" will increase 11-fold by 1985, to one million bottles of wine (750 tons).

"It is, of course, difficult for our company which has a small staff of 23 to reach this target. But we are confident that we can achieve this aim through the continued co-operation of both sides and the support of the Chinese departments concerned," he said. □

(Continued from p. 18.)

getting few or no bonuses, their living standards have declined. For these families the state will pay attention to improving their lot appropriately and gradually.

Gradual Improvements

Comrade Chen Yun recently pointed out that two things must be taken into consideration at the same time, one is livelihood and the other is construction. Living standards cannot be improved faster than the growth rate of productivity. If living standards rise faster than productivity, then the state will not be able to carry on construction and the great goal of modernization will not be realized.

In recent years, in order to stabilize market prices and lighten the people's economic bur-

den, the state has subsidized some of the basic necessities and agricultural means of production. In the last few years these subsidies accounted for an ever greater portion of the state revenue that they became a big financial burden on the state.

During the last three years, total industrial output value rose 23 per cent, and industrial productivity only 6.6 per cent. But bonuses for wage-earners increased sevenfold. If this continues unchecked, it will lead to deficits and increased inflation. Moreover, price fluctuations will eventually erode the benefits which urban and rural residents have obtained in the last few years.

Therefore, the lives of the people can only be improved gradually on the basis of developing production and raising labour productivity. □

FOLK ART

Papercuts

Papercutting is a traditional art with rich symbolism which is appreciated by millions in modern China.

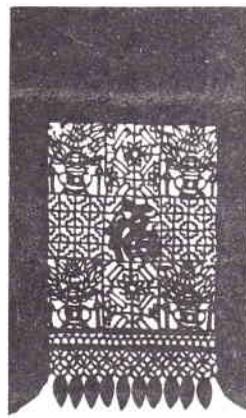
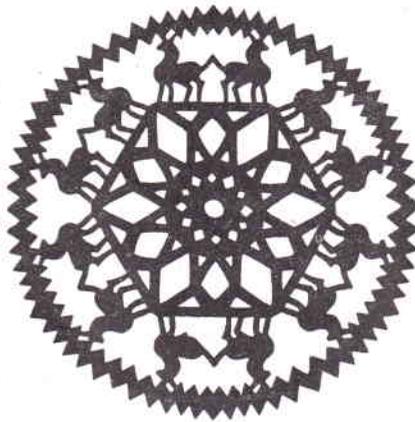
The *Chrysanthemum* (see illustration) is one of a set of chrysanthemums cut by Zhang Yongshou from a sheet of paper. Zhang, a 74-year-old artist from Yangzhou in Jiangsu Province, is a descendant of a family with four generations of papercutters. At 12 he took up this trade and over the years has created hundreds of thousands of works specializing in exquisite flowers and plants. He created 101

papercuts to illustrate the selection of Guo Moruo's poems entitled *A Hundred Flowers Blossom*. "The spring and autumn portrayed in these papercuts," wrote Guo Moruo, "make people feel that the east wind is blowing across China."

China's papercuts have a long tradition. *Horses Encircle a Flower* is the oldest papercut ever discovered in China. From the Northern Dynasties period (386-581), it was unearthed in Turpan, Xinjiang.

Papercutting is a folk art using simple utensils and paper. It is easy to learn and has spread widely among the Chinese people.

Papercuts are decorative and especially displayed on holidays. To proclaim the coming of Spring Festival, new door decorations (see the illustration *Good Fortune*) are hung above the doors of houses along the banks of Changjiang River and colourful paper designs are pasted on windows of cave dwellings in north China. Festive days also bring out lanterns decorated with papercuts. Weddings and birthdays find papercut Chinese characters pasted on furniture and gifts. Papercut patterns also serve as stencils for making porcelain and lacquer and dyeing textiles, as well as outlines for carvings and embroidery.



Left to Right: **Chrysanthemum.** **Horses Encircle a Flower.** **Good Fortune.** **Surplus Grain for Years Running.**



Left to Right: **Good Luck Is Coming.** **Sports.** **Pouring Water for an Armyman.**

REMOTE SENSING

Land Resources Surveyed

Surveys of China's land resources which use satellite photographs have been carried out since 1979 to assess the potentials for agriculture, animal husbandry and forestry.

These surveys on 34,000 square kilometres of grasslands in Hebei Province and the Inner Mongolian Autonomous Region are being used to ascertain the types of grasslands, yield of fodder and livestock supporting capacity. Based on the findings, technicians have proposed water conservancy projects, planting of drought-resistant herbage and windbreak forests on arid pastures.

The grasslands of northern China and grass-covered mountain slopes in the south total 3 million square kilometres. The completed surveys in Fujian, Hebei and Jilin Provinces cover an area of 480,000 square kilometres. Technicians are being trained to use imported satellite pictures in assessing the remainder of the nation's grasslands.

Similar surveying techniques are being used by agrotechnicians to estimate this year's harvests in a few counties.

The national centre for agricultural remote-sensing training and application has already held six courses and trained 210 technicians in these methods.

Changjiang River Water Resources

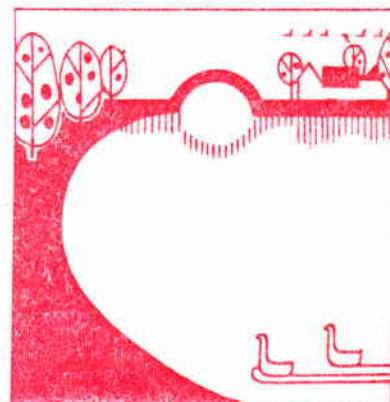
Using the technique of remote sensing, Chinese scientists have gathered data on the water power potential of the upper

reaches of the Changjiang River. They estimate that the upper reaches of the river have nearly 70 per cent of China's potential water power resources.

