

Beijing Review

A CHINESE WEEKLY OF NEWS AND VIEWS

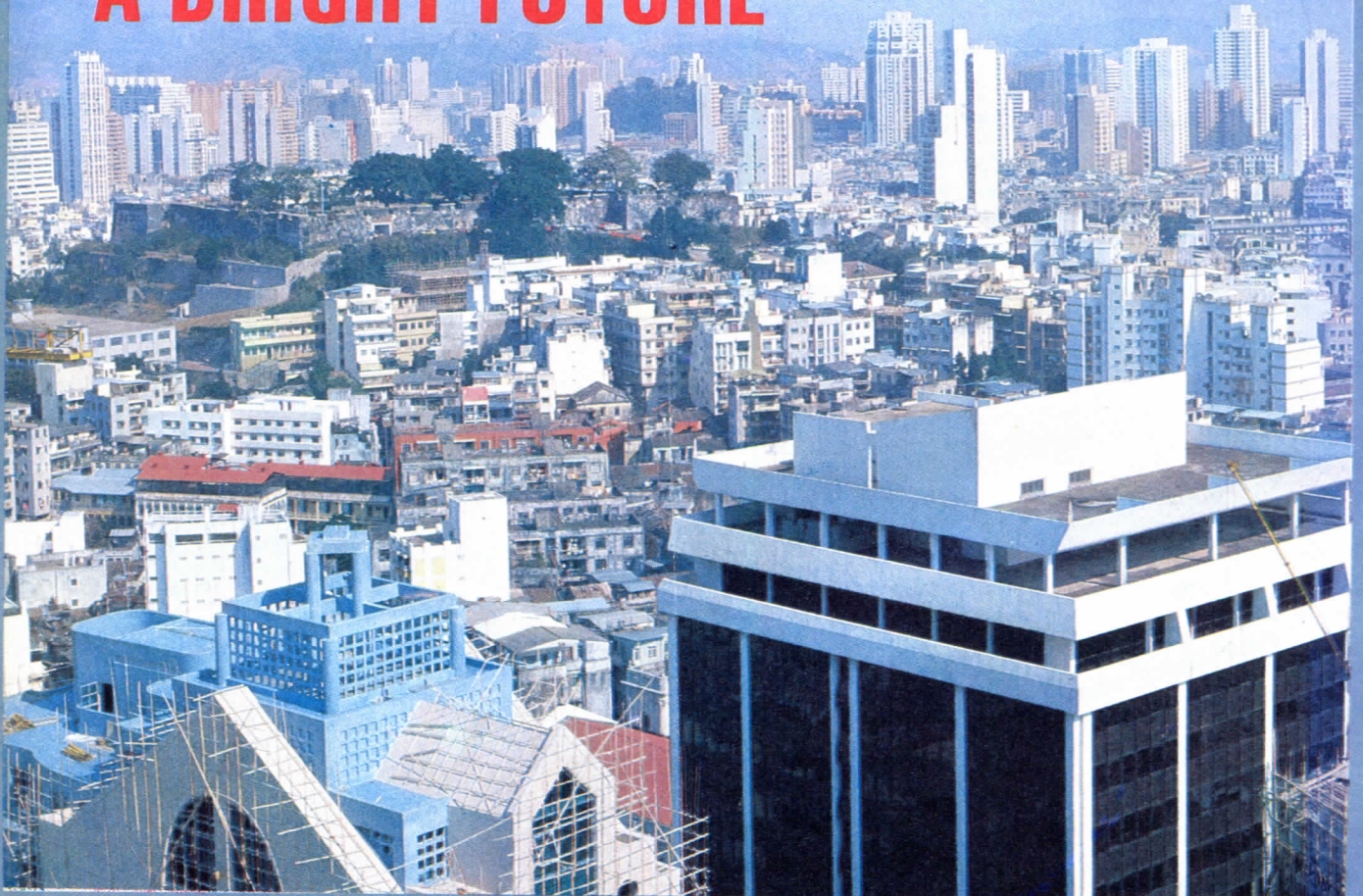
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National People's Congress in Session

**MACAO LOOKS TO
A BRIGHT FUTURE**



Modernity: A walking tractor.

Photo by Hou Dengke



Enjoying a bumper harvest.

Photo by Zhang Lianli





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COVER: Macao, cityscape
Guo Jixin and Li Changjie

HIGHLIGHTS OF THE WEEK



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Zhao Outlines Basic Tasks to NPC Session

■ In his government work report to the Fifth Session of the Sixth NPC, Chinese Premier Zhao Ziyang reviewed the achievements made in the past year and expounded the principles for sustained economic development in the coming year (p. 5).

Vice-Premiers Meet the Press

■ Vice-Premiers Yao Yilin, Li Peng and Tian Jiyun answered journalists' questions (p. 14).

Sino-Portuguese Joint Declaration

■ Full text of the Sino-Portuguese joint declaration on the question of Macao initialled in Beijing on March 26, which is another example of the successful implementation of the principle of "one country, two systems" (centrefold).

More on "One Country, Two Systems"

■ Deng Xiaoping explained the formula of "one country, two systems," which played a very important role in solving the Hong Kong issue and could well apply to Taiwan. We believe allowing capitalism in a limited area is conducive to the development of socialism, he said (p. 21).

Let Peace Replace War

■ The United Nations Regional Conference of the World Disarmament Campaign, held in Beijing on March 23-27, called for safeguarding world peace as a worldwide goal (p. 17).

Utilization of Foreign Funds Proves Fruitful

■ Although there was a decrease in foreign-funded projects contracted and their value last year, actual foreign investment in 1986 was 10 percent higher than in 1985. China enacted rules and regulations to encourage foreign investment which mark a new stage in the fruitful and steady use of foreign capital (p. 4).

Utilization of Foreign Funds Fruitful

Some people assert that China is no longer attractive to foreign capital because the number of projects using foreign funds dropped in 1986. This, it seems to me, is a simplistic view and lacks analysis and perspective.

In the eight years since 1979, when China began implementing the open policy to 1986, China absorbed a total of US\$16.2 billion in direct foreign investment in more than 7,000 projects, averaging almost 1,000 projects a year. In 1986 there were 1,492 projects valued at US\$2.75 billion, including Sino-foreign joint ventures, Sino-foreign co-operative enterprises and wholly foreign-owned businesses (hereinafter referred to as foreign-funded enterprises), half the number of the year before (3,069 and US\$5.57 billion). While the 1986 figures are much smaller than the 1985 ones, they are still higher than the average figures as well as that and the combined total during the three years from 1981 to 1983. Also, although the number of contracted projects and contract value decreased, the amount of investment actually made was 10 percent higher than in 1985.

Last year China's absorption of foreign investment had the following characteristics:

Investment structure readjusted. Last year the Chinese government encouraged foreign businessmen to invest in productive enterprises. The number of such enterprises approved accounted for 76 percent of the total, whereas between 1979 and 1985 it was only about 45 percent. Of the productive businesses, the number of advanced technology enterprises increased.

Meanwhile, in order to keep the scale of foreign investment to a manageable level, China tightened control over the economy as a whole and incorporated the foreign-funded projects' funds, materials, credit, energy and transportation in the plans of governments at all levels. Where proper conditions were lacking, new projects were delayed, thus

“China is no longer attractive to foreign capital” is simplistic and lacking analysis or perspective. Investment actually made last year was 10 percent higher than in 1985.

allowing only the ones with the highest prospect of success to begin.

Last year, the projects prohibited or limited were mostly in the fields of tourism, taxis, colour photos development and other simple services; in fields already saturated such as plate glass and other building materials; and in projects directed primarily towards domestic sales and cannot balance their foreign exchange accounts.

Foreign exchange balance improved. Of the foreign-funded enterprises approved in 1986, the number of those with surplus foreign exchange, or at least with balanced foreign exchange books, increased. A small number of technically advanced enterprises whose products are mainly for sale domestically have devised new

ways to balance their foreign exchange. For instance, it is permitted to charge foreign currency when selling domestically; the transfer of foreign exchange is permitted between enterprises; and Renminbi (People's Currency) may be used to purchase some products from other enterprises for export purposes. Under special circumstances, the central and local governments may also grant loans in foreign exchange. In 1986, many provinces and cities as a whole achieved foreign exchange balances or surpluses.

Enterprises' performance improved. More than 3,000 foreign-funded enterprises have gone into production or begun business. The majority of them are performing quite well. A small number, such as the Beijing Jeep Corp. Ltd. and the Shanghai Volkswagen, encountered problems which, however, have been solved satisfactorily.

In 1986, some foreign businesses complained about low work efficiency and high charges by some Chinese departments, and troubles relating to foreign-exchange balances. Some of these problems arose from lack of experience and shortcomings in work. The Chinese government paid great attention to these complaints. In the summer of 1986, Premier Zhao Ziyang called a special meeting to discuss solutions, and decided to set up a leading group headed by State Councillor Gu Mu and to take charge of foreign investment work.

This group co-ordinated with other departments to improve work efficiency. In coastal pro-



Sixth NPC in Session

The Fifth Session of the Sixth National People's Congress (NPC) opened in the Great Hall of the People in Beijing on March 25, with 2,719 deputies attending.

Premier Zhao Ziyang delivered a report on government work at the session (The full text will be carried in a later BR issue—*Ed*). In his report, Zhao reviewed the achievements made in the country in the past year and expounded the principles for sustained economic development in the future.

The premier said that the most important success China scored in the economic field last year was that, through initial readjustment, it began to reduce the excessively rapid rate of economic growth that occurred between late 1984 and continued through 1985, bringing the entire national economy back to normal development. The country's total social output value in 1986 reached

1,877.4 billion yuan, up 9.1 percent over the previous year.

However, he pointed out that in the economic sphere, total social demand still surpasses the total supply—a situation that has yet to be improved fundamentally. In addition there are still some destabilizing factors including a deficit in state finance, inappropriate price hikes for a number of commodities and an imbalance between foreign exchange receipts and payments.

On the basis of experience in economic construction gained over the past three decades, especially over the past eight years, Zhao outlined the six tasks that the country has to fulfil to ensure a steady, sustained growth of China's economy.

The tasks are to attach strategic importance to strengthening agriculture in an effort to boost economic growth, to act in

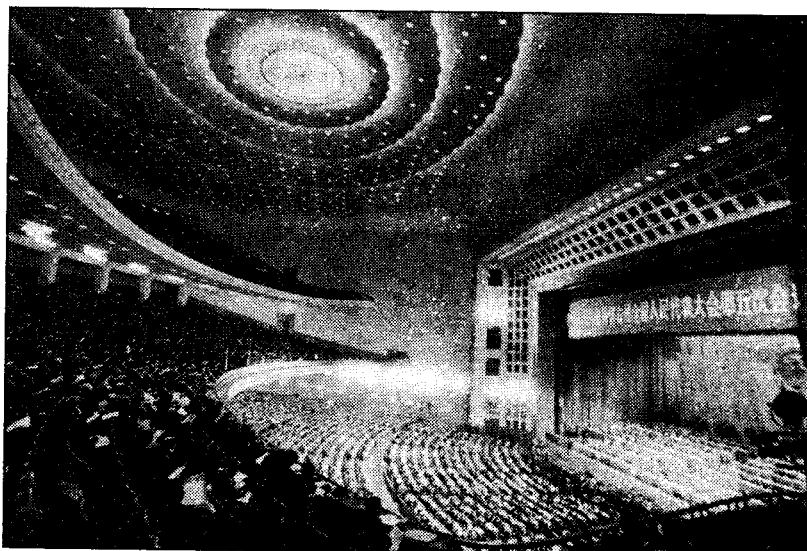
vinces and cities where there are more foreign-funded enterprises, joint work organizations headed by governors or mayors were established. From last October to March this year, more than 10 detailed rules and regulations, including the State Council's Regulations on Foreign Investment and Regulations on Sino-Foreign Joint Ventures' Foreign Exchange Balance, were published. Under these rules and regulations, more preferential treatment is given to foreign businessmen, and their interests are legally protected. Provinces and cities published specific rules of their own in the light of local conditions. At the same time, supply companies and service and consultancy companies for foreign-funded enterprises were established in various localities.

These measures are welcomed by foreign businessmen. As a result, there were 926 foreign-funded enterprises (including 588 joint ventures) in the second half of last year, 360 more than the 566 (including 304 joint ventures) in the first half of last year. It is expected that more foreign businesses will invest in China this year.

All this shows that China keeps absorbing a considerable amount of foreign capital, and that its efficiency has improved. A new stage has begun for the fruitful and steady use of foreign capital.

Nearly 3,000 deputies attended the Fifth Session of the Sixth National People's Congress in the Great Hall of the People in Beijing.

CHEN ZONGLIE



accordance with the law that calls for compatibility of the scale of construction with national strength, to put the increase of consumption on the basis of possible production growth, to strike a basic balance between state revenue and expenditure and between credit receipts and payments, to guard against the tendency of pursuing unrealistically high growth rates, and to push ahead unswervingly for an all-round reform of the economic structure.

The premier also outlined the major tasks for the economic structural reform in 1987. Centring on invigorating the enterprises, especially the large and medium-sized state enterprises, China will intensify their reform, establish and improve their managerial mechanisms which combine their responsibilities, powers and benefits, further develop all kinds of trans-departmental and trans-regional economic ties, and encourage the establishment of enterprise groups or associations.

He said the country will deepen the reform of the financial structure and exercise more effective control over and make better use of all social funds. The capital goods market will further be enlarged to create a favourable environment for invigorating enterprises.

China will reform the labour and wage system and gradually straighten out income distribution in enterprises. And it will also improve management of investment in fixed assets and further increase investment returns.

"To put the country's economy on the basis of truly steady and sustained development," Zhao said, "China must launch a broad, deep-going and protracted drive to increase production, practise frugality, raise revenue and reduce expenditure." In line with a decision of the State Council, he announced, China will cut administrative, operating and managerial

expenses and other expenditures this year by 10 percent.

China will open wider to the outside world and open up new prospects in the effective use of foreign funds, the import of advanced technology and the earning of more foreign exchange through export, Zhao said. The government will carry out to the letter the various policies promulgated by the State Council to give preferential treatment to foreign businessmen who invest in China and to improve the economic environment for them.

When talking about the country's price reform this year, the premier said that it will be confined to readjusting and relaxing control over prices of a very small number of products which have to be changed. But he said the rise in overall prices of goods will be contained to a level lower than that of last year. He also called on state-owned commercial departments to continue to play their part in stabilizing prices.

To guarantee a sound, smooth progress of China's construction, reform and work serving its open policy, Zhao Ziyang pointed out that the country has to conduct widespread and deep-going education in the necessity of adhering to the four cardinal principles (people's democratic dictatorship, socialist road, leadership of the Communist Party and Marxism-Leninism and Mao Zedong Thought—*Ed*) and opposing bourgeois liberalization. But the premier stated once again: "In the whole process of the struggle against bourgeois liberalization, China will make no change in its overall plan for mustering the country's resources to develop production with the focus on modernizing China's economy and for redoubling the people's efforts to build a socialist society that is advanced materially as well as culturally and ideologically. There will be no change in the policies of implementing all-round reform and opening to the outside

world, in the various current policies for the rural and urban areas, in the principle of consolidating and developing the patriotic united front, in the principle of continuing to 'let a hundred flowers blossom, a hundred schools of thought contend,' or in the policy of respecting knowledge and trained personnel and of bringing into full play the role of the intellectuals."

In his report, the premier said that the concept of "one country, two systems" has won increasing support from the people. The Sino-British agreement on the question of Hong Kong is being smoothly put into effect. China and Portugal have successfully wound up their negotiations on the Macao issue. He maintained that the concept of "peaceful reunification and one country, two systems" is also a fair and reasonable principle for settling the Taiwan issue. Zhao urged the Kuomintang authorities in Taiwan to put the interests of the country and of the nation above everything else and take realistic measures for the great cause of China's peaceful reunification.

Hu Yaobang, former general secretary of the Chinese Communist Party, attended the Fifth meeting. He is one of the 157-member presidium of the session.

Prior to the National People's Congress, the Fifth Session of the Sixth National Committee of the Chinese People's Political Consultative Conference (CPPCC) convened in Beijing on March 24, with 1,669 members attending.

In her speech, Deng Yingchao, chairman of the CPPCC national committee, called on all CPPCC members to work even harder to maintain China's present political situation marked by stability and unity, to contribute more to modernizing China, to consolidate and advance the patriotic united front, and to unite all working people and patriots in a concerted effort for the reunification and economic invigoration of the motherland. ■

China to Resume Sovereignty Over Macao

The Chinese government and Portuguese government initialled a joint declaration on the settlement of the Macao question on March 26 (for full text of the declaration, see centrefold).

