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Taiwan's Political Situation After Chiang Ching-kuo The Relation Between Planning and Market





A monk meets the camera.

Sun Yi

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COVER: NPC deputies Cai Zimin, Lin Liyun, Zhang Qia and Tian Fuda (right to left), all natives of Taiwan, visit the Taiwan Affairs Research Institute.
Xu Xiangjun and Xue Chao

HIGHLIGHTS OF THE WEEK

Government Bodies to Be Revamped

■ State Councillor Song Ping makes a report to the National People's Congress explaining the proposal for restructuring the State Council. Under the proposal, the State Council will reduce the number of ministries and commissions to 40 from the current 45 (p. 5).

Taiwan's Situation After Jiang Ching-kuo

■ An analytical article by the deputy director of the Taiwan Affairs Research Institute predicts the coexistence of both stable and disruptive factors in Taiwan's political situation in the post-Jiang Ching-kuo era. In the short term, stability will override any unrest, but in the long-term there will be a reversal of this situation (p. 14).

Philippine President Visits China

■ China and the Philippines have a tradition of friendly relations. People hope that Philippine President Corazon Aquino's visit to Beijing will further consolidate and strengthen such relations and promote bilateral co-operation in all fields (p. 4).

China's Expanding Ocean-Going Fleets

■ While the world's shipping industries were languishing in the doldrums in the 1980s, China's shipping business has been booming. Its ocean-going fleets, with a total deadweight tonnage of 17 million, are now recognized as a major force challenging the traditional ocean shipping powers (p. 22).

The Relation Between Planning and Market

■ The socialist commodity economy China is pursuing calls for the reduction of mandatory planning and an increased regulation by market forces. According to an official from the State Commission for Restructuring Economic Systems, both can be effectively applied in an economy dominated by public ownership (p. 19).

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Aquino Comes to Promote Relations

by Our Guest Commentator Gao Shixing

Philippine President Corazon Aquino will visit China from April 14 to 16 at the invitation of the Chinese government. The relationship between China and the Philippines is rooted in the countries' historical and geographical propinquity and their common interests. Since diplomatic relations were established in 1975, progress has been made in developing friendly relations and bilateral co-operation.

With the formation of the Aquino government, opportunities to consolidate and strengthen ties increased.

In June 1986, Philippine Vice-President Salvador Laurel visited China, and in September of the same year, Chinese Vice-Premier Tian Jiyun visited the Philippines. During these visits the two sides exchanged views on international and regional issues of mutual concern. On many of the issues, their views converged.

Both sides are interested in seeking new ways to develop bilateral economic and trade relations, such as through barter trade. Among the topics Aquino planned to discuss during her visit is the Philippines' trade deficit with China.

Since China adopted the policy of opening up to the outside world in the late 1970s, it has been seeking to expand its economic relations with other countries, including members of the neighbouring Association of the Southeast Asian Nations.

President Aquino recently told

local reporters in Manila that she wished to visit China to promote the historic good relations between the two countries. "Since China is one of our neighbours, it is only natural that I go there to establish better relations with our neighbour."

She also said she wanted to visit her great grandfather's home village of Hongjia, near Quanzhou, Fujian Province.

Since Aquino came to power in February 1986, the relations between China and the Philippines have been strengthened in political, economic and cultural fields.

Since Aquino's government assumed power in a civilian-backed military uprising, it has obtained initial results from its efforts to steer the Philippines towards constitutional rule and economic recovery. The Aquino government has basically held its political ground since it came to power, and the political situation is tending to improve in the wake of five crushed military coup attempts. A new constitution is in force, a new Congress is functioning, and local elections were held on January 18.

On the economic front, the government has lowered soaring inflation, dismantled monopolies,

initiated a privatization programme, and adopted new investment code to provide incentives to investors.

Although the pace of investment has been slow, the government plans to absorb investment of US\$1 billion in 1988, double last year's figure. The target industries for investment are electronics, textiles, clothing, food production and processing, automotive components and chemicals. Industrial rehabilitation and modernization are also priorities.

The government's economic reforms have enabled the national economy to grow, in sharp contrast to the contraction which hit the economy for three consecutive years before Ferdinand Marcos was ousted.

The country's export earnings in 1988 are expected to increase by US\$1 billion from US\$5.2 billion in 1987. But the tremendous problem of foreign debt totalling US\$28 billion exerts enormous pressure on economic development.

On the social front, the government has increased salaries for the more than 1.2 million government employees to offset continued inflation. The government aims to create 1 million jobs this year.

Despite progress in all these fields, the Aquino government still faces a lot of problems. It is our hope that her administration will successfully address these problems and lead the nation to greater political stability and economic development. ■

Government Bodies to Be Restructured

A proposal to restructure China's State Council will reduce the number of ministries and commissions to 40 from the current 45, State Councillor Song Ping said.

Song told the Seventh National People's Congress (NPC) on March 28 that under the proposal, 14 ministries and commissions will be abolished and 10 new ones will be set up, while 30 ministries and commissions will be retained. Xinhua, China's official news agency, will be placed directly under the State Council.