Scientific personnel assisted by the People's Liberation Army have carried out aerial surveys over 31,542 square kilometres of the upper Changjiang River region. This study carried out remote sensing over a larger expanse and more rugged terrain than any previous Chinese survey. The data collected since 1980 are for a feasibility study of building a large hydroelectric power project on the Yalong River, the biggest tributary in the upper reaches of the Changjiang River.

The 1,571-kilometre-long Yalong River descends steeply, providing many potential dam sites. The Ertan Gorge is judged the best site to build a hydroelectric station which will be one of China's largest. However, its steep slopes rising to as high as 2,000 metres on both sides made aerial surveying difficult.

The information gathered by the surveyors not only is relevant to the utilization of water resources but also to the protection of the natural environment and to developing mining and forestry.

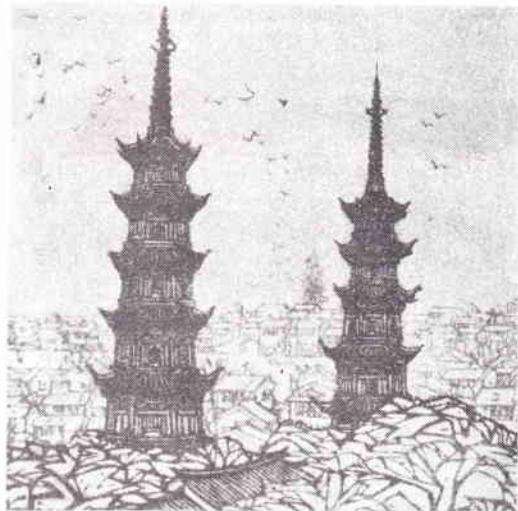
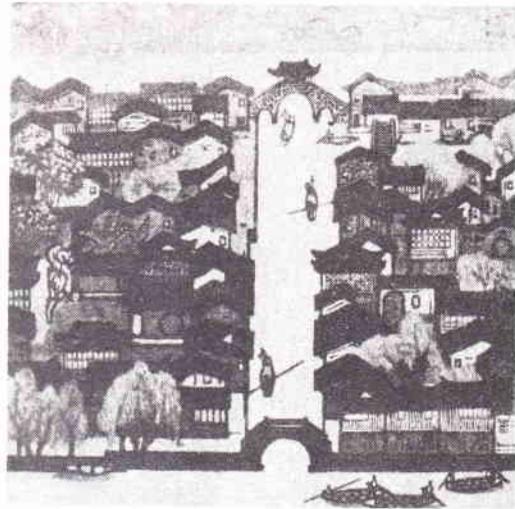
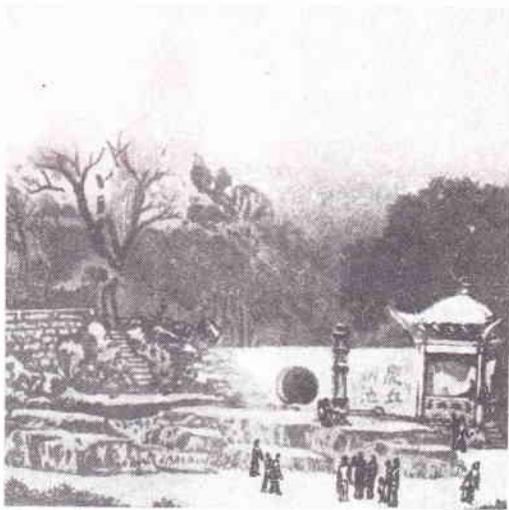


The designs of papercuts are simple and clean. The patterns are varied by the thickness of the lines and, except for painted papercuts, the pure "black and white" provides vivid contrast. Different regions of China have their unique styles. North China's papercuts are vigorous and sharp with bold lines. In the south they are more delicate and intricate. In some places in the east and south, papercuts are cut with knives not scissors. Using a sharp little knife, complicated designs with fine lines and details, such as hair, stamens and eyebrows can be created.

Animals, birds, flowers, plants, people and landscapes as well as legends and traditional characters are portrayed in papercuts. An attempt to picture real life over the last 30 years has added industry, agriculture, sports, national unity, relations between the army and the people (see the illustration *Pouring Water for an Armyman*) and friendship of the Chinese and foreign peoples to the themes of papercuts. This ancient folk art has thus been preserved and enriched.

Many papercuts are symbolic. Through symbolism and homophones, exquisite animals and plants often have hidden meanings. For example, the peach symbolizes long life; mandarin ducks, loving couples; the chrysanthemum, faithfulness. The lotuses with a fish (see illustration) symbolize surplus grain for years running because in Chinese lotus is homophone of consecutiveness; fish, of more than enough. Similarly a pair of magpies in a plum tree means luck is coming. Beautiful papercuts with symbolic meanings that reflect people's hope for the future are popular with millions of Chinese.

Suzhou Woodcuts Gallery



Spring at Huqiu (top)

by Chen She

Hanshan Temple (bottom)

by Chu Ming

Rippling Heard at Night (top)

by Guan Mu

Twin Towers at Dusk (bottom)

by Yang Mingyi

Presented here are wood-block prints of the scenic Suzhou, a tourist city south of the Changjiang (Yangtze) River known as the Venice of the East. As early as the Ming Dynasty, wood-block prints of New Year's pictures were popular in Suzhou. Inheriting and developing this tradition, present-day wood-block printing is characterized by a new and distinctive style. The Suzhou Woodcuts Gallery, sponsored by the Suzhou Research Institute of Graphic Art, regularly exhibits its members' works.

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