The declaration, which is expected to be formally signed in April in Beijing, says that the Chinese government and Portuguese government declare the Macao area is Chinese territory and the government of the People's Republic of China will resume the exercise of sovereignty over Macao as of December 20, 1999.

According to the document, Macao is to become a special administrative region of China with a high degree of autonomy. It will enjoy executive, legislative and independent judicial power. But the central government will be responsible for foreign and defence affairs.

The declaration says that the local inhabitants will make up both the government and legislature of the region, and Portuguese

and other foreign nationals may hold public posts there.

China's basic policies regarding Macao, the declaration says, will be stipulated in a "basic law" of the Macao special administrative region and they will remain unchanged for 50 years. It also makes it clear that the current social and economic systems as well as the life-style of Macao will remain unchanged, and the interests of inhabitants of Portuguese descent will be protected by law.

The event has drawn warm acclamation from NPC deputies and CPPCC National Committee members, who are in Beijing to attend the Fifth Session of the Sixth National People's Congress and the Fifth Session of the Sixth National Committee of the Chinese People's Political Consultative Conference.

Ma Man Kee, NPC deputy and president of the Macao Commercial Association, said the agreement reached between China and Portugal on settling the question

of Macao serves as a good example in settling issues between states left over from history.

"The satisfactory settlement of the Macao question accords with the common wish and interests of the Chinese and Portuguese peoples as a whole and will help promote economic, trade and cultural exchanges between the two countries," he said.

Cai Zimin, NPC deputy and executive council member of the Taiwan Democratic Self-Government League, said the initialing of the Sino-Portuguese joint declaration shows the great vitality of the "one country, two systems" concept. "We Taiwan compatriots are eagerly looking forward to achieving peaceful reunification of the motherland in the light of this concept so that people on both sides of the Taiwan Straits will be able to be reunited at the earliest possible date," he added.

Fei Yi-min, a member of the NPC Standing Committee and vice-chairman of the Hong Kong basic law drafting committee, said that he had long been looking forward to an early settlement of the Macao question the way the Hong Kong question was settled.

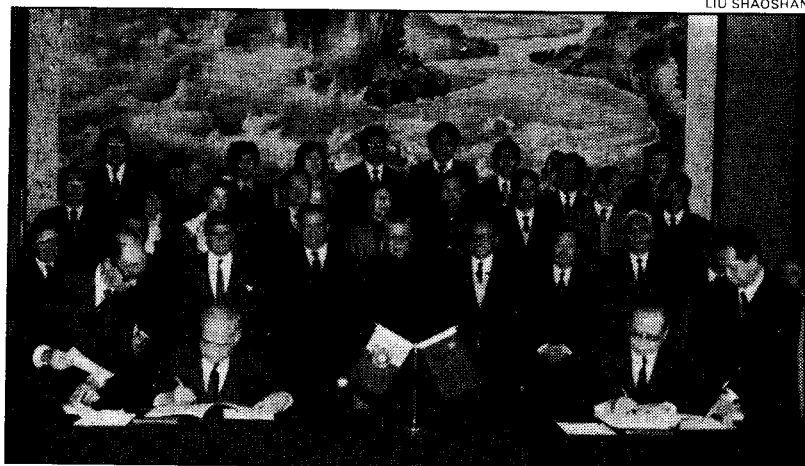
"Since the Sino-British joint declaration on Hong Kong question came into force," he went on, "Hong Kong has enjoyed an increasingly prosperous economy and the political situation has been stable, and its exports and the influx of foreign investments have been on the increase."

He expressed the belief that stability and prosperity in Macao will be maintained just like in Hong Kong.

Sun Chengpei, a noted Chinese historian and vice-chairman of the Central Committee of the Jiusan (September 3) Society, expressed the belief that the settlement of the Macao issue will help enhance Sino-Portuguese friendly relations and safeguard peace and prosperity in the Far East.

Huang Dingchen, chairman of the China Zhi Gong Dang who

Zhou Nan (right), Chinese vice-foreign minister, and Rui Medina, head of the Portuguese government delegation, initial the joint declaration on behalf of the two governments.



LIU SHAOSHAN

once lived in Macao, said he is convinced that overseas Chinese would be very pleased to see the return of Macao and Hong Kong to the embrace of the motherland within this century.

Tsui Sze Man, a member of the CPPCC National Committee and managing director of the Hong Kong newspaper *Mirror*, said that the settlement of the Macao question is a "big fruit" of the Sino-Portuguese diplomatic co-operation.

He said that the close co-operation between the Chinese and British governments and smooth progress in the transitional period after signing of the Sino-British joint declaration on the Hong Kong question has given a powerful impetus to the progress of the Sino-Portuguese negotiations, and the agreement reached by the Chinese and Portuguese governments will in turn boost the confidence of Hong Kong residents. "This will greatly stimulate the progress of the sacred cause of the reunification of the motherland," he added.

Leung Tai Wan, a CPPCC National Committee member and president of the Macao Overseas Chinese Association, said that, with the settlement of the Macao question, "the grown-up younger generation in Macao will have greater room to display their talents."

He expressed the hope that Macao compatriots would participate more in government affairs and contribute to the peaceful development of the community to which they commonly belong during the transitional period up to the end of this century.

In its March 27 editorial, *Renmin Ribao* (People's Daily) commented that the settlement of the Macao question marks yet another step towards realizing the grand goal of the reunification of the motherland and this event will go down in history forever. ■

UN Conference On Disarmament

The 14th United Nations Regional Conference for the World Disarmament Campaign was held in Beijing from March 23 to 27.

Attending the conference were more than 30 officials, experts and well-known figures from the Soviet Union, the United States, Sweden, Canada and 14 Asian and Pacific countries.

The world disarmament campaign was launched by a unanimous decision of the second special session of the UN General Assembly devoted to disarmament on June 7, 1982. Its purpose, as defined by member states, is to inform, educate and generate public understanding and support for the United Nations' goals in the field of arms limitation and disarmament. During the five years since then, a great number of non-governmental organizations have made use of the forum to call for disarmament and the easing of localized conflicts.

In this regional disarmament conference, participants concentrated on both nuclear and

conventional disarmament, as well as relationship between disarmament and security on the one hand and development on the other.

The five-day meeting was held at a time when turbulence and unrest are smouldering throughout the world. The arms race between the two superpowers is in full swing, posing a serious threat to world peace and development. Currently, the world expenditure for military purposes has exceeded US\$1,000 billion a year.

The deepest concerns of the participants centred around nuclear disarmament. There are now 50,000 nuclear warheads in the world with a destruction capability equivalent to more than 1 million Hiroshima bombs. But the production and storage of conventional weapons as well as their import and export also worried the participants. Since conventional weapons are most frequently used in local skirmishes and regional conflicts, they have cost hundreds of thousands of casualties and unbearable debt for some third world countries. Though rarely used, chemical and biological weapons were denounced strongly and participants called for a motion to prohibit them altogether because such

Zhao on Freedom And Democracy

Chinese Premier Zhao Ziyang said on March 26 that China's policy of opposing bourgeois liberalization does not mean denial of democracy and freedom, but more momentum for the development of socialist democracy and freedom.

Zhao made the remark in talks with visiting Cameroon President Paul Biya in the Great Hall of the People in Beijing.

He explained that opposing bourgeois liberalization simply means implementing the political line since the Third Plenary Session of the 11th Party Central Committee in 1978 in a better and all-round way. It by no means entails any changes in China's political line, principles or policies, he stressed.

Zhao said, "Our general principle is to persist in building the socialist system on the one hand, and to invigorate every field of work on the other.

"But," he said, "bourgeois liberalization denies the leading role of the Party and the socialist system." ■

weapons are easy to store and hide and can cause tremendous personal and environmental damage.

Many participants paid serious attention to issues relating to the verifications of disarmament. These delegates pointed out that obscure provisions in existing disarmament agreements, inadequate information given to other countries and even development in technology have increased the difficulty of verification. Delegates from Canada, Pakistan and other countries put forward some concrete proposals at the conference. They applauded the practical measures taken by such international bodies as the International Atomic Energy Agency (IAEA), whose safeguard system is regarded as a model of efficacious verification.

All the participants shared the view that each nation, large or small, has vital security concerns rooted in its history, geographical location and global outlook, and each has a legitimate right to its national security. Talking about the world disarmament campaign, Bangladesh delegate Syed A. Hossain said that without the efforts of small countries, the goal of the movement can never be reached. The Deputy Foreign Minister of USSR Vladimir Petrovsky said it was this kind of conference that gave not only high-level decision makers but common people themselves the chance to take charge of affairs and to see who is who in the question of disarmament.

Mutual trust and mutual confidence were discussed at the conference. Lynn M. Hansen, the head of the Delegation of the United States to the Conference on Disarmament told *Beijing Review*, "One of the greatest difficulties is the suspicion between the major powers and other concerned countries—each thinks the other is cheating, and this is what we would deal with on this occasion."

by Jiang Wandu

Weekly Chronicle (March 23-29)

ECONOMIC

March 26

■ After an investigation in the Gansu and Qinghai provinces, Fei Xiaotong, China's famous sociologist, suggests that the Linxia (Gansu)-Haidong (Qinghai) economic co-operation region between nationalities be established as a base to develop the economy in the Qinghai-Tibet Plateau.

March 27

■ At the Fifth Session of the Sixth NPC, Chinese State Councillor and Minister of Finance Wang Bingqian says that the state revenues in 1986 totalled 222.03 billion yuan and expenditures, 229.11 billion yuan, with a deficit of 7.08 billion yuan. He also discloses that China's budgeted revenues for 1987 is 237.929 billion yuan and total expenditures, 245.946 billion yuan, with a deficit of 8.017 billion.

CULTURAL

March 23

■ A computer terminal of the international data bank systems has been installed in Zhengzhou, Henan Province, which will provide researchers with scientific and technological information for harnessing the Yellow River. The terminal can be connected directly with the DIACOG and RRS data base systems in the United States and the ESA data base system in Europe.

March 24

■ *Renmin Ribao* reports that the Yangtze Computer Company Group, China's second largest following the Great Wall Computer Corporation Group set up in Beijing last December, was founded in Shanghai, the country's leading industrial centre. Composed of 23 leading research institutions, enterprises

and universities, the group employs 41,000 people, including 12,000 technicians.

SOCIAL

March 23

■ Xinhua reports that during the first two months of this year, China's total work force was reduced by 900,000 to 127.2 million. The total amount of wage expenditure, not including subsidies for meat and vegetables, totalled 25.94 billion yuan, 16.3 percent over the same period last year.

March 24

■ More than 250 professors and experts from China's 197 institutions of higher learning and research units appeal for a new law on adult education at a meeting held in Shenzhen, according to Xinhua.

FOREIGN RELATIONS

March 23

■ Chinese Premier Zhao Ziyang is honoured with the highest Pakistan award, the "Nishan" in the order of Quaid-i-azam. Pakistan ambassador to China Akram Zaki, on behalf of Pakistan President Mohammad Zia-ul-haq, presents the award to Zhao in the Great Hall of the People in Beijing.

March 24

■ Premier Zhao sends a telegramme, celebrating the opening of a meeting held by the United Nations in Geneva on promoting the international co-operation in the peaceful use of nuclear energy.

March 27

■ Deng Xiaoping, chairman of the Central Advisory Commission of the Chinese Communist Party, meets Cameroon President Paul Biya and his party in Beijing.

■ The first round of border talks between the governments of China and Mongolia was held in Beijing from March 19 to 27. The talks proceeded in a friendly atmosphere.

IRAN-IRAQ

Missile Deployment Raises Concern

Warships of the two superpowers are heading towards the Persian Gulf because Iran has established two missile bases north of the Strait of Hormuz.

Tension has mounted in the Middle East with reports that Iran deployed six land-to-sea missiles along its coastline capable of reaching the Strait of Hormuz, a vital oil route.

On receiving the news, the United States immediately took action. While warning the Iranians against deterring the free navigation through the Strait of Hormuz, Washington sent an aircraft carrier and 18 escort vessels at once to the strait and ordered its naval forces along the gulf to be on the alert to escort US merchant ships. The United States said it would destroy Iran's missile bases if the country launched missile attack against any ship passing the Strait of Hormuz. US Defence Secretary Casper Weinberger warned that the United States is ready to use force to keep the gulf open and to protect navigation safety in the region.

Located on the southern end of the Persian Gulf, between Iran and Oman, the Strait of Hormuz is strategically important. It is the only outlet to the Arabian Sea, the only passage for shipping the petroleum of the gulf's oil producing countries. About 13 percent of the oil needed in the US, 40 percent in Western Europe and 80 percent in Japan is carried through this vital oil route. Though threatened by the Iran-Iraq war, over 20 large oil ships go through the Strait of Hormuz each day. Therefore, blockade of the strait would mean a serious economic loss for the gulf and for Western nations.

The deployment of Iranian missiles along its coastline is closely associated with the six-year Iran-Iraq war. During the recent mutual attack on each other's tankships, Iraq has taken advantage of its air superiority by assailing Iran's oil installations and oil ships, cutting the country's oil export in an attempt to force reconciliation on Iran. Favoured by its geographical location enclosing the Strait of Hormuz, the Iranians retaliated by intercepting and raiding ships heading for Iraq. Official Iranian reports said that five foreign ships were stopped and examined on March 21 and 22.

The Hormuz crisis offers the United States and the Soviet Union an opportunity to undertake military interference with the gulf region. Both countries have deployed military forces along the gulf to compete for the control of the region. Washington has reportedly put an emergency plan into action and sent a large number of its warships towards the strait. It is also considering requests from Kuwait and other countries for naval escorts of their gulf tankers. The Soviets are watching Washington's moves while deploying their own naval vessels to the region.

The Hormuz tension has raised concern in the world community. The Emir of Kuwait sent letters to Iranian President Ali Khamenei seeking an end to the Iran-Iraq war. The Kuwaiti foreign minister said that the missiles deployed in the Strait of Hormuz will undoubtedly bring about disaster. He urged Iran and Iraq to heed the international call for an early end to the gulf war and settle down to finding a peaceful solution.

by Chen Jichang/Zhou Guoming

JAPAN

Local Elections: A Major Test for Nakasone

Campaigns for Japan's 11th nationwide local elections began on March 23 with sales tax, a central issue between the Liberal Democratic Party (LDP) and opposition parties.

Election campaigns for gubernatorial seats in Tokyo and 12 other prefectures will be a major political event this year.

Both ruling LDP and the opposition parties are approaching the local elections with intense enthusiasm as they would for a national election. All sides are gearing up for a lively debate over the LDP's controversial plan to introduce a five-percent sales tax

and government pump-priming measures to spur the economy.

On April 12 voters will elect 13 governors, 44 prefectural assemblies, two mayors and nine municipal councils. Japanese voters will return to the polls on April 26 to elect other local government officials and assemblymen. About 830 heads of local governments—25 percent of Japan's local government

leaders—will be elected and some 37,000 prefectural, mayoral and town assembly posts will be filled during the upcoming polls.

Starting on March 23, diet business will be suspended until April 12, except for deliberations on emergency legislation.

Political observers say they are focussing their attention on what effect the government's proposed five-percent sales tax will have on the election.

Prime Minister Yasuhiro Nakasone's plan for the value-added sales tax starting next year has triggered a storm of protest from the opposition parties, from various circles across the country and even from within the ruling LDP.

When the ruling LDP scored a landslide victory last July, they promised that a large-scale indirect tax would not be introduced. The prime minister and his government are now being accused of breaking that promise.

Early in March, in what was regarded as a prelude to the upcoming local elections, the LDP was hit by what observers described as "a bolt from the blue" when it suffered a crushing defeat in the upper house by-election in Iwata prefecture on the northern part of Honshu, the largest of the four major islands.

The LDP had traditionally enjoyed solid support in Iwata prefecture, which it had held for the past 25 years. The largest opposition party, the Japan Socialist Party (JSP), and all others had previously been unable to budge the LDP.

Therefore, analysts say there is little doubt that the controversial sales tax was the primary cause of the LDP's "ignominious setback."

In addition to the troubling sales tax issue, the LDP is also expected to come under fire for its defence policy. The LDP and the government decided near the end of last year to increase Japan's defence spending beyond the ten-year-old self-imposed limit of no

more than one percent of the country's gross national product.

Given such a situation, political analysts are doubtful whether the LDP will be able to regain the governors' seats in Hokkaido and Fukuoka prefectures, which it lost four years ago.

However, LDP General Secretary Noboru Takeshita said that the LDP "is resolved to win the local elections so it can carry out its domestic policies."

"Central and local governments must unite to solve the difficulties facing the Japanese economy," he added.

But the opposition parties, showing a unity rare in Japan's recent political history, have voiced their determination to fight the battle.

The JSP vowed that it would make the government withdraw the sales tax with the help of local residents, and put "an end to the Nakasone politics that are taking the road to a military powers."