With the broadening of the economic reform, Song noted, the defects of the present government setup are becoming increasingly evident. These include non-separation of government and enterprise functions, irrational structure, overly rigid micro-management, insufficient macro-control, overlapping institutions, overstaffing, similarity of functions and duties, and low working efficiency.

"Without restructuring the government organs, the economic reform cannot be carried out in a deep-going way, nor can the achievements of the economic reform be consolidated. And many measures for reforming the political structure cannot be implemented. Therefore, it is imperative to reform the administrative structure from the central level down," he said.

In line with the requirements of the political and economic reforms, the restructuring plan will concentrate on implementing changes in government functions while introducing a public service system. This is the main feature of the current proposal, he said, as



XUE CHAO

State Councillor Song Ping delivers a report on the proposal for restructuring the State Council.

compared with the government streamlining of 1982.

"We will not simply abolish some offices, merge others and cut back staff. Instead, we will introduce changes to their functions, according to the principle of separating the functions of government from those of enterprises."

Government departments will no longer directly control enterprises' money and goods. These enterprise management functions will be delegated to lower levels. At the same time, government departments will strengthen their work in the areas of policy making, consultation and information, regulation and supervision, so that the government's direct management of the economy will

gradually become indirect.

To reduce the number of management levels, new ministries and commissions will have only two levels — bureaus and sections. The establishment of the 10 new ministries and commissions should be completed three months after the NPC session approves the proposal.

In addition to 45 ministries and commissions, the State Council is currently composed of 22 bureaus and five working offices. Its staff totals more than 50,000 people. There are also 14 bureaus directly run by ministries and commissions and 75 ad hoc groups.

The restructuring will reduce the State Council staff by about one-fifth or 10,000 people, Song said. Some current staff members will be transferred to units relating to taxation, finance, prices, auditing, supervision, statistics, the administration of industry and commerce, and law enforcement. Many will join companies, associations, social groups and institutions involved in information, consultancy and research. Some with professional knowledge and managerial expertise will work in enterprises. And some young people will receive professional training, while staff members reaching retirement age will retire.

Transferring cadres to companies and associations will cut the size and budget of the government, Song said. It will not only help raise efficiency and eliminate bureaucracy, but also promote the introduction of the public service system. ■

NPC Examines Draft Amendment

The first session of the Seventh National People's Congress (NPC) held its fourth plenary meeting on March 31 to examine a draft amendment to China's Constitution.

The amendment would give legal status to China's private business operators and permit the transfer of the right to use land. The Constitution to be amended was promulgated in 1982 after its adoption by the fifth session of the Fifth NPC.

The March 31 meeting, presided over by the executive chairman of the session's presidium, Rong Yiren, also examined a draft decision from the presidium on the establishment of a committee to draft the basic law of the Macao special administrative region.

According to the draft decision, the Macao basic law drafting committee will be answerable to the NPC and to the NPC Standing Committee when the NPC is not in session. The committee will be made up of experts and other people representing all circles and will include Macao compatriots. The list of members will be made public upon approval by the NPC Standing Committee.

The meeting heard a report on the work of the NPC Standing Committee delivered by Chen Pixian, vice-chairman of the Sixth NPC Standing Committee, on behalf of the committee and its chairman, Peng Zhen.

Chen said that the previous committee has done much fruitful work over the past five years in the areas of legislation, supervising and improving the country's voting system, handling proposals and diplomacy.

A report on the draft law governing state-owned industrial enterprises was delivered by Lu



XUE CHAO

Delegates from Liaoning Province air their views on the draft amendment to the Constitution.

Dong, minister in charge of the State Economic Commission.

The draft enterprise law, with 68 articles in eight chapters, defines the separation of ownership and managerial authority of enterprises, enterprises' rights and obligations, the factory director responsibility system, the status of staff and workers, democratic management, and relations between enterprises and the government.

Lu said the law was formulated to ensure the consolidation and development of state-owned industrial enterprises, which produce more than 70 percent of the country's gross industrial product, as well as to define the rights and obligations of enterprises, safeguard their lawful rights and interests and enhance their vitality.

The meeting also heard a report by Zheng Tuobin, minister of foreign economic relations and trade, on the draft law governing Sino-foreign contractual joint ventures. According to the draft law, joint ventures will be permitted to exist either with or without the status of a Chinese

corporate entity. The Chinese and foreign partners' contributions to the venture can be in cash or in kind, or may include industrial or other property rights, technical know-how or the right to use a site.

The draft law, formulated in line with experience and internationally accepted methods of enterprise management and operation, will help standardize the form of contractual joint ventures and promote their growth, Zheng said.

Minister of Civil Affairs Cui Naifu and State Councillor Gu Mu explained motions concerning the establishment of Hainan province and the Hainan special economic zone.

In proposing that Hainan become China's biggest special economic zone, the State Council intends to allow the island to follow more open foreign investment policies than the other special economic zones and to adopt a more flexible economic management system so as to create a more attractive investment climate for foreign investors, Gu said.