The Central Committee of Komeito said the elections will

pass judgment on whether the LDP has been right or wrong in its politics, in particular in the sales tax plan.

The Democratic Socialist Party pledged to win the elections by opposing the sales tax plan and said that the elections will decide the fate of Nakasone's tax proposal. The sales tax would "destroy the people's life and undermine the Japanese economy," the party said in a statement.

The Central Committee of the Japanese Communist Party also issued an appeal, calling for a decisive blow to be dealt to the LDP to stop the sales tax proposal.

Under the circumstances, observers say that attention should be paid not only to whether the sales tax plan survives or the overall results of the coming elections, but also on the effect the polls will have on Nakasone's cabinet, which is supposed to have seven more months to go before its term ends.

by Zeng Hu

EEC-CMEA

Brighter Future for Bilateral Relations

A recent meeting between the EEC and the CMEA in Geneva has reportedly achieved progress towards establishing official relations between the two organizations.

The three-day expert-level meeting (March 18-20) in Geneva to discuss the official establishment of relations between the European Economic Community (EEC) and the Council for Mutual Economic Assistance (CMEA) seems to have made some headway. A joint statement issued afterwards said that progress had been made in clarifying positions and narrowing differences, though another meet-

ing would be necessary to complete the progress.

These recently-concluded negotiations are a continuation of the "exploratory talks" held last September. The two groups discussed the normalization of relations on the basis of a draft joint statement submitted by the members of the CMEA.

The EEC-CMEA connection has experienced many ups and downs subject to the vagaries of

post-war US-Soviet relations. Over the past three decades the two organizations did not formally recognize each other. But with the relaxation of the East-West relations, the Soviet Union recognized the EEC in 1972.

In September 1974, the CMEA secretary-general invited the EEC president to Moscow to discuss relations between the two economic blocs. At a preparatory meeting in Moscow in February 1975, the CMEA proposed that the two organizations and their members sign a principled accord on relations. But the EEC side refused on the grounds that the CMEA did not have a unified tariff and trade policy as the EEC did and therefore could not negotiate trade on behalf of its members. Instead, the EEC proposed to negotiate a trade accord with each of the CMEA members.

However, the negotiations were interrupted when the Soviet Union launched its armed aggression against Afghanistan at the end of 1979.

When Mikhail Gorbachev assumed power in early 1985, the Soviet Union promised to establish "beneficial relations" with the EEC, which led to the first round of the EEC-CMEA exploratory meetings last year.

Although the two blocs have not yet normalized their relations, economic and trade ties have long been established and technological co-operation has been going on between member-countries. In 1984, the trade volume between the two blocs amounted to 56.2 billion European Currency Units (an ECU is about US\$1.05), almost eight times the 1970 figure of 7.8 billion ECUs. The EEC is the biggest Western trading partner of the Soviet Union and other CMEA members.

The development of relations between the two organizations is based on mutual demand. Economically, the EEC lacks energy and other resources, which are abundant in the Soviet Union

and Eastern Europe. Eastern European markets appear attractive to the community when trade quarrels are on the increase within Western industrial nations. What is more, the EEC's deficit in its trade with the Soviet Union (US\$10 billion in 1985, and US\$5 billion in 1986) can be wiped out only through the expansion of exports after its relations with the CMEA normalized.

Politically, the warming up of relations between the two blocs will help promote peace and stability in Europe. The EEC also hopes to weaken Soviet grip on its allies.

For the CMEA, the economic reforms of its members require advanced technology and huge funds from the West in order to accelerate the renovation of their own technologies and the development of their economies. The normalization of relations with the EEC will help improve CMEA's trade positions and boost its exports for more foreign exchange earnings. In addition, Pan-European co-operation will serve to distance Western Europe from the United States.

In this spirit, the two blocs have been more dependent on each

other with the development of their trade relations. Thousands of accords have been signed between the two sides on a wide range of economic sectors, including space, nuclear and computer industries.

All this, however, does not mean that there is no problem in their relations. At the Geneva meeting, both sides found the West Berlin issue, a leftover sticking point from the Second World War, a stumbling block to progress. According to the EEC, the 1957 Treaty of Rome stipulates that all contracts and agreements signed by the EEC must contain the territorial clause of West Berlin being a part of the community. But the CMEA rejected the stand, arguing that the new joint statement is not a formal treaty or agreement, which need not mention West Berlin's controversial status.

However, development of the relations between the EEC and the CMEA cannot help but be hindered by the still-strained US-Soviet relations. Therefore, it will be a long time before the two groups achieve universal agreement.

by Li Shuxun

FINLAND

Cabinet Is Likely to Change

Finland's recent parliamentary election shows that though still favoured, the ruling Social Democratic Party will have to incorporate other parties, notably the conservative National Coalition Party, to form a new coalition government.

Finland's National Coalition Party (KP), out of power for more than 20 years, claimed a decisive victory in the country's parliamentary election, winning 53 of the 200 seats in the Finnish

Parliament. The KP gained nine seats more than in the last election in 1983, representing a 1 percent gain to 23.2 percent. The Social Democratic Party (SDP) lost two seats, though it remains the largest

party in the parliament with 55 seats. These results indicate a possible structural change in the Finnish coalition government, which has been made up mainly of the SDP and the Centre Party (CP).

Since its foundation in 1983, the ruling four-party government of Finland, the SDP, the CP, the Swedish People's Party (SFP) and the Rural Party (RP), has pursued deflationary economic policies, maintaining a low but steady economic growth rate. The country's gross national product increased from 0.5 percent in 1982 to 2 percent in 1986, while its inflation rate decreased from 9.3 percent in 1982 to a current 3.5 percent rate. This year's economy looks even more promising. The fact that the SDP is able to retain its top position in the parliament demonstrates the Finns' desire to keep up the current economic development momentum.

However, Finland's economy is troubled by an unemployment rate of 6.5 percent, with 182,000 people out of job. The Social Democrats have failed to reduce the unemployment to the satisfaction of the Finnish people as they promised in the last general election. This explained, in part, why vote turnout among workers was low in this election. Moreover, Finnish voters have seen more than enough of the proposals by the SDP, which has been in power for 21 years. Improper campaign policies and a cocksure attitude towards victory also caused many voters to turn against the majority party this time.

The National Coalition Party, out of power since 1966, has adjusted its policies during recent years. It advocates adherence to Finland's traditional foreign policy of peace and neutrality. It calls for strengthening scientific research and expanding the application of new technology. Together with its proposal for increasing business tax, these

economic measures have been considered helpful to restructuring Finnish private enterprises, protecting their interests and accelerating their internationalization. As a result, the high turnout of those in the enterprise and bank fields contributed to the parliamentary gain of the KP. In addition, the party's reluctance to directly criticize the Social Democrats, a mistake they made in the 1983 election, won approval of many voters. But KP failed to become the largest party in the parliament as it had hoped.

There are three possibilities in the formation of a new government: one is to continue the present one, which consists mainly of the CP and the SDP; the second is a centre-left coalition consisting of the SDP, the CP and the KP; the third is a cabinet headed by the KP, with the SDP out of power. Of the three, the most probable is a three-party coalition. The SDP leader indicated that if common administrative policies can be reached, his party was willing to form a coalition government with the KP. This would be the first Finnish government comprised of both the leftist and the rightest parties. Such a government, observers say, will mean a turn in the country's political orientation. "Although the turning process will be slow, it does begin to change," they say.

It is believed that whichever government is set up, there will be no significant changes regarding Finland's foreign policy. But domestic policies are expected to change.

by Gu Yaoming



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Three Vice-Premiers Hold Press Conference

On March 28, three of China's Vice Premiers Yao Yilin, Li Peng, and Tian Jiyun, held a two-hour open press conference attended by 200 Chinese and foreign reporters. The meeting took place in the Great Hall of the People during the fifth meeting of the Sixth National People's Congress. "Beijing Review" correspondent Lu Yun was among the reporters present.

Li Peng's Answers

On strengthening political and ideological work in the schools:

Fundamentally our educational system aims to train professional personnel in various fields to serve China's socialist construction. The purpose of strengthening ideological and political work is to create a new generation of human beings who have ideals and morality and are well-educated and disciplined.

The education against bourgeois liberalization conducted in the schools will not hamper China's open policy. On the contrary, it will encourage students to better learn about advanced foreign technologies and managerial experience as well as good cultural ideas. It will not hinder students from raising and discussing questions that concern them and it will not rule out democracy. On the contrary, we hope that more channels will be opened for students to express their opinions and make criticisms and suggestions to the government and to school authorities.

At the same time, political and ideological work must be improved. A method that university students are willing to accept should be applied so that good results can be obtained.

On the Three Gorges Project: We have been both active and cautious about the Three Gorges project, because, as you all know, it is massive in scale. After last year's People's Congress, the Ministry of Water Resources and Electric Power organized a special

As for whether I prefer a pro-Soviet policy, I formally declare that I am a member of the Chinese government. I'll faithfully carry out the policies of the Central Committee and the Government. I sincerely support China's independent and peaceful foreign policy and its domestic policies.

fact-finding committee to re-examine the project's feasibility. More than 300 well-known experts are on the committee and the investigation is going smoothly. Experts who hold differing opinions about the project have also been invited to take part and express their views freely. The project will not start before the fact-finding committee's work is ended.

On his personal relationship with Soviet leader Mikhail Gorbachev and his response to foreign observers who say he favours a pro-Soviet policy: I have no personal contacts with Gorbachev. I did not know him in the 1950s when I studied in the Soviet

Union. I have met him twice: once at Konstantin Chernenko's funeral in March 1985, and also in December 1985, when I passed through Moscow. The Xinhua News Agency reported on both meetings.

The second question seems to ask whether I favour a pro-Soviet policy. Here I formally declare that I am a member of the Chinese government, and also a new, young member of the Communist Party's Central Committee. I'll faithfully carry out the policies of the Central Committee and the government. I sincerely support China's independent and peaceful foreign policy and its domestic policies of reform, openness and flexible development of the economy. I wish to make my humble contribution to them.

On why the Standing Committee of the People's Congress declined to bring the enterprise law before the full Congress:

This does not mean that China's economic reform is suffering a setback. The making of laws is a serious matter. The enterprise law has been discussed and judged as needing revision. To guarantee smooth progress of the reforms, we usually first work out regulations and decisions and revise them while also putting them into practice. Only after these regulations and decisions have been tried out and refined do we ratify them in the form of laws.

On establishing the State Supervisory Ministry: Preparations and organizational work are underway.

On whether the campaign against bourgeois liberalization will affect Hong Kong: Absolutely not. According to the principle of "one country, two systems," Hong Kong will

maintain its capitalist system after China resumes the exercise of sovereignty in 1997. A fight against bourgeois liberalization there is therefore out of the question.

On concerns about the safety of the Daya Bay nuclear power plant: We completely understand the concern of people in Hong Kong about the safety of the Daya Bay nuclear power plant. During the construction of the project, we will adhere to the principles of safety and quality first. I would like to take this opportunity to reiterate that the Chinese government supports the creation of a Hong Kong-based consultative group on safety of the plant and is willing to co-operate with such a group.

On whether the recent student demonstrations were completely the result of wide spread bourgeois liberalization: Generally speaking, the student upheavals were caused by rampant bourgeois liberalization at some schools and some leaders' weaknesses in dealing with the problem. But the direct causes differed at specific schools and the motives of the small number of students who took part in the demonstrations differed too. Based on specific situations, the reasons should be analysed concretely.

We will create more systematic opportunities for college students and high school seniors to become familiar with social reality. This will help students serve the country's modernization drive better after they graduate. One major reason why some students have been influenced by bourgeois liberalization is that they have little idea of what China is like and don't know that the capitalist system will not work in China. Once they learn about and come to a better understanding of social reality, their views will automatically change.

On sending students abroad to study: Sending students abroad to study is one component of China's

open policy. This policy will not change. In the future, China will neither stop sending students abroad nor reduce the number of students sent. However, we'll study our experience of the past few years and change some regulations so as to improve the functioning of the programme so students can play a better role when they come back.

Tian Jiyun's Answers

On the future of the dual-currency system (renminbi and foreign exchange certificates): For a time, China was planning to abolish foreign exchange certificates because of their many disadvantages and bad effects. But

We have declared time and again that reforms mean improving and developing the socialist system, not rejecting or abolishing it.

many observers, including some from abroad, have differing opinions about this. They maintain that doing away with FECs would lead to other problems. Since it is a very complicated issue, we have decided to postpone action. As to whether FECs will be abolished later, this will depend on future trends and further study of the problem.

On China's current foreign exchange reserves: China's total foreign exchange reserves are made up of state-controlled foreign exchange reserves and those of the Bank of China and now total more than US\$ 10 billion, enough to cover its import needs for three to four months. In

addition, China has a large amount of gold reserves.

On grain output: China is striving to produce a record 405 million tons of grain this year, a rather arduous task. However, even if this target is met we will by no means be on the safe side, because grain consumption has increased rapidly in the past few years. Our basic aims are to become self-sufficient in grain production and to feed our 1 billion people properly. For now, we are exporting some kinds of grain so we can import other kinds. This trade aims to achieve a better mix of cereals for the people. For instance, Northeasterners usually prefer wheat-flour foods, but since the soil there is better suited to corn, we must import wheat and export corn.

On the progress of economic reform: We have declared time and again that reform means improving and developing the socialist system, not rejecting or abolishing it. Given this basic point, the following issues will be of great importance throughout the course of reform.

1). We must adhere to the principle of public ownership of the means of production. Public ownership, the foundation of the socialist system, includes ownership by all the people and collective ownership. However, China will continue to encourage and help the development of individual businesses, foreign joint ventures, co-operative enterprises, and wholly-foreign-owned enterprises. In short, we encourage foreign investment. Individual and foreign-funded enterprises do not pose threats to public ownership; on the contrary, they are crucial to the development of our socialist economy and to our modernization drive.

2) We must carry out the socialist principle of "distribution according to the amount of labour." We must gradually abolish the long-standing abuses of absolute egalitarianism, the policy of "everyone eating out of

the same big pot." In other words, those who make greater contributions to the country will receive correspondingly more money. At the same time, we must guard against income polarization and raise living standards for the population as a whole. The Chinese government has therefore adopted measures to aid rural areas where people have not yet solved the basic problems of getting enough food and clothing. At present, the number of middle-income people is growing.

3) We must work hard to develop a planned commodity economy based on public ownership. China is still in the preliminary stage of socialism, so the commodity economy cannot be abolished. Rather, it should be emphasized as a necessary and indispensable condition for the modernization drive and the development of Chinese society. No contradictions exist between the development of the commodity economy and the socialist planned economy. On the contrary, they can coexist. In China today, we use two kinds of planning, mandatory planning and guidance planning. Through reform, the role played by the former will decline and the role of the latter will grow. In either case, both types of planning must use the economic lever and market mechanisms, i.e. the law of value. In the past, the greatest defect of China's economic system was negligence of that law.

4) We must assimilate the experiences of various countries but adopt them to actual conditions in China. But this does not mean that China should copy the capitalist economies of Western countries in total. Because capitalist economies are based on private ownership of the means of production, they do not conform to actual conditions here.

5) We must free our productive forces and develop production. This is the fundamental goal of the reform. We want to improve the people's living standards so

that they can benefit from the reform.

In general, the progress of reform over the last couple of years has been smooth and effective. As a result, China's national economy is on the right track and is developing in a

There is no change whatsoever in China's independent foreign policy which opposes hegemonism and upholds world peace. The premier's report this year concentrated mainly on domestic problems. But it does mention China's current foreign policy will continue for a long time.

positive way. The people's living standards have gradually improved. I dare say our reform will succeed if we keep to our socialist orientation by maintaining public ownership and at the same time invigorate our socialist economy with new vitality. In this way, our economy will develop more rapidly and people's living standards will improve more quickly.

On China's foreign debt: By the end of 1986, China's foreign debt, including that owed to foreign investments in China, totalled US\$20.6 billion. This figure also included US\$7.6 billion in long-term low-interest loans borrowed by the central government. In view of China's economic strength and its level of international trade, this volume of foreign debt is not excessive. Although we have borrowed so much, we need not be too worried about it because we have always kept two basic points in mind. First, since we do not have enough of our own funds to carry out modernization, we must have foreign loans to help us. And

second, we must keep our overall amount of foreign debt under control. To be sure that we can repay our debts, we will not borrow too much.

Yao Yilin's Answers

On Hu Yaobang's mistakes and achievements and whether the Political Bureau violated the Party Constitution by approving his resignation: Comrade Hu's major faults and errors were that he was weak and ineffective in opposing bourgeois liberalization, so he himself asked to resign after the student demonstrations broke out. This was also the main reason his resignation was approved. Of course, he also made contributions in the past and it was not the case that he didn't have other faults and errors in other aspects in his work, but those faults and errors were not the main reasons he resigned.

I'm not in the position to make any prediction on what contribution he may make in the future, but I hope he will continue to do so.

It was not necessary to convene a plenary session of the Central Committee to approve his resignation since he himself asked to resign. The situation was not one of re-election or dismissal. So we adopted the method of convening an enlarged meeting of the Political Bureau to approve his resignation, which will be submitted to the next plenary session of the Central Committee for confirmation this autumn. We cannot afford not to have a secretary general for about half a year, so it was recommended that Comrade Zhao Ziyang take the position on an acting basis. He is not a permanent secretary general elected by the plenary session of the Central Committee. So the handling of Hu Yaobang's case is in total accord with the Party Constitution.

Sino-Portuguese Joint Declaration On the Question of Macao

(INITIALED TEXT)

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Joint Declaration

Of the Government of the People's Republic Of China and the Government of the Republic of Portugal on the Question Of Macao

(Initialled Text)

The Government of the People's Republic of China and the Government of the Republic of Portugal have reviewed with satisfaction the development of the friendly relations between the two governments and peoples since the establishment of diplomatic relations between the two countries and agreed that a proper negotiated settlement by the two governments of the question of Macao, which is left over from the past, is conducive to the economic growth and social stability of Macao and to the further strengthening of the friendly relations and co-operation between the two countries. To this end, they have, after talks between the delegations of the two governments, agreed to declare as follows:

1. The Government of the People's Republic of China and the Government of the Republic of Portugal declare that the Macao area (including the Macao Peninsula, Taipa Island and Coloane Island, hereinafter referred to as Macao) is Chinese territory, and that the Government of the People's Republic of China will resume the exercise of sovereignty over Macao with effect from December 20, 1999.

2. The Government of the People's Republic of China declares that in line with the principle of "one country, two systems," the People's Republic of China will pursue the following basic policies regarding Macao:

(1) In accordance with the provisions of Article 31 of the Constitution of the People's Republic of China, the People's Republic of China will establish a Macao Special Administrative Region of the

People's Republic of China upon resuming the exercise of sovereignty over Macao.

(2) The Macao Special Administrative Region will be directly under the authority of the Central People's Government of the People's Republic of China, and will enjoy a high degree of autonomy, except in foreign and defence affairs which are the responsibilities of the Central People's Government. The Macao Special Administrative Region will be vested with executive, legislative and independent judicial power, including that of final adjudication.

(3) Both the government and the legislature of the Macao Special Administrative Region will be composed of local inhabitants. The chief executive will be appointed by the Central People's Government on the basis of the results of elections or consultations to be held in Macao. Officials holding principal posts will be nominated by the chief executive of the Macao Special Administrative Region for appointment by the Central People's Government. Public servants (including police) of Chinese nationality and Portuguese and other foreign nationalities previously serving in Macao may remain in employment. Portuguese and other foreign nationals may be appointed or employed to hold certain public posts in the Macao Special Administrative Region.

(4) The current social and economic systems in Macao will remain unchanged, and so will the life-style. The laws currently in force in Macao will remain basically unchanged. All rights and freedoms of the inhabitants and other persons in Macao, including those of the person, of speech, of

the press, of assembly, of association, of travel and movement, of strike, of choice of occupation, of academic research, of religion and belief, of communication and the ownership of property will be ensured by law in the Macao Special Administrative Region.

(5) The Macao Special Administrative Region will on its own decide policies in the fields of culture, education, science and technology and protect cultural relics in Macao according to law.

In addition to Chinese, Portuguese may also be used in organs of government and in the legislature and the courts in the Macao Special Administrative Region.

(6) The Macao Special Administrative Region may establish mutually beneficial economic relations with Portugal and other countries. Due regard will be given to the economic interests of Portugal and other countries in Macao. The interests of the inhabitants of Portuguese descent in Macao will be protected by law.

(7) Using the name "Macao, China," the Macao Special Administrative Region may on its own maintain and develop economic and cultural relations and in this context conclude agreements with states, regions and relevant international organizations.

The Macao Special Administrative Region Government may on its own issue travel documents for entry into and exit from Macao.

(8) The Macao Special Administrative Region will remain a free port and a separate customs territory in order to develop its economic activities. There will be free flow of capital. The Macao pataca, as the legal tender of the Macao Special Administrative Region, will continue to circulate and remain freely convertible.

(9) The Macao Special Administrative Region will continue to have independent finances. The Central People's Government will not levy taxes on the Macao Special Administrative Region.

(10) The maintenance of public order in the Macao Special Administrative Region will be the responsibility of the Macao Special Administrative Region Government.

(11) Apart from displaying the national flag and national emblem of the People's Republic of China, the Macao Special Administrative Region may use a regional flag and emblem of its own.

(12) The above-stated basic policies and the elaboration of them in Annex I to this Joint Declaration will be stipulated in a Basic Law of the Macao Special Administrative Region of the People's Republic of China by the National People's Congress of the People's Republic of China, and they will remain unchanged for 50 years.

3. The Government of the People's Republic of China and the Government of the Republic of Portugal declare that, during the transitional period between the date of the entry into force of this Joint Declaration and December 19, 1999, the Government of the Republic of Portugal will be responsible for the administration of Macao. The Government of the Republic of Portugal will continue to promote the economic growth of Macao and maintain its social stability, and the Government of the People's Republic of China will give its co-operation in this connection.

4. The Government of the People's Republic of China and the Government of the Republic of Portugal declare that in order to ensure the effective implementation of this Joint Declaration and create appropriate conditions for the transfer of government in 1999, a Sino-Portuguese Joint Liaison Group will be set up when this Joint Declaration enters into force, and that it will be established and will function in accordance with the relevant provisions of Annex II to this Joint Declaration.

5. The Government of the People's Republic of China and the Government of the Republic of Portugal declare that land leases in Macao and other related matters will be dealt with in accordance with the relevant provisions of the Annexes to this Joint Declaration.

6. The Government of the People's Republic of China and the Government of the Republic of Portugal agree to implement all the preceding declarations and the Annexes which are a component part of the Joint Declaration.

7. This Joint Declaration and its Annexes shall enter into force on the date of the exchange of instruments of ratification, which shall take place in Beijing. This Joint Declaration and its Annexes shall be equally binding.

Done in duplicate at Beijing on 1987 in the Chinese and Portuguese languages, both texts being equally authentic.

(Signed)
For the Government of the
People's Republic of China

(Signed)
For the Government of the
Republic of Portugal

Elaboration by the Government of the People's Republic Of China of Its Basic Policies Regarding Macao

The Government of the People's Republic of China elaborates the basic policies of the People's Republic of China regarding Macao as set out in paragraph 2 of the Joint Declaration of the Government of the People's Republic of China and the Government of the Republic of Portugal on the Question of Macao as follows:

I

The Constitution of the People's Republic of China stipulates in Article 31 that "the state may establish special administrative regions when necessary. The systems to be instituted in special administrative regions shall be prescribed by laws enacted by the National People's Congress in the light of the specific conditions." In accordance with this Article, the People's Republic of China shall, upon the resumption of the exercise of sovereignty over Macao on December 20, 1999, establish the Macao Special Administrative Region of the People's Republic of China. The National People's Congress of the People's Republic of China shall enact and promulgate a Basic Law of the Macao Special Administrative Region of the People's Republic of China (hereinafter referred to as the Basic Law) in accordance with the Constitution of the People's Republic of China, stipulating that after the establishment of the Macao Special Administrative Region the socialist system and socialist policies shall not be practised in the Macao Special Administrative Region and that the current social and economic systems and life-style in Macao shall remain unchanged for 50 years.

The Macao Special Administrative Region shall be directly under the authority of the Central People's Government of the People's Republic of China, and shall enjoy a high degree of autonomy, except in foreign and defence affairs which are the responsibilities of the Central People's Government. The Macao Special Administrative Region shall be vested with executive, legislative and independent judicial power, including that of final adjudication. The Central People's Government shall authorize the Macao Special Administrative

Region to conduct on its own those external affairs specified in Section VIII of this Annex.

II

The executive power of the Macao Special Administrative Region shall be vested in the government of the Macao Special Administrative Region. The government of the Macao Special Administrative Region shall be composed of local inhabitants. The chief executive of the Macao Special Administrative Region shall be appointed by the Central People's Government on the basis of the results of elections or consultations to be held in Macao. Officials holding principal posts (equivalent to assistant-secretaries, procurator-general and principal officer of the police service) shall be nominated by the chief executive of the Macao Special Administrative Region for appointment by the Central People's Government.

The executive authorities shall abide by the law and shall be accountable to the legislature.

III

The legislative power of the Macao Special Administrative Region shall be vested in the legislature of the Macao Special Administrative Region. The legislature shall be composed of local inhabitants, and the majority of its members shall be elected.

After the establishment of the Macao Special Administrative Region, the laws, decrees, administrative regulations and other normative acts previously in force in Macao shall be maintained, save for whatever therein may contravene the Basic Law or subject to any amendment by the Macao Special Administrative Region legislature.

The legislature of the Macao Special Administrative Region may enact laws in accordance with the provisions of the Basic Law and legal procedures, and such laws shall be reported to the Standing Committee of the National

People's Congress of the People's Republic of China for the record. Laws enacted by the legislature of the Macao Special Administrative Region which are in accordance with the Basic Law and legal procedures shall be regarded as valid.

The legal system of the Macao Special Administrative Region shall consist of the Basic Law, the laws previously in force in Macao and the laws enacted by the Macao Special Administrative Region as above.

IV

Judicial power in the Macao Special Administrative Region shall be vested in the courts of the Macao Special Administrative Region. The power of final adjudication shall be exercised by the court of final appeal in the Macao Special Administrative Region. The courts shall exercise judicial power independently and free from any interference, and shall be subordinated only to the law. The judges shall enjoy the immunities appropriate to the performance of their functions.

Judges of the Macao Special Administrative Region courts shall be appointed by the chief executive of the Macao Special Administrative Region acting in accordance with the recommendation of the independent commission composed of local judges, lawyers and noted public figures. Judges shall be chosen by reference to their professional qualifications. Qualified judges of foreign nationalities may also be invited to serve as judges in the Macao Special Administrative Region. A judge may only be removed for inability to discharge the functions of his office, or for behaviour incompatible with the post he holds, by the chief executive acting in accordance with the recommendation of a tribunal appointed by the president of the court of final appeal, consisting of no fewer than three local judges. The removal of judges of the court of final appeal shall be decided upon by the chief executive in accordance with the recommendation of a review committee consisting of members of the Macao Special Administrative Region legislature. The appointment and removal of judges of the court of final appeal shall be reported to the Standing Committee of the National People's Congress for the record.

The prosecuting authority of the Macao Special Administrative Region shall exercise procuratorial functions as vested by law, independently and free from any interference.

The system previously in force in Macao for appointment and removal of supporting members of the judiciary shall be maintained.

On the basis of the system previously operating

in Macao, the Macao Special Administrative Region Government shall make provisions for local lawyers and lawyers from outside Macao to practise in the Macao Special Administrative Region.

The Central People's Government shall assist or authorize the Macao Special Administrative Region Government to make appropriate arrangements for reciprocal juridical assistance with foreign states.

V

The Macao Special Administrative Region shall, according to law, ensure the rights and freedoms of the inhabitants and other persons in Macao as provided for by the laws previously in Macao, including freedom of the person, of speech, of the press, of assembly, of demonstration, of association (e.g., to form and join non-official associations), to form and join trade unions, of travel and movement, of choice of occupation and work, of strike, of religion and belief, of education and academic research; inviolability of the home and of communication, and the right to have access to law and court; rights concerning the ownership of private property and of enterprises and their transfer and inheritance, and to obtain appropriate compensation for lawful deprivation paid without undue delay; freedom to marry and the right to form and raise a family freely.

The inhabitants and other persons in the Macao Special Administrative Region shall all be equal before the law, and shall be free from discrimination, irrespective of nationality, descent, sex, race, language, religion, political or ideological belief, educational level, economic status or social conditions.

The Macao Special Administrative Region shall protect, according to law, the interests of residents of Portuguese descent in Macao and shall respect their customs and cultural traditions.

Religious organizations and believers in the Macao Special Administrative Region may carry out activities as before for religious purposes and within the limits as prescribed by law, and may maintain relations with religious organizations and believers outside Macao. Schools, hospitals and charitable institutions attached to religious organizations may continue to operate as before. The relationship between religious organizations in the Macao Special Administrative Region and those in other parts of the People's Republic of China shall be based on the principles of non-subordination, non-interference and mutual respect.

VI

After the establishment of the Macao Special Administrative Region, public servants (including police) of Chinese nationality and Portuguese and other foreign nationalities previously serving in Macao may all remain in employment and continue their service with pay, allowances and benefits no less favourable than before. Those of the above-mentioned public servants who have retired after the establishment of the Macao Special Administrative Region shall, in accordance with regulations currently in force, be entitled to pensions and allowances on terms no less favourable than before, and irrespective of their nationality or place of residence.

The Macao Special Administrative Region may appoint Portuguese and other foreign nationals previously serving in the public service in Macao or currently holding Permanent Identity Cards of the Macao Special Administrative Region to public posts (except certain principal official posts). The Macao Special Administrative Region may also invite Portuguese and other foreign nationals to serve as advisers or hold professional and technical posts. The Portuguese and other foreign nationals holding public posts in the Macao Special Administrative Region shall be employed only in their individual capacities and shall be responsible exclusively to the Macao Special Administrative Region.

The appointment and promotion of public servants shall be on the basis of qualifications, experience and ability. Macao's previous system of employment, discipline, promotion and normal rise in rank for the public service shall remain basically unchanged.

VII

The Macao Special Administrative Region shall on its own decide policies in the fields of culture, education, science and technology, such as policies regarding the languages of instruction (including Portuguese) and the system of academic qualifications and the recognition of academic degrees. All educational institutions may remain in operation and retain their autonomy. They may continue to recruit teaching and administrative staff and use teaching materials from outside Macao. Students shall enjoy freedom to pursue their education outside the Macao Special Administrative Region. The Macao Special Administrative Region shall protect cultural relics in Macao according to law.

VIII

Subject to the principle that foreign affairs are the responsibility of the Central People's Government, the Macao Special Administrative Region may on its own, using the name "Macao, China", maintain and develop relations and conclude and implement agreements with states, regions and relevant international or regional organizations in the appropriate fields, such as the economy, trade, finance, shipping, communications, tourism, culture, science and technology and sports. Representatives of the Macao Special Administrative Region Government may participate, as members of the delegations of the Government of the People's Republic of China, in international organizations or conferences in appropriate fields limited to states and affecting the Macao Special Administrative Region, or may attend in such other capacity as may be permitted by the Central People's Government and the organization or conference concerned, and may express their views in the name of "Macao, China." The Macao Special Administrative Region may, using the name "Macao, China," participate in international organizations and conferences not limited to states.

Representatives of the Macao Special Administrative Region Government may participate, as members of delegations of the Government of the People's Republic of China, in negotiations conducted by the Central People's Government at the diplomatic level directly affecting the Macao Special Administrative Region.

The application to the Macao Special Administrative Region of international agreements to which the People's Republic of China is or becomes a party shall be decided by the Central People's Government, in accordance with the circumstances of each case and the needs of the Macao Special Administrative Region and after seeking the views of the Macao Special Administrative Region Government. International agreements to which the People's Republic of China is not a party but which are implemented in Macao may remain implemented in the Macao Special Administrative Region. The Central People's Government shall, according to the circumstances and the needs, authorize or assist the Macao Special Administrative Region Government to make appropriate arrangements for the application to the Macao Special Administrative Region of other relevant international agreements.

The Central People's Government shall, in accordance with the circumstances of each case and the needs of the Macao Special Administrative Region, take steps to ensure that the Macao Special Administrative Region shall continue to retain its

status in an appropriate capacity in those international organizations of which the People's Republic of China is a member and in which Macao participates in one capacity or another. The Central People's Government shall, according to the circumstances and the needs, facilitate the continued participation of the Macao Special Administrative Region in an appropriate capacity in those international organizations in which Macao is a participant in one capacity or another, but of which the People's Republic of China is not a member.

Foreign consular and other official or semi-official missions may be established in the Macao Special Administrative Region with the approval of the Central People's Government. Consular and other official missions established in Macao by states which have established formal diplomatic relations with the People's Republic of China may be maintained. According to the circumstances of each case, consular and other official missions in Macao of states having no formal diplomatic relations with the People's Republic of China may either be maintained or changed to semi-official missions. States not recognized by the People's Republic of China can only establish non-governmental institutions.

The Republic of Portugal may establish a Consulate-General in the Macao Special Administrative Region.