Li Calls Session On Rail Accident

On March 29, Acting Premier Li Peng convened a work session of the State Council to hear a report on the country's latest railway accident. A total of 28 people were killed and 99 were injured in the collision, which occurred on the outskirts of Shanghai on March 24.

At the session, Li called for a meeting on transport safety, particularly railway safety. The report to the session was given by Chen Junsheng, secretary-general of State Council. Chen was entrusted by Li to attend to problems arising from the accident.

A total of 27 Japanese were killed and 37 were injured in the crash. All of them were visiting teachers and students of the Kochi Gakugei High School.

Chen and Ye Qing, vice-minister of the State Economic Commission, paid their respects to the dead and visited the injured in hospital. They also offered condolences to the families.

Chinese doctors and nurses and Japanese doctors from the Sino-Japanese Friendship Hospital in Beijing did their utmost for the injured. By April 2, all 37 injured Japanese students had left hospital for home.

Chinese Vice-Minister of Foreign Affairs Zhu Qizhen saw the Japanese off at the airport. Zhu thanked Hamada. Takujiro, parliamentary vice-minister of the Japanese Ministry of Foreign Affairs, for Japan's co-operation in dealing with the aftermath of the accident.

"We are very much impressed by the friendship and understanding displayed by relatives of the Japanese victims," Zhu said.

Preliminary investigation showed that crash was mainly caused by a brake failure on one of the trains. Further investigation is being conducted by two special groups.

China has been plagued by one accident after another since late last year. The problem was heatedly discussed at the first session of the Seventh National People's Congress (NPC).

Two leading railway officials

attending the NPC session said that incompetent personnel, loose discipline, bad management and obsolete equipment are among the main causes of major railway accidents.

Zhang Tongsheng, director of the Jinan Railway Administration, said that 70 percent of the accidents on the lines under his administration are the result of loose discipline.

The chief engineer of the Harbin Railway Administration, Zhu Jiuling, said that China's 50,000 kilometres of railway lines have long been overused and 11,000 kilometres are in need of a major overhaul. Last year 1,600 rail cracks occurred throughout the railway network, Zhu said.

In a discussion of how to solve the problems, people at the NPC session called for the early enactment of a railway law. The state should adopt special policies to enable the railways to improve, they said. ■

CAFIU Promotes International Ties

As a non-government organization, the Chinese Association for International Understanding (CAFIU) has played an active role in fostering friendship and understanding between China and other countries, an association vice-president says.

Speaking on March 1 at the fourth session of the CAFIU Council, Chang Zhixiang reviewed the association's work since the council's last session in 1985.

"One of CAFIU's achievements is that it has expanded the scale of its international exchanges and overseas activities," Chang said. The association has ties with about 200 parties, organizations and research institutes in 78 countries. For many of CAFIU's

An official of the Shanghai municipal government helps carry an injured Japanese student into the airport terminal.

XIA DAOLING



Bainqen Reaffirms Policy on Dalai

Bainqen Erdini Qoigyi Gyaincain, vice-chairman of the sixth National People's Congress Standing Committee, reaffirmed the central government's five-point policy on the Dalai Lama's return to the motherland at a press conference held on April 4 in Beijing.

He said the five-point policy remains unchanged. The sole condition for the Dalai Lama's return is that he must give up his activities for Tibet independence, acknowledge that Tibet is an inseparable part of China's territory and join in the efforts of people of all nationalities to safeguard national unity and build a socialist country, including a socialist Tibet.

If the Dalai returns to the motherland but continues his separatist activities, this will not be allowed, Bainqen said.

If the Dalai accepts the condition, Bainqen said the central authorities have made it known that he may become a vice-chairman of the National People's Congress Standing Committee.

In reply to a question raised by a reporter from the American Broadcasting Corporation, Bainqen said the riot on September 27 last year was started by a small number of lamas who were followed by about 1,000-2,000 laymen. The riot on October 1 was more serious. The police detained a small number of lamas and others who participated in the riot, but most of them were released later.

Bainqen said that when he went to Tibet earlier this year, he found that 74 lamas and other people were still being detained. Soon after his arrival, 59 lamas and other people who participated directly in the riots were released. Most of the 15 people who are still in prison committed serious crimes such as burning, looting and assaulting people during the unrest. A couple of lamas were members of underground organizations which instigated the unrest. All the people who participated in the riots were treated leniently, he said.

"Most of the 15 detainees would

have been set free if there had not been a further riot in March," he said. Referring to the March 5 riot, Bainqen said it was started by about 100 lamas who were later joined by several thousand other people. If the onlookers are included, the total number was close to 10,000.

During the riot, he said, four people were killed and one person later died of severe injuries in hospital despite emergency treatment.

Bainqen announced that he was being officially rehabilitated by the National People's Congress for the wrongful accusations against him in the early 1960s and during the "cultural revolution."

He said he was criticized for being frank and outspoken in a 70,000-word report to the central government about the situation in Tibet and other Tibetan-inhabited areas.