IX

The following categories of persons shall have the right of abode in the Macao Special Administrative Region and be qualified to obtain Permanent Identity Cards of the Macao Special Administrative Region:

— the Chinese nationals who were born or who have ordinarily resided in Macao before or after the establishment of the Macao Special Administrative Region for a continuous period of 7 years or more, and persons of Chinese nationality born outside Macao of such Chinese nationals;

— the Portuguese who were born in Macao or who have ordinarily resided in Macao before or after the establishment of the Macao Special Administrative Region for a continuous period of 7 years or more and who, in either case, have taken Macao as their place of permanent residence; and

— the other persons who have ordinarily resided in Macao for a continuous period of 7 years or more and have taken Macao as their place of permanent residence before or after the establishment of the Macao Special Administrative Region, and persons under 18 years of age who were

born of such persons in Macao before or after the establishment of the Macao Special Administrative Region.

The Central People's Government shall authorize the Macao Special Administrative Region Government to issue, in accordance with the law, passports of the Macao Special Administrative Region of the People's Republic of China to all Chinese nationals who hold Permanent Identity Cards of the Macao Special Administrative Region, and other travel documents of the Macao Special Administrative Region of the People's Republic of China to all other persons lawfully residing in the Macao Special Administrative Region.

The above passports and travel documents of the Macao Special Administrative Region shall be valid for all states and regions and shall record the holders' right to return to the Macao Special Administrative Region.

For the purpose of travelling to and from the Macao Special Administrative Region, inhabitants of the Macao Special Administrative Region may use travel documents issued by the Macao Special Administrative Region Government, or by other competent authorities of the People's Republic of China, or of other states. Holders of Permanent Identity Cards of the Macao Special Administrative Region may have this fact stated in their travel documents as evidence that the holders have the right of abode in the Macao Special Administrative Region.

Entry into the Macao Special Administrative Region by inhabitants of other parts of China shall be regulated in an appropriate way.

The Macao Special Administrative Region may apply immigration controls on entry into, stay in and departure from the Macao Special Administrative Region by persons from foreign states and regions.

Unless restrained by law, holders of valid travel documents shall be free to leave the Macao Special Administrative Region without special authorization.

The Central People's Government shall assist or authorize the Macao Special Administrative Region Government to negotiate and conclude visa abolition agreements with the states and regions concerned.

X

The Macao Special Administrative Region shall decide its economic and trade policies on its own. As a free port and a separate customs territory, it shall maintain and develop economic

and trade relations with all states and regions and continue to participate in relevant international organizations and international trade agreements, such as the General Agreement on Tariffs and Trade and agreements regarding international trade in textiles. Export quotas, tariff preferences and other similar arrangements obtained by the Macao Special Administrative Region shall be enjoyed exclusively by the Macao Special Administrative Region. The Macao Special Administrative Region shall have authority to issue its own certificates of origin for products manufactured locally, in accordance with prevailing rules of origin.

The Macao Special Administrative Region shall protect foreign investments in accordance with the law.

The Macao Special Administrative Region may, as necessary, establish official and semi-official economic and trade missions in foreign countries, reporting the establishment of such missions to the Central People's Government for the record.

XI

After the establishment of the Macao Special Administrative Region, the monetary and financial systems previously practised in Macao shall remain basically unchanged. The Macao Special Administrative Region shall decide its monetary and financial policies on its own. It shall safeguard the free operation of the financial institutions and the free flow of capital within, into and out of the Macao Special Administrative Region. No exchange control policy shall be applied in the Macao Special Administrative Region.

The Macao pataca, as the legal tender of the Macao Special Administrative Region, shall continue to circulate and remain freely convertible. The authority to issue Macao currency shall be vested in the Macao Special Administrative Region Government. The Macao Special Administrative Region Government may authorize designated banks to perform or continue to perform the functions of its agents in the issuance of Macao

currency. Macao currency bearing references inappropriate to the status of Macao as a special administrative region of the People's Republic of China shall be progressively replaced and withdrawn from circulation.

XII

The Macao Special Administrative Region shall draw up on its own its budget and taxation policy. The Macao Special Administrative Region shall report its budgets and final accounts to the Central People's Government for the record. The Macao Special Administrative Region shall use its financial revenues exclusively for its own purposes and they shall not be handed over to the Central People's Government. The Central People's Government shall not levy taxes on the Macao Special Administrative Region.

XIII

The Central People's Government shall be responsible for the defence of the Macao Special Administrative Region.

The maintenance of public order in the Macao Special Administrative Region shall be the responsibility of the Macao Special Administrative Region Government.

XIV

Legal leases of land granted or decided upon before the establishment of the Macao Special Administrative Region and extending beyond December 19, 1999, and all rights in relation to such leases shall be recognized and protected according to law by the Macao Special Administrative Region. Land leases approved or renewed after the establishment of the Macao Special Administrative Region shall be dealt with in accordance with the relevant land laws and policies of the Macao Special Administrative Region.

Arrangements for the Transitional Period

In order to ensure the effective implementation of the Joint Declaration of the Government of the People's Republic of China and the Government of the Republic of Portugal on the Question of Macao and create appropriate conditions for the transfer of government of Macao, the Government of the People's Republic of China and the Government of the Republic of Portugal have agreed to continue their friendly co-operation during the transitional period between the date of the entry into force of the Joint Declaration and December 19, 1999.

For this purpose, the Government of the People's Republic of China and the Government of the Republic of Portugal have agreed to set up a Sino-Portuguese Joint Liaison Group and a Sino-Portuguese Land Group in accordance with the provisions of paragraphs 3, 4 and 5 of the Joint Declaration.

I. Sino-Portuguese Joint Liaison Group

1. The Joint Liaison Group shall be an organ for liaison, consultation and exchange of information between the two governments. It shall not interfere in the administration of Macao, nor shall it have any supervisory role over that administration.

2. The functions of the Joint Liaison Group shall be:

(a) to conduct consultations on the implementation of the Joint Declaration and its Annexes;

(b) to exchange information and conduct consultations on matters relating to the transfer of government of Macao in 1999;

(c) to conduct consultations on actions to be taken by the two governments to enable the Macao Special Administrative Region to maintain and develop external economic, cultural and other relations;

(d) to exchange information and conduct consultations on other subjects as may be agreed by the two sides.

Matters on which there is disagreement in the Joint Liaison Group shall be referred to the two governments for solution through consultations.

3. Each side shall designate a leader of ambassadorial rank and four other members of the

group. Each side may also designate experts and supporting staff as required, whose number shall be determined through consultations.

4. The Joint Liaison Group shall be established on the entry into force of the Joint Declaration and shall start work within three months after its establishment. It shall meet in Beijing, Lisbon and Macao alternately in the first year of work. Thereafter, it shall have its principal base in Macao. The Joint Liaison Group shall continue its work until 1 January 2000.

5. Members, experts and supporting staff of the Joint Liaison Group shall enjoy diplomatic privileges and immunities or such privileges and immunities as are compatible with their status.

6. The working and organizational procedures of the Joint Liaison Group shall be agreed between the two sides through consultations within the guidelines laid down in this Annex. The work of the Joint Liaison Group shall remain confidential unless otherwise agreed.

II. Sino-Portuguese Land Group

1. The two governments have agreed that, with effect from the entry into force of the Joint Declaration, land leases in Macao and related matters shall be dealt with in accordance with the following provisions:

(a) Leases of land granted previously by the Portuguese Macao government that expire before December 19, 1999, except temporary leases and leases for special purposes, may, in accordance with the relevant laws and regulations currently in force, be extended for a period expiring not later than December 19, 2049, with a premium to be collected.

(b) From the entry into force of the Joint Declaration until December 19, 1999 and in accordance with the relevant laws and regulations currently in force, new leases of land may be granted by the Portuguese Macao government for terms expiring not later than December 19, 2049, with a premium to be collected.

(c) The total amount of new land, including fields reclaimed from the sea and undeveloped land, to be granted under Section II, paragraph 1(b) of this Annex shall be limited to 20 hectares a year. The Land Group may, on the basis of the proposals of

the Portuguese Macao government, examine any change in the above-mentioned quota and make decisions accordingly.

(d) From the entry into force of the Joint Declaration until December 19, 1999, all incomes obtained by the Portuguese Macao government from granting new leases and renewing leases shall, after deduction of the average cost of land production, be shared equally between the Portuguese Macao government and the future government of the Macao Special Administrative Region. All the income so obtained from land by the Portuguese Macao government, including the amount of the above-mentioned deduction, shall be used for financing land development and public works in Macao. The Macao Special Administrative Region Government's share of land income shall serve as a reserve fund of the government of the Macao Special Administrative Region and shall be deposited in banks incorporated in Macao and, if necessary, may be used by the Portuguese Macao government for land development and public works in Macao during the transitional period with the endorsement of the Chinese side.

2. The Sino-Portuguese Land Group shall be an organ for handling land leases in Macao and related matters on behalf of the two governments.

3. The functions of the Land Group shall be:

(a) to conduct consultations on the implementation of Section II of this Annex;

(b) to monitor the amount and terms of land granted, and division and use of income from land granted in accordance with the provisions of Section II, paragraph 1 of this Annex.

(c) to examine proposals of the Portuguese Macao government for drawing on the Macao Special Administrative Region Government's share of income from land and to make recommendations to the Chinese side for decision. Matters on which there is disagreement in the Land Group shall be referred to the two governments for solution through consultations.

4. Each side shall designate three members of the Land Group. Each side may also designate experts and supporting staff as required, whose number shall be determined through consultations.

5. Upon the entry into force of the Joint Declaration, the Land Group shall be established and shall have its principal base in Macao. The Land Group shall continue its work until December 19, 1999.

6. Members, experts and supporting staff of the Land Group shall enjoy diplomatic privileges and immunities or other privileges and immunities as are compatible with their status.

7. The working and organizational procedures of the Land Group shall be agreed between the two

sides through consultations within the guidelines laid down in this Annex.

Memoranda

(TO BE EXCHANGED BETWEEN THE TWO SIDES)

Memorandum

In connection with the Joint Declaration of the Government of the People's Republic of China and the Government of the Republic of Portugal on the Question of Macao signed this day, the Government of the People's Republic of China declares:

The inhabitants in Macao who come under the provisions of the Nationality Law of the People's Republic of China, whether they are holders of the Portuguese travel or identity documents or not, have Chinese citizenship. Taking account of the historical background of Macao and its realities, the competent authorities of the Government of the People's Republic of China will permit Chinese nationals in Macao previously holding Portuguese travel documents to continue to use these documents for travelling to other states and regions after the establishment of the Macao Special Administrative Region. The above-mentioned Chinese nationals will not be entitled to Portuguese consular protection in the Macao Special Administrative Region and other parts of the People's Republic of China.

Memorandum

In connection with the Joint Declaration of the Government of the Republic of Portugal and the Government of the People's Republic of China on the Question of Macao signed this day, the Government of the Republic of Portugal declares:

In conformity with the Portuguese legislation, the inhabitants in Macao who, having Portuguese citizenship, are holders of a Portuguese passport on December 19, 1999 may continue to use it after this date. No person may acquire Portuguese citizenship as from December 20, 1999 by virtue of his or her connection with Macao.

Facts and Figures About Macao

Macao consists of a peninsula and two small islands, totalling 16.143 square kilometres. Macao Peninsula is 6.05 sq. km., Taipa island is 3.478 sq. km. and the Coloane islands are 6.615 sq. km. A 2.5-kilometre-long bridge across the sea and a 2.2 kilometres highway connect these three land formations.

The present population of Macao is over 400,000, 97 percent of whom are Chinese. About 10,000 people are Portuguese descendants and thousands more are of other foreign origins. The majority of the people live on the Macao Peninsula.

At one time Macao belonged to Xiangshan County of Guangdong Province. Legend has it that then the Portuguese landed near the Magog Temple of Macao in 1553 (the 32nd year of the reign of Emperor Jia Jing of the Ming Dynasty), they misread Magog as Macao. The Portuguese call Macao, Macau. After the first Opium War (1840-42), the Portuguese took advantage of the defeat of the Qing Dynasty to remove the Chinese officials and put the whole area of Macao under their colonial rule. In December 1887, the Portuguese forced the Qing government to

sign the Sino-Portuguese Beijing Treaty, specifying that the Portuguese "would administer Macao permanently." Moreover, it stipulated that when the two countries sent officials to demarcate the border, another new treaty would be signed. With the strong opposition of the Chinese people, the border demarcation of Macao was not fixed and no special treaty could be produced.

Macao has little natural resources. It has no airport or deepwater harbour. Its only manufactured goods have been matches, joss sticks and other handicraft products. In the 60s and 70s Macao's manufacturing and building industries and tourism developed rapidly. Macao itself provides a very limited market, so more than 90 percent of its products are exports. Clothing, toys, electronics and artificial flowers are sold to more than 100 countries and regions. At present Macao has over 1,300 factories, most of them small, with about 70,000 workers. Industrial production constitutes some 40 percent of the economy. In 1986 the total output value of Macao was about US\$1.1 billion and its per-capita output value US\$2,000.

There are 23 banks with a total of nearly 100 branches. Towards the end of last year the banks' total deposits and loans were respectively 18.5 billion patacas (US\$2.38 billion) and 13.5 billion patacas (US\$1.73 billion).

The Portuguese have declared Macao a free port and pursued an open policy to the outside. Foreign exchanges are not controlled, the tax rate is low and free from interest tax. People from Hong Kong and EC countries can freely enter and leave Macao without visas. Macao has carried out a favourable policy towards investment. The interest taxes, workers' income and real estate are cheaper than in Hong Kong. Most of the capital for Macao's economic activities comes from Hong Kong and abroad.

Macao has a university, 29 middle schools and 69 primary schools with over 60,000 students. It has six Chinese and several Portuguese newspapers, two radio stations and a TV station. It has two hospitals and many private clinics with over 700 registered doctors.

The predominant religion in Macao is Catholicism with over 20,000 communicants. Protestant faiths come second. ■



On why Zhao Ziyang holds two posts at once: Since China is a big country facing many issues, it would be difficult for one person to act both as secretary general of the Party and as premier of the State Council over a long period of time. In addition, China's Political reform calls for appropriate divisions of responsibility between the government and the Party, so one person should not occupy two posts for long. We expect this question to be settled at the 13th Party Congress. As for the present, Zhao Ziyang is our premier, there is no acting premier.

On whether the newly-signed Sino-Portuguese joint declaration on Macao is another important step towards a reunified China and on whether reports on Chinese marine corps power mean that China may take

action to blockade Taiwan before the end of the century:

These two questions cannot be linked together. The report on the marine corps doesn't mean a blockade of Taiwan. As for whether China's reunification will be completed in the next ten years or so, or how it will be achieved, I cannot predict. What I can say is that we hope Taiwan will be reunified with the mainland as soon as possible. We wish to resolve the Taiwan issue through peaceful means, but non-peaceful means cannot be excluded.

On possible changes in China's policy of promoting younger cadres:

The answer is no. There is no contradiction between this and the policy of integrating old, middle-aged and young cadres in one team. Promoting younger cadres takes time, nor should one characterize a team as "young"

simply because it doesn't have a single elderly cadre.

On the programme of political reform: It will be discussed and decided at the 13th Party Congress.

On whether China's foreign policy will undergo any changes, since the premier's report on the work of government doesn't mention hegemonism:

There is no change whatsoever in China's independent foreign policy which opposes hegemonism and upholds world peace. In the past year, our leaders have time and again elaborated China's position on this question. The premier's report this year concentrated mainly on domestic questions. We deliberately reduced the amount of space given to foreign policy. The report does mention that China's current foreign policy will continue for a long time. ■

Disarmament for World Development

by Huan Xiang*

We have just seen the end of "the International Year of Peace" and now are in "the International Year of Shelter for the Homeless." The aims of these two International Years express the need and desire of humanity for peace and development. While approximately one fifth of the world population is too poor to have proper housing or is homeless, the equivalent of US\$ 1,000 billion were spent on war or preparation for war in the International Year of Peace, 11.1 percent more than the year before.

The Experts Group of the United Nations found as early as 1982 in their report entitled "The Relationship between Disarmament and Development" that "the world can either continue to pursue the arms race with characteristic vigour or more consciously and with deliberate speed make for a more stable and balanced social and economic development within a more sustainable international economic and political order. It cannot do both."

Development—a Historic Mission

We are gathered here today only to express our choice: the world must disarm for the survival and development of humanity.

Development in our sense is the improvement and promotion of people's quality of life. Because people live in different societies, nation-states and historical stages, their interpretations of development vary, nevertheless two points are universal. The priorities of development are firstly economic growth, and secondly seeking equal opportunities for everyone to participate in the socio-economic process and share the benefits fairly. These are the common desires of all peoples.