Bainqen said he owed his survival to the late premier Zhou Enlai and his rehabilitation to Deng Xiaoping. His rehabilitation reflects the resolve and far-sightedness of the central government, he said. (The full text of the questions and answers at the press conference will be issued in the next issue of *Beijing Review*.) ■

partners, it is their first link with China.

Last July, CAFIU received the first non-government delegation from Indonesia to visit China with the approval of the Indonesian government since the two countries suspended relations more than 20 years ago. Mangun Wijaya, the head of the delegation and a famous columnist, published five articles about his impressions of China in *Kompas*, the most important daily newspaper in Indonesia. These articles should help Indonesians get to know China.

Last November, CAFIU received a delegation from the

Progressive Federal Party of South Africa. It was the first delegation from an anti-racist, white, legal South African opposition party to visit China.

"Another achievement is that CAFIU has strengthened its relationship and exchanges with some well-known foreign research institutes, international organizations and scholars." These include the Friedrich Ebert Foundation of Federal Germany, Bolivar Foundation of Colombia, Chang said.

In July 1987, the association and the Ebert Foundation held a seminar on North-South relations. Both sides shared the view

that dialogue, negotiations and mutual understanding are required if relations are to improve.

In his speech Chang also praised the role of the clergy in deepening international understanding.

CAFIU, founded in 1981, was initiated by various organizations, parties and prominent figures. It aims to foster mutual understanding and co-operation between Chinese people and the people of other countries and to promote world peace. Its main activities include organizing exchange visits, holding seminars, attending international meetings and exchanging publications.

Chang called for the association

to expand its international ties, especially with Middle Eastern and Central and South American countries which do not have relations with China.

Recently the association received its first delegation from Israel, led by Elazar Granot, general secretary of the United Workers' Party of Israel (Mapam).

CAFIU President Li Yimang, Vice-President Zhang Xiangshan and Zhu Liang, head of the International Liaison Department of the Chinese Communist Party Central Committee, held talks with Granot.

Mapam, which recognizes the Palestine Liberation Organization (PLO) as the legal representative of the Palestinian people and the Palestinians' right to self-determination, holds that Israel should end its occupation of Arab and Palestinian land and hopes that China will play a greater role in the peaceful settlement of the Middle East question, Granot said.

The Chinese hosts expressed appreciation for Mapam's stand and reiterated that China will continue to support the Palestinian and other Arab people in their struggle against Israeli aggression and expansion.

They said Israel must withdraw from the Arab land it has occupied since 1967, and the legitimate national rights of the Palestinian people must be restored, adding that all Middle East countries have the right to independence.

They also expressed support for Mapam's stand on convening an international conference to seek a peaceful settlement to the Middle East question, saying that the PLO has the right to attend such a conference on an equal footing.

Granot and his Chinese hosts agreed that people-to-people contacts are conducive to promoting mutual understanding between The Chinese and Israeli people.

by Chen Qiuping

Weekly Chronicle (March 28-April 3)

POLITICAL

March 29

■ Yang Shangkun, vice-chairman of the Central Military Commission, says a plan for the reform of China's armed forces will be worked out as soon as possible.

Yang, a deputy to the Seventh National People's Congress (NPC), says at an NPC panel session that while reform has been carried out in some areas, there has previously been no comprehensive plan to reform the armed forces' establishment, and personnel system, the education and training of soldiers and other aspects of the armed forces.

■ Rong Yiren, vice-president of the All-China Federation of Industry and Commerce, says that how to further develop democracy is a question of top importance.

Rong makes the remark at a forum on how to improve the work of the Chinese People's Political Consultative Conference (CPPCC), sponsored by the presidium of CPPCC.

Rong says that after 1957 nobody dared to speak the truth. The fine tradition of seeking truth from facts was not restored until 1978, when China began carrying out reforms and pursuing an open policy.

ECONOMIC

March 28

■ Construction of China's largest dock will begin in the Dalian shipyard, Liaoning Province, late this year.

An official of the shipyard says the dock will give the yard the capacity to build one 300,000-deadweight-ton ship or two 60,000-dwt ships at a time, as well as offshore drilling platforms. The dock will be completed in three

years, with financing by domestic and foreign loans.

March 30

■ You Dexin, the vice-governor of Fujian Province tells a press conference in Beijing that Taiwan business people have set up 50 enterprises in the province with an investment totalling US\$50 million.

You, a deputy to the Seventh National People's Congress, says Taiwan residents will be granted even more favourable investment terms than foreign investors.

CULTURAL

March 29

■ An exhibition on the history of the Tibetan people show that they have always been important members of China's family of nationalities.

Sponsored by Qinghai Province, the exhibition displays ancient pieces of bone and tortoise shell with inscriptions recording the life of the inhabitants of the Qinghai-Tibet plateau, and inscribed steles relating the history of early contacts between Tibet and the Tang court (618-907).

SOCIAL

April 1

■ Zhu Xuefan, vice-chairman of the Standing Committee of the Sixth National People's Congress, says the Central Government should adopt flexible ways to bring about direct exchanges of mails between the mainland and Taiwan at an early date.

Meanwhile, it is reported in Taiwan that the Taiwan postal bureau has decided to entrust the Red Cross to take charge of the exchange of letters between the mainland and Taiwan via Hong Kong, beginning later this month.

FRANCE

Tough Electoral Contest Under Way

The candidates in France's 1988 presidential election are at the starting gate. The competition will be gruelling.

Of France's many presidential candidates, Francois Mitterrand is given the best chances for success. Mitterrand, who did not announce his intention to take part in the election until March 22, has long years of experience in French politics. He is such a familiar figure that the French people have nicknamed him "Tonton" (Uncle). During two years of political cohabitation with rightist Prime Minister Jacques Chirac, Mitterrand has managed to keep away from trifling partisan conflicts and put the general interests of the country first. Many French people have been impressed by his ability to keep the country stable and united.

For a long time, French political life has been on hold, as the nation waited to find out whether Mitterrand would be a candidate in the election. In delaying to declare his candidacy, Mitterrand's intention was probably to keep away from contention as long as possible in order to cultivate his image and gain a politically advantageous position. The delay also allowed him to make a careful choice between making a second try for the top prize and quitting while he is still champion.

Mitterrand now has the upper hand over his two major opponents—current Prime Minister Chirac and former Prime Minister Raymond Barre, as the many opinion polls indicated. But Mitterrand still faces obstacles on the road to victory. First, he is not far ahead of his two rivals in general strength. Although Chirac

is not as well known as Mitterrand, the prime minister can point to his achievements in the economic and social fields in the past two years. Second, Chirac, whose party is doing its best to support him, is running an effective campaign. A recent poll indicates that Chirac's reputation is growing. Former Prime Minister Barre, although weak in party support, is a powerful rival because of well-known capacity to stimulate the economy. Barre has recently been stepping up his election campaign.

As soon as Mitterrand announced his candidacy, the two rivals started looking for ways to co-operate with each other to bring him down. One of their policies is to call for votes to the stronger candidate during the second round of voting. Meanwhile, they are attempting to pull Mitterrand down from his exalted position as the father of France. They are trying to associate him with the misfortunes of the Socialist Party.

Since the early 1980s, the power to rule France has been shifted between the right and the left but neither has made notable accomplishments. At the same time, a series of scandals involving various political parties reduced people's confidence in parties and left them cynical. The apolitical trend is reflected in people's failure to state which way they will vote. This poses a problem in predicting the outcome of the election.

Apart from the election, the question of France's political structure after the election is also attracting domestic and foreign

attention. The new president will be faced with the difficulties of forming a government and seeking stable support in Parliament. The problem will be especially acute if Mitterrand is elected. He cannot recover the advantages he enjoyed at the height of his party's power in 1981 or re-establish cohabitation with a prime minister from a rival party. It is guessed that he would be likely to appoint a Socialist prime minister whose attitude and work style would help him unite with middle-of-the-roads. It is also expected that Mitterrand would nominate some centrists and even rightists to join the cabinet to enlarge his base in Parliament and assure the stability of the new government. However, if the policy of favouring the centrists failed, Mitterrand would have to dissolve Parliament and move up the legislative elections. This could result in political tension and a recurrence of instability, which has not been seen in France since the 1970s.

The president's role and the division of labour between the president and the government will be readjusted after the election. The past two years have shown that in a situation where no political party enjoys overriding predominance, no president could grab power as was done in the early period of the Fifth Republic. As the country's top leader, the president must avoid becoming involved in day-to-day governmental policies. Rather, he should use his authority only in affairs of major significance. Mitterrand has pointed out that there should be a reasonable division of labour between the president and the prime minister, with the president acting as arbiter and final authority.

France's basic political orientation is not likely to change after the general election because all the parties share similar policies on security and defence as well as on

the economy. But it will be important to study the new president's tactics in dealing with key domestic and foreign issues, including how France can maintain a leading position in Western Europe, and obtain a greater say in East-West relations; how it can safeguard its security interests and stimulate its economy; how it

can gain an advantageous position in the West European internal market; as well as the questions of unemployment, education, immigration and overseas territories. What the new president's life will be like during the upcoming seven-year term depends on how he handles these issues.

by Xing Hua

devote 50 percent of its budget to military spending and its financial deficits have been increasing sharply. Many productive installations have been damaged by the contras and 30 percent of the country's able-bodied workers are being sent to war. The Nicaraguan economy is on the brink of collapse.

Popular dissatisfaction and demands to maintain the basic living standard have been on the rise. And the Sandinistas have been under continuous pressure from the other Central American countries to speed up the implementation of the regional peace accord signed last August in Guatemala.

The contras have encountered even more difficulties. The US Congress in February rejected President Ronald Reagan's call for new aid to the rebels. This shook their confidence in the United States and made them feel insecure.

The rebels suffered heavy losses in a sudden large-scale government military operation that started on March 7. The Sandinista forces recaptured some areas held by the contras, forcing them to flee to their bases in

NICARAGUA

Truce Pact Promotes Peace Process

The Central American peace process advanced significantly with the reaching of a ceasefire pact between the Nicaraguan government and the contra rebels. But a permanent truce is still a long way off.