People have for centuries made unremitting efforts for their own survival and development. After the Second World War, the shadow of nuclear war has been threatening the survival of humanity, yet since the 50s the

* Huan Xiang is Director-General, Centre of the International Studies of the State Council of China. This is his speech at the Regional Conference for the World Disarmament Campaign, March 24, 1987.



XUE CHAO

The United Nations Regional Conference for the World Disarmament Campaign was held in the Yan Xiang Hotel, Beijing.

developed nations have greatly increased their economic growth and many developing countries gained independence and moved out of the old colonial system to develop their national economies. The average growth rate of gross domestic product of the developing countries was 6.1 percent from 1960 to 1973, and 5.5 percent from 1973 to 1980, which are higher than in the developed nations during same periods.

This of course does not negate the persistent poverty, backwardness and uneven development in the world's social economy. As we entered the 1980s, a quarter of the world's population was living in poverty. Hundreds of millions of people are under-nourished, homeless and in need of medical service.

In 1950, the per-capita productive value in the developed nations was 9.9 times more than in the developing countries. In 1980, the gap had not narrowed but widened to 11.3 times more. If the developing countries are terribly poor, there is no reason for the developed nations to feel at ease. According to the figures of the Census Bureau of the United States, in 1984, 11 percent of Americans had no property or were heavily in debt. The whole world is feeling uneasy because of the social and economic problems. Development is becoming an ever more urgent task.

This situation is the result of many complicated and diverse historical and economic reasons, such as the existence and evolution of different socio-economic formations and development levels, and various contradictions, differences and conflicts among nations. Population and ecological changes are part of it, and it is also partly due to limitations on development and co-operation. However, what is most obvious is that war and the expenditure on the arms race is one of the principal problems.

Development is Obstructed By War and Arms Race

It is estimated that there are more than 50 armed conflicts going on, involving a quarter of the world's countries, causing tremendous loss of life and property. In the last 25 years, the world's expenditure on arms has doubled, and its accelerating growth rate has surpassed that of the world economy. It is difficult for any country to bear the burden of arms expenditure.

The United States and the Soviet Union are the strongest powers. Their military expenditure accounts for 60 percent of the total. The arms race between these two powers has worsened the world situation and their own economies.

The resources and social labour devoted to the development of arms in the United State are huge, and its financial deficit is closely linked to its enormous military expenditure. From 1981 to 1984 the increased military expenditure was approximately 81 percent of the financial deficit. The US has become the greatest debtor nation. The weakening of its economic competitiveness and its enormous trade deficit have now become a serious problem for the United States.

The economic strength of the Soviet Union is less than the United States, but according to the Stockholm International Peace Research Institute, its military expenditure is 9 percent of its national income, which is higher than the United States. There are many reasons for the slow growth of the Soviet economy, and it has become a real problem which the Soviet people are eager to solve. Undoubtedly military expenditure is one of the most important causes.

The developing countries, which contain 75 percent of the world's population, have only 21 percent of the world's total output value. They are already heavily burdened with economic problems, yet they spend no small proportion of their resources on armaments.

The frequent wars and battles since the Second World War have

almost all taken place on developing countries' soils. Many of the wars have been anti-colonial, but there have also been a great number of aggressive wars, meddled in directly or indirectly by the superpowers. Many developing countries were forced to increase their military spending, and the developed nations have one after the other sold them their arms. Through the 1970s, the average annual increase in the developing world's military expenditure was 6 percent, more than their 5.2 percent growth rate of their domestic production. For the 20 developing countries with the largest foreign debt, arms imports between 1976 and 1980 were equivalent to 20 percent of the increase in their debt for that period. Iran's military expenditure on the Gulf War from 1981 to 1985 was 60 percent of its GNP, and Iraq's was a staggering 164 percent in the same period.

At present, the developing countries' foreign debt has reached US\$1,000 billion and its devastating effect on their economies is known to all.

It is clear that considering its serious consequences, disarmament is not only an urgent concern for developing countries but also of vital importance to the developed nations, including the United States and the Soviet Union.

Disarmament/Development

The development of arms and the development of the economy are conflicting forces; it must be one or the other. Both draw on the same limited resources of our planet. It is estimated that military expenditure is 6 percent of the gross product value, the military's labour force is 50 to 100 million people, the expenditure on military science and technological development is 23 percent of the world's research expenditure, while military researchers account for 22 percent of the world's researchers. The pity is that it tends to grow. It is an enormous

waste and a serious obstacle to economic development. Only disarmament can help development.

There is an argument that military expenditure can stimulate economic growth. A recent study by three British economists has refuted this. They have found that throughout the Western world, military expenditure is inversely proportional to the achievements of industry.

Japan and Federal Germany are two good examples. In the past decades, they have spent little on arms and enjoyed phenomenal economic progress. Japan's economic growth rate since 1955 has been higher than that of the United States or Western Europe.

Even if military expenditure could really stimulate economic growth a little, the cost would be disproportionately high because of the resources diverted away from the civilian economy, and because the short term benefits are at the expense of future interests. The UN Experts Group concluded that increasing military expenditure will not bring about economic growth. In fact, it is more a part of the world's economic problem than a part of the solution.

There is no doubt, that states should possess armed forces to safeguard their national security. The problem is that today the world is more militarized than its self-defence requires. As is well known, both the United States and the Soviet Union already possess nuclear weapons enough to destroy the earth dozens of times over and yet they are still developing such weapons. They are even carrying the arms race into outer space. The annual growth rate of the world military expenditure from 1981 to 1984 was 3.6 percent, which is greater than the 2.4 percent rate from 1977 to 1980. The results of such expansion can only be the worsening of the economic situation and more unrest and conflicts.

Arms, security and development are all interconnected in a cause and effect cycle. Whether to disarm or to increase armaments is the key to whether this cycle is beneficial or a vicious circle. Disarmament is the first significant step towards security and development.

The traditional concept that military strength is indicative of a nation's strength is now gradually changing. We predict that in the next century what will determine a nation's status will not be its military strength threatening its neighbours or seeking hegemony, but its ability to develop its national economy while adopting all the best things from around the world and becoming more wealthy, equal and democratic. Again, disarmament is one of the preconditions.

Disarmament Premise

The United Nations has made consistent efforts for disarmament, but regrettably has made little progress. We must take practical steps to promote disarmament:

First, both the United States and the Soviet Union, who possess the biggest arsenals of nuclear and conventional weapons, should considerably reduce their present stocks of both kinds of weapons. Neither should take the arms race into outer space to contend for military superiority.

Second, neither the US nor the USSR should make new military alliances or arrangements abroad, interfere in the internal affairs of other countries, or create or aggravate conflicts between third world countries. This should create the conditions for the developing countries to reduce their arms commitments.

Third, while we emphasize that disarmament is a practical way of promoting security and development, we deem it necessary to create a favourable international atmosphere for disarmament, that

is, to enhance political confidence through dialogue and co-operation. Mutual confidence dispels doubts and is helpful to reaching disarmament agreement. Those in turn will enhance political confidence, and realize a beneficial cycle of confidence and disarmament which will help development.

Fourth, we have repeatedly emphasized the mutual dependence between nations. To achieve the aims of development, we must seek optimal operation in the economic field. We must do away with such practices as protectionism, which shifts one's troubles onto others. Otherwise the economic environment will deteriorate, the political atmosphere worsen, and disarmament will not be achieved.

Fifth, every nation should make an independent choice for its development strategy and no state has the right to force its will upon

others, to say nothing of expanding its sphere of influence on the pretext of assisting others to develop.

Lastly, all statesmen and people with foresight and sagacity must think in new ways. Politics and ideology should serve the aims of benefiting humanity and the needs of economic development. Solving political disputes between nations by military means, or overthrowing one political ideology or social system by force is counter-productive in this nuclear era. Obsolete concepts such as expanding armaments, the politics of military blocs, spheres of influence, policies of strength, are all too chauvinistic and should be clearly dismissed today when humanity enters an era of more mutual reliance. We should learn to solve disputes through negotiation and consultation and establish international co-operation on the basis of the Five-

Principles of Peaceful Co-Existence.

As the saying goes: A one thousand mile journey is started with the first step. We must make the first moves, to disarm for the sake of the economic development of the world. The Chinese people have clearly come to recognize from past experience that a peaceful environment is necessary for our national prosperity and development. That is why we have taken the important measure of demobilizing 1 million soldiers, declared that we will no longer conduct atmospheric nuclear tests and switched a large number of military undertakings to civilian production. All this we have done. We are expecting other countries, especially the United States and the Soviet Union, to take substantial steps in the direction of disarmament in order to promote world development. ■

Zero Population Growth: the Best Plan

by Wu Cangping

With over a billion people there is little doubt about China's need to control its population. Already the country has achieved some remarkable results in reducing the rate of growth of its population. That growth has dropped from 20 per 1,000 in the 1950s and 1960s, to 11.23 per 1,000 in 1985. Population growth is, however, still a major concern for China.

Even if the 1,200 million people target for the end of this century is realized, China must still recognize that its population could rise to 1,300 million or 1,400 million early next century. With that population base, even given an annual growth of 5 per 1,000, the population would be growing at a rate of 7 million people a year. That would put great pressure on

China's economy and ecological equilibrium.

It is estimated that by next century the gross national product will be less than US\$1,000 per person annually, while the per capita land, pasture, forest etc. will be far less than the international average. China can ill afford any substantial increase in the population.

It would be ideal if the population experienced a continued fall until the middle of the next century. But to realize that goal, we would have to tackle many problems and overcome numerous difficulties. First, we would be required to continue the "one child per couple" policy and extend its scope for the rest of this century through the next. Second, the proportion of people aged over

60 would increase dramatically, up to 30 percent. One child families going back two or three generations would have to become more common. Third, to counter-balance the high birth rate in remote border regions, cities and low-birth-rate provinces would have to maintain a long-term minus rate of growth. Fourth, the sudden shift from a population boom to a population slump would cause an abnormal age-balance and would tend to build a momentum of population drop. Therefore, seeking to reduce total population before the middle of next century is impractical.

However, efforts should be made to keep the population stable. The prerequisite for zero population growth is that the birth rate stays at replacement level. This could mean that a couple may

More on 'One Country, Two Systems'

This article, originally titled "The Concept of 'One Country, Two Systems' is Based on Reality," is selected from the enlarged edition of Deng's book "Build Socialism With Chinese Characteristics." "Deng on 'One Country, Two Systems' " appeared in "Beijing Review" issue No. 44, 1984.

Deng Xiaoping

By reaching agreement on the issue of Hong Kong, the leaders of our two countries have done something of great significance and benefit for our

countries and peoples. The Hong Kong issue is one and a half centuries old, and when unsolved, it invariably cast a shadow over the relations between our two countries and peoples. Now that the shadow has been dispelled, a bright prospect has opened up for co-operation between our two countries and friendship between

our two peoples.

If the concept of "One country, two systems" is an idea of international significance, it should be attributed to Marxist dialectical materialism and historical materialism, or in the words of Chairman Mao Zedong, to the principle of seeking truth from facts.

* This is part of the author's discussions with British Prime Minister Margaret Thatcher on December 19, 1984.

have a little over two children, (because some women will not give birth). However, because of the momentum of population growth, a zero growth cannot be achieved as soon as the birth rate is at replacement level.

Some experts note that in developing countries, even if the birth rate is at replacement level, it takes 50 to 100 years for the population to become stable, at which point the population tends to begin increasing dramatically again and can double before long. So zero growth is not a simple matter of numbers. One must also look at time, scale, and age composition.

China faces a number of options. The government cannot at the moment allow two children per couple—that would, now, be far from the replacement level. It would take another 50 years before stability were reached—even if it were replacement level. Allowing such a thing would

imply well over 1,200 million at the end of this century, so that zero growth would not be reached by the middle of the next century. By that time the population would perhaps be over 1,600 million. Overall, this option is not a good idea.

Another option is to aim at a birth rate lower than the replacement level, and reach zero growth earlier, perhaps at 1,300 million people. This would entail maintaining the one child policy right through to the next century—the replacement-level birth rate would not be restored until after zero growth is achieved. Although this option has the advantage of reaching zero growth more quickly, it presents many other difficulties.

The best compromise is the option of continuing the one child policy for the rest of this century—implying a birth rate 20 to 30 percent lower than the replacement level.

We are facing a potential baby boom, which could last over 10 years, since 25 million people are about to enter child bearing age. If we limit their reproduction we can keep the population to around 1,200 million by early next century and avoid creating the conditions for a further baby boom later. The crucial point is controlling the population over the next 15 years.

Keeping the one child family policy for this century and passing beyond the point of potential baby booms could allow for birth rate at replacement level by early next century. We could then write two-children families into the law and legally protect the population's zero growth.

It is estimated that following this plan, stability in China's population would be reached in the 2030s or 2040s, at about 1,400 million people. That should be an acceptable level for China's society, economy and ecological environment. ■

The concept was put forward on the basis of China's reality. The practical problem facing China is how to solve the problem of Hong Kong and Taiwan. There can only be two methods for the resolution of the Taiwan and Hong Kong issues: One is peaceful, the other is non-peaceful. To solve the Hong Kong issue peacefully, it is necessary to consider the reality of Hong Kong as well as the realities of China and Britain. In other words, the solution should be acceptable to the three parties—to the Chinese people, the British people and the people in Hong Kong. Reunification, if it is achieved by enforcing socialism, would be unacceptable to the Hong Kong people and the British people. Reluctant acquiescence would result in chaos. Even if armed conflict would not result, Hong Kong would become a depressed, insalubrious region, not something we look forward to. Therefore, as far as the Hong Kong issue is concerned, what is acceptable to the three parties can only be the method of "One country, two systems," under which Hong Kong is allowed to continue practising capitalism and maintain its status as a free port and a financial centre. There is no other alternative. The "One country, two systems" concept did not begin with Hong Kong, but with the issue of Taiwan. Although the nine-point statement by Ye Jianying, chairman of the NPC Standing Committee, on the eve of National Day, 1981, was not called "One country, two systems," in fact, that is what it was. When the Hong Kong issue came up again two years ago, we put forward the "One country, two systems" concept.

This concept, when put forward, was considered a new formulation which has never been made by our predecessors. Some people are asking whether this proposition is practical. This question has to be answered by facts. It seems practical now. At

least we Chinese firmly believe that it is practical, because negotiations over the last two years have proved it so. It has played a most important, if not decisive, role in solving the Hong Kong issue. It is acceptable to all three parties. The practicality of this "One country, two systems" concept will be further proved 13 years and 50 years from now. Some people are anxious lest China should not implement the agreement consistently. We can tell Your Excellency and the other British friends present here, and all the people of the world: China will keep its promise, and believes its proposition, "One country, two systems" is viable.

A Japanese friend asked me: Why do you need a period of 50 years, that is, why do you need to keep Hong Kong's current capitalist system unchanged for 50 years after 1997? What is the basis for this proposal? Do you have a plan in mind? I said yes. Our plan is based on China's reality. China has now set down an ambitious goal of quadrupling the total output value of its industrial and agricultural production in two decades, i.e., by the end of this century, and reaching a level which puts China in the ranks of the better-off countries. Even if this goal is achieved by then, China will still not be a wealthy or developed country. So this is only our first lofty goal. After that, to transform China into a fully developed country—approaching, we do not say surpassing, the developed countries—requires another 30 to 50 years. If, we need to implement an open international policy this century, then 50 years thereafter when China is close to the level of the developed countries, we will still not be able to deviate from this policy; it won't do to move away from it. Keeping Hong Kong's prosperity and stability conforms with China's vital interests. We did not set the period of 50 years casually or on impulse, but have considered China's

reality and the needs of its development. Similarly, by the end of this century and in the first 50 years of the next, we will also need a stable Taiwan. As Taiwan is part of China, China can institute two systems, within the context of one and the same country. This is the idea on which we formulate our state policies. If people understand our basic viewpoint and the basis on which we advanced the slogan and drew up this policy, then they will see that our policy will not change. I also told my Japanese friend if our open policy remains unchanged in the first 50 years of the next century, then in the 50 years after that when China and other countries have frequent economic contacts and become more interdependent and inseparable, the open policy will be all the more secure.

I would also like to ask you, Prime Minister, to tell people all over the world, including those in Hong Kong, that the "One country, two systems" concept contains capitalism as well as socialism which represents the major part of China. A billion people are unswervingly practising socialism there; Taiwan has approximately 20 million people and Hong Kong, 5.5 million. This entails a problem of how relations between such differing numbers will be handled. Because socialism's area and people are so predominant, it can afford to allow capitalism in such small areas. Otherwise capitalism might gobble up socialism. We believe that allowing capitalism in a limited area will actually be conducive to the development of socialism. It was on the same understanding of the dominance of the socialist economy that we opened some 20 cities to the outside world. We do not fear they will change the nature of the socialist economy. On the contrary, opening to the outside world facilitates the expansion and development of the socialist economy.