Three days of tense negotiations between Nicaragua's Sandinista government and the contra rebels—the first to be held on Nicaraguan soil—resulted in an agreement for a 60-day ceasefire to start on April 1. The March 23 accord, which was immediately welcomed both in Nicaragua and abroad, is widely regarded as a significant step towards regional peace.

The process for negotiating a permanent truce is to be worked out by the two sides during the ceasefire. The rebels agreed to move to specified zones of the country by April 15.

In accordance with the truce pact, 100 political prisoners were freed by the Nicaraguan government on March 27 under an amnesty agreement approved by the National Assembly the night before.

A new round of technical talks aimed at setting up "ceasefire zones" started on March 28. On March 29 the two negotiating teams mapped out five ceasefire zones into which the rebels would move before gradually laying down their arms and returning to civilian life.

A combination of several factors led to the truce agreement.

The Sandinista government has been locked in a war with the US-backed contra rebels since 1981. In 1985 the United States imposed an economic blockade and trade embargo against Nicaragua. The US move was a major blow to the country's economy, which depends mainly on the export of farm produce. The Nicaraguan government has been forced to

Nicaraguan President Daniel Ortega (third from the left) explains the truce pact to journalists.



Honduras. It was under these circumstances that the two sides sat down at the negotiating table in Sapoá and finally agreed to a ceasefire.

In previous negotiations, the contras insisted that democratization had to be introduced before ceasefire talks could begin. The Sandinistas demanded that the contras put down their arms and accept a government amnesty and then participate in the national dialogue. In the recent talks, both sides softened their positions. The change reflected their needs and hopes and a genuine desire for peace.

But there are shadows over the agreement. After the signing of the truce pact, some contra leaders said they will continue to keep up military pressure on the government. Adolfo Calero, a contra leader who participated in the truce negotiations, said in Miami that the contras will reserve their right to break the truce pact if the Sandinistas fail to implement it. He said the contras are still a fighting force which will not give up its pressure or demand for power.

Soon after the ceasefire agreement was reached, Nicaraguan President Daniel Ortega urged the US government to respect the accord and to take steps to negotiate the normalization of relations with Nicaragua. The Reagan administration did not respond.

On March 17, about 3,200 US infantry and airborne forces were dispatched to Honduras. The US government alleged that the forces were sent to help Honduras repel invading Nicaraguan troops that had intruded into Honduran territory while fighting the contra rebels. But observers saw the move as aimed at putting military pressure on the Sandinistas to squeeze further concessions from them. Although the US troops were later withdrawn from

Honduras, the Reagan administration still wants to provide military as well as humanitarian aid to the contras, maintaining that peace prospects in Central America depend on keeping up the pressure on the Sandinista government. On March 24 Secretary of State George Shultz urged Congress to provide immediate aid to the Nicaraguan rebels. And on March 31 the US Congress

approved US\$48 million in humanitarian aid to the contras.

Some observers maintain that the realization of permanent peace in Central America will depend on the actions of the superpowers—the United States and the Soviet Union. Disputes will undoubtedly arise in future negotiations. A permanent truce is still a long way off.

by Xin De

ISRAEL-SOUTH AFRICA

Military Collusion Is Reprehensible

Massive military collusion between South Africa and Israel, including munitions deals, exchanges of experts and co-operation on conventional and nuclear weapons, has aroused international vigilance and condemnation.

South Africa and Israel have formed a de facto military coalition, which the rest of the world knows little about.

Military deals between South Africa and Israel began in the early 1960s. Israel secretly sold missiles, anti-tank weapons and light arms to South Africa in 1963. When France stopped selling weapons to Israel after the June 5 War in the Middle East in 1967, South Africa provided parts for Israel's Mirage fighters. In return, Israel sold South Africa some drawings of Mirage-III engines which had been stolen by its intelligence agency.

In 1976, the two governments signed a series of long-term secret military co-operation agreements, thus launching their plan for major military collusion. Their weapon deals—estimated at between US\$400 and 800 million a year—account for more than 20 percent of Israel's annual munitions exports.

In the 1970s, with the help of personnel from the US Central Intelligence Agency, Israel sold

155-mm guns to South Africa, which were then smuggled into the country. Later deals included sales of Israeli self-propelled guns, air-to-air and ground-to-ground missiles, armed speedboats, patrol boats, radar equipment, unmanned planes, Gazelle helicopters, Cheetah fighter planes and reassembled Boeing-707s which can refuel in mid-air and are equipped for electronic warfare. Pretoria has also obtained from Israel tear gas bombs and other anti-riot equipment to suppress resistance of South African blacks.

Israel has helped South Africa make large-scale weapons exports to 25 countries in defiance of a 1984 United Nations resolution which prohibits UN member countries from buying South African weapons.

Israel has sent military experts to train South African troops in the use of Israeli weapons and military equipment. These Israeli experts have also been involved in South African military actions

against neighbouring countries such as Angola and Mozambique. Israeli riot experts have provided guidance to the South African police.

South Africa and Israel have also co-operated to produce conventional weapons and military equipment. Since the 1970s, Israel's three major munitions makers have helped South Africa set up a military electronics industry. The two countries have jointly developed new weapons using South African raw materials and investment and Israeli technology. After the new weapon systems are put into production, South Africa gets production and purchase rights. Tanks, boats, planes, submarines, missiles and guns have been jointly developed in this way.

Since the 1960s, Israel and South Africa have been trying to build nuclear weapons. In 1976, they signed an agreement to jointly develop them. Under the pact, South Africa agreed to provide enriched uranium while Israel provided the advanced technology for nuclear warheads and launching systems. Observers have concluded that three mysterious flashes in the South Pacific in 1979 and 1986 were nuclear tests related to Israel and South Africa.

The two countries are reported to have set up a nuclear test base in the Antarctic and to be planning to establish a nuclear missile test base on an island 1,000 miles southeast of Cape Town. Israel has successfully launched a 1,600-kilometre-range missile which can be used in both conventional and nuclear attacks. South Africa's G5 long-range gun is capable of launching tactical nuclear weapons.

South African scientists have worked in Israel's nuclear research

centre, and South Africa has built its first nuclear reactor and an enriched uranium factory which have the potential to produce an atom bomb. Under an agreement signed in January 1987, South Africa will increase its uranium exports to Israel by 13 percent. A UN special committee on apartheid recently confirmed the existence of nuclear co-operation between South Africa and Israel.

The two countries' military collusion tramples on the UN resolution calling for an all-round embargo against South Africa. Co-operation with Israel has increased South Africa's military strength and has helped Pretoria to maintain its regional military hegemony. This has had an adverse effect on the situation in southern Africa. Relying on its military superiority, South African troops have raided neighbouring countries at will. South African sabotage is estimated to have cost its neighbours £10 billion since 1980.

The collusion has been repeatedly condemned by the international community. Under the pressure of world opinion, Israel was forced to announce in March 1987 that it would carry out limited sanctions against South Africa. But clearly, the announcement was only for show. During the visit to South Africa in January 1987 by Israeli Defence Minister Itzhak Rabin, two bilateral agreements touching on military matters were reached. The pacts stipulated that the long-term bilateral military co-operation pacts will remain in force; Israeli experts' stay in South Africa will be prolonged until 1990; and Israel will continue to provide weapons to South Africa. The military coalition between Israel and South Africa seems to be solid.

by Wei Wei

International Studies

A quarterly in Chinese

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China's Foreign Relations: A Chronicle



Taiwan's Political Situation After Chiang

by Li Jiaquan*

On January 13 this year Kuomintang (KMT) President Chiang Ching-kuo died in Taipei (Taipei). His death marked the end of the autocratic system ruled by two generations of "political strong-hands," the Chiangs. Chiang Ching-kuo actually ruled the island for 15 years after taking on the post of President of the Executive Yuan in 1972 and both his historical merits and demerits have since been the subject of much discussion. General Secretary of the CPC Central Committee Zhao Ziyang made an appraisal of him in one speech.

The question of interest now is what the political situation in Taiwan will be like in the post-Chiang Ching-kuo era. This article looks at some of the possible answers to this question.

Four Differences

The situation in Taiwan now, after the death of Chiang Ching-kuo, differs greatly from the situation after his father's death in 1975. There are four main differences:

Before his death, Chiang Kai-shek had made proper arrangements for his successor. Chiang Ching-kuo took up the post of President of the KMT Central Committee and replaced the President of the Republic of China one year after the death of his

father and again three years later, but he had already arrogated to himself all powers of the party, government, army and police when he took up the post of President of the Executive Yuan in 1972.

Although Chiang Ching-kuo made some arrangements before his death, he had not brought them to completion. In particular, political restructuring on the island and adjustment of mainland policies were not finalized. Preparations are still being made for the 13th KMT Congress to be held in the second half of this year.

When Chiang Kai-shek died, Taiwan was totally in the hands of KMT authorities and opposition forces outside the KMT did not get any where. Now, however, Taiwan's opposition forces have become full-fledged and some organized political parties and

groups have surfaced. The spearhead of the Democratic Progressive Party, founded in September 1986, is aimed directly at the ruling KMT. The "Taiwan independence" movement has spread ideologically and developed through political activities on the island. Some Hong Kong newspapers commenting on this wrote: "The latent dangers confronted by the KMT have become real threats."

The KMT had the strength to dominate Taiwan when Chiang Kai-shek died. Although Taiwan's economy took a heavy beating from the oil crisis which hit capitalist markets, Taiwan suffered no major problems. But now social problems are widespread and confrontations are on the increase in Taiwan. Particularly since the lifting of martial law and bans on other parties and the

A Taipei store selling black mushroom imported from the mainland.

XINHUA NEWS AGENCY



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press, social contradictions which had been for a long time suppressed in the past are now intensifying. Again, hit by US trade protectionism and the growing revaluation of the New Taiwan dollar, tens of thousands of small and medium-sized enterprises are on the verge of bankruptcy and social instability is growing.