Not All Cancers Kill, Says Symposium

Eighty years ago only five in every hundred patients with cancer could be cured, but now half can be if they receive early treatment. As Prof. C.G. Schmiat, chairman of the international union for the fight against cancer, said: "Not all cancers are lethal."

Prof. Schmiat, director of the Essen Tumor Centre in the Federal Republic of Germany was invited to attend an international symposium on the treatment of cancer and new trends in chemotherapy in Beijing. During the symposium he read papers on progress in the treatment of patients with cancer of the testis, non-Hodgkin's lymphomas and small cell lung cancer. More than 200 Chinese and foreign specialists gathered in Beijing to compare notes on the latest research and developments in this field.

The symposium will no doubt encourage cancer research and treatment in China, especially chemotherapy. Doctors from leading Chinese hospitals and research institutes described their work on the combined use of chemotherapy and anti-cancer herbal drugs.

Yu Rencun, director of the Department of Oncology at Beijing Hospital of Traditional Chinese Medicine, said in his paper that some herbs enhance sensitivity to radiation and prevent or reduce the side-effects of radiotherapy. Using Chinese herbal medicine after radiotherapy can consolidate its therapeutic effect and prevent relapse and metastasis.

This conclusion was confirmed by Sun Yan, director of the Beijing Cancer Research Institute and co-chairman of the symposium. He said that long-term results in some patients with liver, breast and cervical cancer indicate that patients who receive certain anti-cancer medicinal herbs survive longer than those who receive chemotherapy alone.

Generally speaking, chemotherapy treatment of cancer in China is not as developed as in the West, Bun said, but in some fields China has established a good reputation, as in treating cancer with combined Chinese and Western medicine.

According to Cui Yueli, minister of Public Health, China has now made a great deal of progress in the study of cancer treatment, though it started late. The diagnosis and treatment of some major cancers has approached, or has surpassed world levels. For example, statistics for the past ten years show that liver cancer patients now have a 5-year survival rate of 20 percent, 10 times better than 10 years ago. China has also successfully treated lung cancer, especially patients whose lung functions are seriously weakened, with a five-year survival rate of 31.3 percent. Now doctors believe that patients suffering from cancer of the oesophagus, stomach, colon, cervix and breast can all be cured if they receive early treatment.

Short Notes

An Ancient Unmarked Burial Pit Found at Three Gorges. Chinese

archaeologists recently discovered an ancient burial pit containing the remains of seven human beings dating back to a Chinese primitive society 5,000 years ago.

Archaeologists said that the ancient pit was found at Yichang, near Three Gorges at the upper reaches of the Yangtze River. It has been confirmed that six men and one woman were piled up in the pit. Among them, only three had their heads.

Archaeologists believed that the seven were victims of tribal fighting. This demonstrates that as far back as 5,000 years ago, there were sharp conflicts between tribes in the Three Gorges area.

International Dragon Boat Tournament to Be Held in Xiamen.

The first international dragon boat invitational tournament sponsored by China will be held in Xiamen, Fujian Province, on May 31, the day of China's traditional Dragon Boat Festival.

To inaugurate the competition, a 700-metre-long, 100-metre-wide pond is under renovation in Jimei Town of Xiamen. The pond faces the sea in the south; the three other sides are surrounded with trees and unique Chinese pavilions.

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Chinese and Western Cultural Exchange

"WENSHI ZHISHI"

(Knowledge of Culture and History)

What is called civilization, Chinese culture, world culture, Eastern or Western culture, is the sum total of a complex entity, not a monolithic bloc that is watertight and impenetrable.

The cultural exchange between China and foreign countries is a mutual infiltration. New thoughts and ideas will never supersede a nation's primary culture. We know from historical perspective that neither the native civilization nor the imported culture destroy one another although one may dominate for a long time. At present, some people consider the development of world culture as returning to the Eastern civilization (Chinese culture). This is the mechanism of history. Current world culture is not developing along a pure Eastern model or Western model, but is advancing towards comprehensiveness.

Given the differences between the countries of the world, the importation of culture may vary in amount or number. Each nation chooses to import fine culture or advanced technologies according to its needs. For instance, China needs technologies to develop its economy. Therefore, a lot of advanced technologies have been imported from other countries in recent years. It is the same the other way round. The West (here means Western Europe, North America and Japan) has imported the cream of Chinese culture such as Lao Zi, Zhuang Zi, *Book of Changes*, as well as poetry, painting, calligraphy, engraving, potted landscapes and garden design. Many American friends admire the beauty of ancient Chinese gardens and have planted some gardens after the Chinese model. This two-way traffic of Chinese civilization flowing towards foreign countries and in

turn Western advanced science and technologies flowing into China is exactly the way it should be.

The Western culture comes in and Chinese civilization goes to the West. I am optimistic about the future. The cultural exchanges between China and the West can bring about great advances for both cultures. There is no negative influence or harm intrinsic in either culture.

In the development of civilization it is appropriate to use the word "gain" and "loss," because neither can annihilate the other in cultural exchange and development. However, each of them has its gains or losses. The civilization makes unceasing changes. These changes mean gains and losses. The cultural relations between the East and the West also include gains and losses. The result is both cultures have been developing rapidly, not declining. For instance, China has imported advanced science and technology, management skills and legal spirit from the West to enrich its civilization, and the Western culture has assimilated Chinese philosophy, culture and art.

In the past Confucian values were an obstacle to progress and production. Today, this is not so. Productive technology has been

supplied by the West. The best elements of our national culture are being made to serve the present. Despite China's modernization, Chinese literature, poetry, painting, engraving and architectural design will not become feeble and die. On the contrary, they will develop rapidly and vigorously.

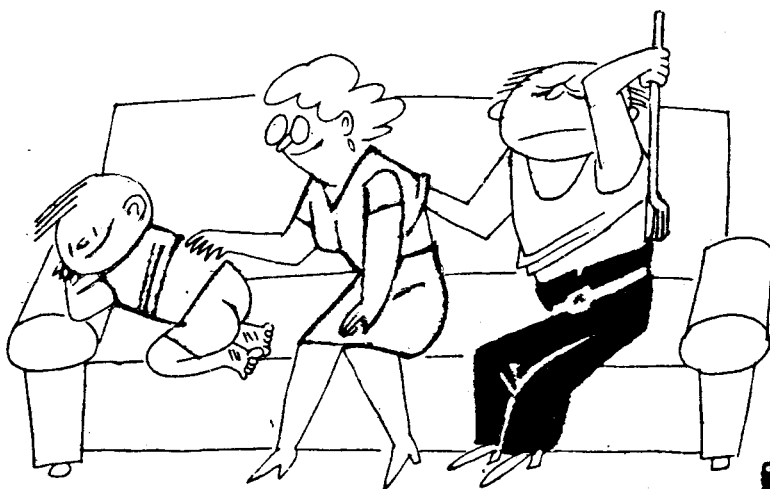
Modern Chinese culture is different from the feudal culture that was enjoyed by literati and officialdom in ancient China. But those old cultural forms and fine traditions have not been eliminated with feudalism. We regard these traditions as scientific achievements and encourage their development. Take Western countries for example. Although science is flourishing there, they have still introduced Chinese poetry, literature, calligraphy and painting to enrich people's lives. Such an attitude is undoubtedly right, for the import of Chinese civilization can only do good. It will not harm the development of science and technology.

It is true that ethics and outlook differ from East to West. But with the rapid development of production and technology, and friendly exchange between Chinese people and foreign people, more and more Western people will be interested in traditional Chinese civilization.

(No. 1, 1987, by Zhou Gucheng, vice-chairman of the Sixth NPC Standing Committee)

Scratching an Itch.

(ARTOON by ZUO CHUAN)



Puppy Love Poses Problems to School

"RENMIN JIAOYU"

(People's Education)

Puppy love is bringing problems to middle schools. To study the causes and effects and to find solutions, a survey was taken in some middle schools in Guangzhou, the window of reform and opening.

It found puppy love not only in ordinary middle schools but also in key schools. All types of students were involved, although most were junior middle school pupils aged between 13 and 14. Crushes showed themselves in various ways. Some students exchanged letters; others went to parks and dances together. A small number even went beyond proper limits.

Among junior students in a key middle school, for example, girls often talked about love in their dormitory. Many kept diaries to express their feelings towards boys. A girl wrote in her diary: "I deeply love you, do you know? How lonely and pained I am! It is because I could not win your favour." A boy who was a class monitor lived in a world of fantasy after receiving love letters from several girls at the same time. One girl wrote: "I love you. Who is the girl you love? Please make a quick choice among us."

In some ordinary schools, puppy love is a serious problem. A boy cut his finger and used the blood to write to a girl: "If I live, I live for you, If I die, I die for you." A young couple went to a temple to ask the Buddha to bless their love. Others dated each other and exchanged letters. Some boys believed it a respectable thing to have a girl friend, while girls thought it an honour to be

courted. These relationships have seriously hindered middle school students' study and harmed their physiological and psychological development. Some students had increasingly poor results in study because of puppy love. Some gave up school after doing something wrong. Many juvenile delinquents committed their first offence after falling in love.

The survey found that there were many causes of puppy love. One was that children were generally becoming precocious as living standards rose. Junior middle school students aged around 13 have usually reached the age of puberty. With curious and mysterious feelings towards the other sex, they liked to be close to and make friends with each other. Boys often showed off before girls, and girls, on the other hand, wanted to attract boys with their dress. A sense of love was budding in their hearts. At the same time, they were not morally mature and lacked self-control.

One characteristic of middle school students was that they liked to model themselves on what they saw and heard. In recent years, some unhealthy pop songs, video tapes, vulgar love stories, publications and many love scenes in films and on television have had a strong influence on students. A girl said she also wanted to have a try after watching such scenes.

Illegal pornographic publications were another serious threat to middle school students, according to the survey. Six boys bought a pornographic book for the high price of 70 yuan. Criminals also tempted students with money and clothing to seduce them into evil-doing.

Improper family education was singled out as another cause. Some

parents just let their children do whatever they liked, while others would harshly rebuke and even beat their children upon discovery of their wrong doings, causing the children to rebel. Some families showed indifference to their children, who then sought love from friends of the opposite sex.

Puppy love has posed a problem for schools: how to prevent and resolve it? There has been no systematic and scientific study. Students reach the age of puberty earlier than before, but schools don't have any systematic programmes to teach about sex and morals. Without a correct understanding of puppy love, most teachers have no efficient solution. They just offer passive resistance.

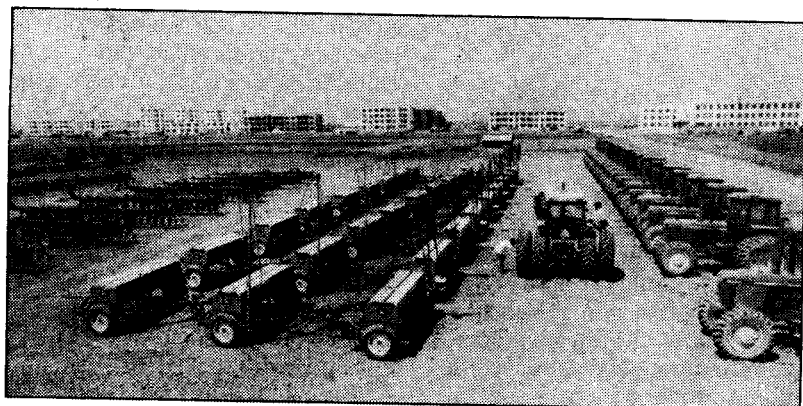
Some teachers don't distinguish puppy love from normal relations between girls and boys. They take it too seriously when girls and boys have contacts. When a girl wrote a letter to a boy in her class to discuss problems in their study, both were scolded by their teacher. To avoid further reproaches, the two formed a more secret relationship.

Some schools handle puppy love cases in too simple a manner, the survey indicated. A couple of junior middle school students felt they couldn't stay in school after being punished under school discipline. One transferred elsewhere, and the other just gave up school.

There are teachers who pay no attention to puppy love but leave it alone and regard it as harmless. But some teachers are getting valuable experience in tackling the problem. They encourage students to apply their minds to study and to establish friendships through various social activities. They also set up physiological and psychological courses to let students understand these subjects and know how to restrain themselves. Still puppy love is a problem. There is an urgent need to study efficient ways to deal with it and all society must help.

(No. 1, 1987)

More Foreign Funds Used in Agriculture



The State-owned Erdaohe Farm in Heilongjiang reclamation area was built with foreign funds.

The World Bank is to provide a loan to State farms in Xinjiang.

The loan, US\$70 million, will be used mainly by 20 state farms for planting and processing wheat, oil crops, cotton, fodder and for processing animal products. According to an official of the Ministry of Agriculture, Animal Husbandry and Fishery, the projects, scheduled to be completed in five years, will yield an additional output value of 3 billion yuan and earn US\$60 million a year from exporting products.

Since the end of the 1970s, China has been using foreign investment to develop agriculture. The agriculture ministry has signed 150 project contracts with investment totalling US\$1.16 billion. The loans provided by the World Bank feature prominently. Recently 9 other contracts have been signed, involving an investment of US\$700 million, including transforming saline-alkali land in north China and laterite in southeast China, funding research in agriculture, and freshwater fish-farming in large cities.

Foreign investment in China's agriculture also includes funds provided by the Food and Agriculture Organization and the

World Food Programme (FAO and WFP). Remarkable progress has been made in planting olives on a trial basis, disseminating advanced crop cultivation techniques, training personnel in storing crops and developing the role of nitrogen fixation in wood plants—all with trust funds collected from developed countries by FAO. In the next few months, some new contracts will be signed including agreements to establish a statistical training centre in co-operation with Italy and a fruit and vegetable development centre in co-operation with Belgium.

According to the official with the agriculture Ministry, during the Seventh Five-Year Plan period (1986-90), the ministry will use more foreign capital every year. He said that China encouraged foreign investment in agriculture on the basis of equality and mutual benefit. The foreign funds will be mostly used to build export commodities bases of agriculture, animal husbandry and fishery, develop animal husbandry and aquatic products, support poor and backward areas in their development, process agricultural and sideline products and accele-

rate township enterprises' technological improvement. In the autumn of 1987, the agriculture ministry will hold an agricultural exhibition and offer foreign businesses a large number of projects in which to invest. ■

More Projects In Hong Kong, Macao

Hong Kong and Macao's markets are being entered by people from the mainland. Last year, contract value of projects undertaken there by mainland companies amounted to HK\$ 1.75 billion, 2.7 times more than the average annual contract value for the previous six years. This is 16.4 percent of the total value of contracts China signed with foreign firms last year, placing the two regions first in 1986 among countries and regions where China has contracted to build projects.

This business began in 1979. By the end of 1986, altogether 411 contracts had been signed with a total value of HK\$ 5.32 billion. This is one-eighth of the gross value of contracts signed with foreign countries in the same period, so that Hong Kong and Macao are second only to Iraq, in the number of places Chinese contracting companies have undertaken projects in seven years.

It is reported that because mainland companies guarantee the quality and completion time of projects, they enjoy a good reputation. The scope of the projects ranges from just building houses to pile driving, land reclamation from the sea, geological prospecting, construction of roads, bridges and laying water pipes. ■

China, US Produce Cigarette Filters

We will offer the latest technology and equipment to the Nantong Sino-US joint

venture, and we believe that with the help of the Chinese counterparts the joint venture will become a good example for other Sino-foreign joint ventures," said E.H. Drew, president of the US Hoechst Celanese Corp., at a reception held at the People's Great Hall in Beijing on March 24 to mark the founding of the Nantong Cellulose Fibres Co. Ltd.

One of the biggest Sino-foreign tobacco joint ventures, the Nantong company is run jointly by the Celanese Fibres Operation, Ltd., a branch company of the Hoechst Celanese Corp., and the China National Tobacco Corp. Jiangsu Branch. It has a total investment of US\$35.17 million. The registered capital is US\$26.4 million, 30.68 percent from the US side and 69.32 percent from the Chinese side. The co-operation period is 15 years. It is designed to produce 10,000 tons of cigarette filters a year for the domestic market. The Celanese Fibres Operation, Ltd. turns out 120,000 tons of cigarette filters a year, one-third of the world's total. According to the contract, it will provide key equipment, technology and management skills for the joint venture, while the Chinese company will be responsible for the accessory equipment and construction. The project is expected to go into production in early 1989.

Jin Maoxian, vice-president of the China National Tobacco Corp., said the percentage of filtered cigarettes in general use is as high as 65 percent, and in developed countries it is 90 percent. But it is quite low in China, only 20 percent.

At present China has to import all cigarette filters and in 1986 that was over 20,000 tons. After the joint venture goes into operation China will be able to reduce imports accordingly.

by Yue Haitao

A New Golf Club Scheduled to Open

The Chaoyang Golf Club in Beijing, a Sino-foreign joint venture, is due to open on May 16. Preparations for its opening are now under way.

The club has nine golf-courses, one with lighting facilities, a practice course big enough for 60 players, a restaurant, a bar, a shop, a laundry and other services. The second-stage project includes construction of a tennis court, a health and massage centre, a sauna and an indoor golf practice room.

Located near Tuanjie (Unity) Lake of Beijing, the club is 10 kilometres from the city centre and one kilometre from the Great Wall Hotel. It is jointly operated by China Sports Service Company, the Dongfeng Farm of Beijing Corporation of Agriculture and Industry, Kosaido Development Co. Ltd. and Toko Bussan Co. Ltd. of Japan. The club's registered capital is US\$3 million, for a co-operative period of 15 years. Deputy General Manager Ryozauro Ono says: "This club is meant to provide Beijing's golf lovers with a place to practise their sport and socialise."

It is reported that so far 350 people have applied for membership, 60 percent of whom are members of Japanese companies in Beijing. The club will give time priority and preferential charges to its members.

by Yao Jianguo

Trade News in Brief

■ The Chinese Export Association of Tungsten Ore and Products was established in Beijing at the end of March. Jointly run by the China National Nonferrous Import and Export Corp., the China National Metals

and Minerals Import and Export Corp., the China National Chemicals Import and Export Corp. and the China National Metallurgical Products Import and Export Corp., this association is responsible for setting unified export prices, examining the prices and contracts for export goods and will do its best to guide and stabilize tungsten goods prices on the world market. It will also issue licences for exporting tungsten goods.

China produces and exports 45 percent of the world's tungsten. The founding of this association will facilitate the stabilization of tungsten prices and promote trade between China and other countries.

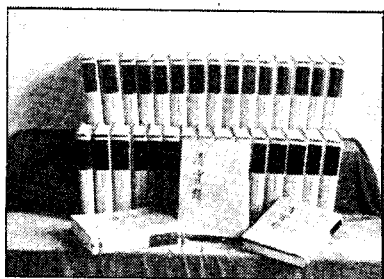
■ In early March, China and the Soviet Union signed a goods exchange and payments agreement for 1987 in Moscow. According to the agreement the Soviet Union will export to China machines and equipment, transport vehicles, locomotive engines, black and nonferrous metals, fertilizers, cement, materials and other products and will import from China soybeans, maize, meat, fruit, light industrial products and other goods.

■ Six cities in southeast China's Fujian Province can now deliver letters and small parcels all over the world in record time, post officials said.

Fast delivery of documents to the United States requires three days and to other countries no more than five. To ship small parcels under the service requires an additional one or two days for customs inspection.

■ Direct-dial service started in Xian to Hong Kong and cities in 12 foreign countries: the United States, Japan, France, West Germany, Switzerland, Canada, Holland, Austria, Singapore, Spain, Britain and Italy. The service will be available in all big hotels in the city.

New Books Detail Qing Empire's Affairs



Chinese and foreign historians will be pleased to see the recent publication of *Qing Shi Lu* (Chronicle of the Qing Dynasty), an informative record of the day-to-day affairs of the Qing Dynasty (1644-1911).

The 60-volume, photo-offset book is being published in Chinese by the Zhonghua Book Company in Beijing. So far, 33 volumes have been released. The other volumes are expected by the end of the year.

Recently there has been a craze for Qing history. Many historians have shown growing interest in this, the last dynasty of feudal China. Many novels, films, TV plays and local operas are also about this period.

To make sure that every fact or anecdote is accurately recorded, a reliable book with first-hand information is needed. "That is why we published *Qing Shi Lu*," said Zhao Shouyan, senior editor of Zhonghua Book Company.

Qing Shi Lu is one of the largest history books in China. It records the 12 Qing emperors' everyday activities and all the major events of 267 years of the Qing Dynasty. *Qing Shi Lu* and 24 other famous history books cover China's whole feudal history of more than 2,000 years.

Following the system which had existed since the Tang Dynasty (618-907 AD), every newly-enthroned Qing emperor would set up a temporary chronicle office and appoint a royal minister to supervise the compilation of historical materials during the reign of the preceding emperor.

The official historians of the chronicle office were allowed to read imperial edicts, memorials to the throne and other files in the royal court. Taken together, these chronicles make up *Qing Shi Lu*.

With lots of detailed, first-hand information, *Qing Shi Lu* has been regarded as a very important reference book for studying the Qing Dynasty including its politics, economy, military affairs, foreign affairs and culture.

It was not published in the Qing Dynasty. Only several sets were hand-written in the Chinese, Manchu and Mongolian languages and kept separately in the royal libraries in Beijing and Shenyang. Very few people got to look at them.

In 1936, *Qing Shi Lu* was photo-offset from the original book kept in Shenyang's Chongmo Chamber. The publisher was a cultural association under the Japan-supported "Manchukuo" puppet regime. The first print was 300 sets.

In 1964, a publishing house in Taiwan reproduced the book according to the 1936 edition, without any collation.

Zhonghua Book Company's 1986 edition claims to be much better than the previous editions.

The new edition is photo-offset from the original books kept in the China No.1 Historical Archives, Beijing University library, the

Palace Museum library and Liaoning Provincial Archives.

The editors have made some important discoveries about the 1936 edition of *Qing Shi Lu*. They have found that some derogatory terms were changed—for instance the phrase "Japanese pirates" was changed to "Japanese."

Some paragraphs in the 1936 edition were different in meaning from the original. For example, the 1936 edition altered the text about the Yihetuan (Boxers') Movement which the original copy of *Qing Shi Lu* basically affirms that it is an anti-imperialist armed struggle waged by north China peasants and craftsmen in 1900. The 1936 edition says that it is a rebellion.

The 1936 edition also deleted some paragraphs about the Qing government's military plans before the Sino-Japanese War of 1894-1895.

Luo Jizu, a history professor at Jilin University, has proved that some of the changes were made in 1936. The 1936 edition was fragmentary as well. Some pages were missing and some were inverted.

The 1986 edition is considered a good-quality one. It includes the chronicles of the early period of Manchuria and the chronicles of all the 12 Qing emperors from the founder, Emperor Tai Zu, to the last emperor Pu Yi who was overthrown in 1911 after three years' reign.

A set of the new edition of *Qing Shi Lu* costs 3,000 yuan (about US\$800). The first printing is 1,500 sets. The 60-volume book will be distributed by Zhongguo (China) Bookstore. ■



Duty-Free Store for Foreign Diplomats

The China Duty-Free Goods Co. recently opened a duty-free store for foreign diplomatic personnel in China. The store is housed in a newly built yellow four-storey building near the Kunlun Hotel in eastern Beijing.

According to Zheng Zhixing, deputy general manager of the company, the purpose of opening the store is to provide a better shopping environment for the foreign diplomatic personnel. Similar duty-free shops will also be set up in Shanghai, Tianjin and Shenyang, Zheng added.

Zheng said that his company has commercial contacts with some 300 firms in the United States, Western Europe and Japan. Most of the goods it sells are the world's famous brand-names, and include a few famous Chinese products. There are over 2,500 items, including cigarettes, drink, cosmetics, food, soft drinks, watches, clothes, household electrical appliances, cameras, motor-cycles, cars, furniture, toys, carpets and photo-copy machines.

Beginning on March 1 this year, foreign experts, representative office staff of foreign enterprises stationed in China and journalists

who work in China are being allowed to buy ten kinds of goods at the newly opened duty-free store: radio cassette recorders, videos, refrigerators, air-conditioners, electric ovens, TV sets, washing machines, motor-cycles, furniture and carpets.

China's duty-free business began in 1979. At present, there are duty-free shops at the Customs in 37 cities, including Beijing, Shanghai, Guangzhou, Fuzhou and Xiamen. Passports and declaration forms must be shown to purchase these duty-free goods. In Beijing's duty-free store for foreign missions to China, foreign exchange certificates or a special cheque in RMB can be used. In each duty-free shop at the Customs, US, Japanese or Hong Kong currencies can also be used.

The price at the duty-free shops, drawn up by China's Duty-Free Goods Co., are basically the same as those in Hong Kong.

The China Travel Service has also set up two duty-free shops, one in Beijing and one in Guangzhou. This year, four more shops are expected to be opened in Shanghai, Fuzhou, Xiamen and Haikou by the travel service. ■

Japanese Strike Bell for Longevity

On the Eve of last Spring Festival, about 1,000 Japanese tourists came to Suzhou and queued to strike the bell at the Hanshan Temple.

Several years ago, a television broadcast in Japan told how beating the Hanshan Temple bell on New Year's eve is supposed to give the ringer long life. A poem, written by Zhang Ji during the Tang Dynasty (618-907), was selected for a Japanese textbook, and it reads in part: "Hanshan Temple outside Suzhou, the passenger boat comes at midnight, accompanied by the toll of the bell." Touring Suzhou on the Eve of the Spring Festival under China's own travel services began four years ago. This year Japan's biggest travel service added "the evening bell at the Hanshan Temple" to their itineraries, and about 150 people in seven tourist groups will visit Hanshan Temple to toll the bell on the eve of the next Spring Festival. ■

Tailpieces

■ Last year the Tibet Autonomous Region received 28,000 foreign tourists, twice as many as in 1985.

The people's government of the Tibet Autonomous Region has opened a number of cities and towns including Lhasa and Xigaze. Many scenic spots and historical sites including the Potala Palace, the Daipung, Sera, Gahdan and Trashilhunpo Monasteries, and 14 mountain peaks, up to 8,000 metres above sea level, including Mt. Qomolangma. There are one or two passenger flights between Chengdu and Lhasa every day. Roads between Qinghai, Sichuan, Zhangmukou and Tibet will also be opened.

Business and Trade

May 1-6 Guangzhou International Scientific and Technological Trade Exhibition Centre. Guangdong International Building Materials Exhibition. Sponsored by the Guangdong Branch of the China Council for the Promotion of International Trade.

May 5 Shenyang. Japanese Kansai Materials Exhibition. Sponsored by the Liaoning Branch of the China Council for the Promotion of International Trade and the Osaka-Liaoning Economic and Trade Association.

May 8-13 Shanghai. International Factory Modernization Exhibition. Sponsored by the British International Trade Exhibition Company. North American, and West European exhibits will include processing-control machines, workshop devices and maintenance equipment.

May 10-15 Nanjing. International Plastic and Rubber Processing Technology and Equipment Exhibition. Sponsored by a Hong Kong company and the Jiangsu International Exhibition Company.

May 16-24 Beijing. Automobile Manufacturing Technology and Equipment Exhibition. Sponsored by the Fiat Group of Italy. Exhibits will include motor vehicles, electronic automatic tractors and hot and cold press steel production equipment.

May 19-27 Beijing. Swiss Machinery and Tools Exhibition. Sponsored by the Swiss Association of Machinery Manufacturers. Exhibits include internal-combustion engines, multi-purpose grinders, duplicators and shaping machines.

May 25-31 Nanjing. International Heat Treatment New Technology Exhibition. Sponsored by the China Heat Treatment Association.

May 25-31 Shanghai Exhibition Centre. Spanish Industrial and

Agricultural Technology Exhibition. Sponsored by the Spanish Export Promotion Association. Participants include North America, Japan, Western Europe and Hong Kong.

May 25-June 1 Beijing. Yugoslavian Economic Exhibition. Sponsored by the Economic Chamber of Yugoslavia and the China Council for Promotion of International Trade. Exhibits include leather, electronics, telecommunications, electric power, machinery, shipbuilding, agriculture and food processing equipment.

May 26-31 Guangzhou. International Scientific and Technological Trade Exhibition Centre. International Environmental Testing and Monitoring Instruments Exhibition. Sponsored by the China Electrotechnics Society and the Electric Products and Environment Technology Specialized Committee. Participants from Japan, Europe, North America, and Hong Kong. Exhibits include high- and low-temperature testing equipment, pounding and vibrating testing equipment and monitoring instruments.

Science and Technology

April 24-May 4 Beijing. Institute of Developmental Biology Under Chinese Academy of Sciences. Training Class on Genetic Manipulation of Fish and Mouse Embryos—New Approaches and Technologies. Offered by the Japanese Institute for Basic Biology, Kyoto University, and the Institute of Developmental Biology of the Chinese Academy of Sciences. Participants from China, Japan, India and other countries.

May 12-15 Nanjing. China-Japan Bilateral Conference on Theory of Optical Fibre and Electromagnetics. Sponsored by the China Telecommunications Society.

May 15-19 Beijing. International Conference on Veterinary Acupuncture. Sponsored by the China Livestock Veterinarian Society.

May 19-21 Tianjin. International Conference on Smoking and Health. Sponsored by the Tianjin Foreign Scientific and Technological Exchange Centre, the Tianjin Public Health Bureau, and the Tianjin Medical Institute.

May 26-28 Beijing. International Workshop on Geographic Information System. Sponsored by the Institute of Geography of the Chinese Academy of Sciences.

Sports

May 12-16 Beijing. World Amateur Go Championships.

May 18-24 Beijing. World Badminton Championships.

May 23-June 2 Wuhan and Jinan. Four-Nation Women Volleyball Invitational Tournament.

Cultural Exchange

April 7-17 Beijing Art Gallery. Beijing International Packaging, Books and Magazines Fair.

May 5-14 Beijing Art Gallery. Exhibition of Paintings by French Raimon Georgein.

May 5-25 Beijing. Hangzhou and Guangzhou. Performances by the 20-member Belgian Ballet.

May 7-19 Beijing Art Gallery. Bulgarian Art Exhibition.

May 11-24 Beijing International Art Hall. Congolese Art Exhibition.

May 23-June 3 Beijing and Shanghai. Performances by the 185-member Japanese Youth Symphony Orchestra.

May 27-June 9 Beijing and Kunming. Exhibition of paintings by Peruvian students in China.

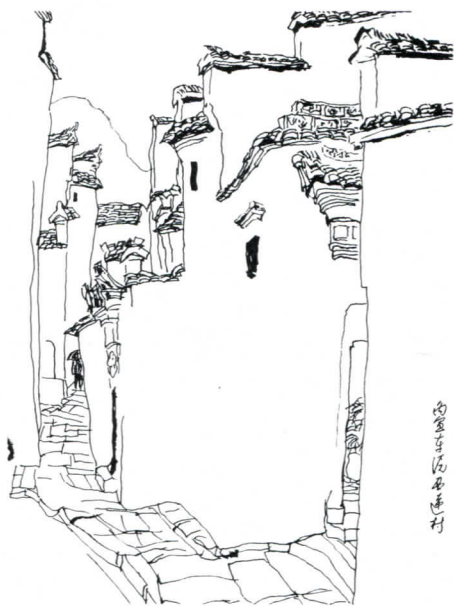
Mid-May Beijing Art Gallery. Exhibition of Brazilian arts and crafts.

May 4-Sept. 28 Sweden, German Democratic Republic. Tour by Shandong Acrobatic Troupe. ■

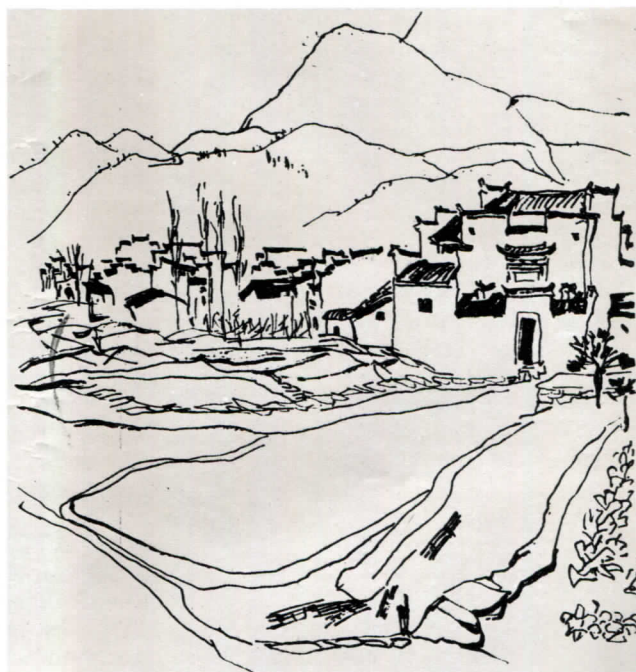


Sketches by Zheng Shaomin

Zheng Shaomin, born in Handan, Hebei Province in 1946, is an art editor at the Workers' Publishing House. The sketches here are of Xidi Village in Yixian County, Anhui Province, where ancient Qing Dynasty (1644-1911) style buildings remain.



石溪村



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