When Chiang Kai-shek died, mainland China was still in the throes of the "cultural revolution." The United States and other countries still maintained close official relations with KMT authorities which made things easier for Taiwan internationally at that time. Since the Third Plenary Session of the 11th Party Central Committee and the implementation of the open policy and a series of sound reforms, the socioeconomic situation on the mainland has rapidly improved and China has resumed and established diplomatic relations with the United States and many other countries. Taiwan, on the other hand, has become more isolated internationally. This being the case, with the death of Chiang Ching-kuo, Taiwan's political situation will enter an even more difficult phase.

Three Major Problems

Whether order or disorder will emerge in Taiwan after Chiang Ching-kuo depends mainly on the following three problems:

In a speech he made two years ago, Deng Xiaoping revealed that Chiang Ching-kuo was "in bad health and I don't know when he will suddenly go to meet God. After he passes away, will there be turbulence in Taiwan? As far as we can see, no one in Taiwan can replace him." The leader of the Chinese Communist Party obviously recognized the importance



ZHOU JIAGUO

Taiwan and mainland tourists meet in Hong Kong and exchange autographs.

of a successor to Chiang Ching-kuo.

The KMT has always replaced the party for government and the two generations of the Chiang family made good use of "power politics." When Chiang Kai-shek died, the choice of his successor was clear. But Chiang Ching-kuo has no "obvious successor."

After Li Denghui took up the post of president, he was also nominated acting chairman of the KMT Central Committee so the problem of finding a successor seemed to have been solved. But things may not necessarily turn out that way. Taiwan has now entered a new "power transfer period" and the autocratic system of the past can no longer remain unchanged. While the old power and structure are being replaced, contradictions will inevitably arise. Factional struggles, contradictions between Taiwan natives and those entering from the mainland after 1949, between new and old ideologies and leadership groups are bound to be very involved.

Although Chiang Ching-kuo

roughly put together a leadership group before his death, there are indications that it is not so coordinated and some of his ideas have not yet been carried out. The establishment of a leadership which will be well received and compatible with Taiwan's present conditions is now the vital issue in maintaining political stability in Taiwan.

"Political restructuring" is, in the final analysis, also a problem of power redistribution. With the export processing and service industry as the mainstay of Taiwan's economy, individual capital is challenging official and foreign financing. The middle class and a wide strata of people with similar living standards are increasingly becoming a major force. Under these circumstances, it will be hard to maintain the old superstructure in which powerful and influential KMT members kept the empire under their control.

It seems that the "political restructuring" carried out by Chiang Ching-kuo before his death has become an irresistible

trend in Taiwan. The question is how to achieve a reasonable redistribution of power, coordinate relations between various sectors and solve past and emerging contradictions while a new ruling structure is being established. It is not a problem that can be overcome in one big leap and with little effort.

The "mainland policy," for all practical purposes, comes down to handling relations between both sides of the Taiwan Straits. Compatriots in Taiwan and on the mainland are all descendants of the Chinese nation. The division of the people and nation cannot be maintained in the long term. The issue is a practical one which cannot be avoided. In the final analysis, it is a question of "reunification" or "independence" on which Taiwan's future hinges. There will be no real peace in Taiwan, and Taiwan's economy can hardly proceed further and enjoy prosperity without its reasonable solution. "Economic gaps" do not justify the separation; nor do the "different systems" provide any grounds for rejecting peace. Progress must be achieved through seeking truths and proceeding sensibly and objectively from realistic goals.

Doubts in the past about the sincerity of the Chinese Communist Party in their desire for peaceful reunification can well be understood. But today the general trend of development in mainland China is apparent to all, especially since the announcement of principles and policies by the 13th National Congress of the Chinese Communist Party. An adherence to the idea of "economic gaps" and "different systems" is no longer supportable. Some Chinese newspapers and magazines abroad reason that mainland China no longer emphasizes the reunification of China by socialism, so Taiwan authorities should not stress the reunification of China

by the "Three People's Principles" (Nationalism, Democracy and the People's Livelihood). If both sides shared a common understanding on this issue, there would be some possibility of handling relations between Taiwan and mainland China in a proper and reasonable way. In the long-term, it is vital to the future order and stability of Taiwan.

Three Possibilities

In 1985, with the knowledge that Chiang Ching-kuo was in poor health, people began to discuss the "time after Chiang Ching-kuo." In late December that year, in a discussion on Taiwan's political situation in the following decade, Tsai Tseng-wen, professor of the Taiwan Political University, made three predictions for Taiwan's future—"difficult times," "troubled times" and "a time of reconciliation." He actually intended to comment on the situation after Chiang, but since Chiang was still alive, he only talked about "the next decade."

To my understanding, the "difficult times" Professor Tsai mentioned is a "dragging on" of the present situation in which the status quo will remain unchanged. The "troubled times" predicts ruthless struggles between the various political forces in Taiwan and the uncertainty ahead for the island. The "time of reconciliation" presupposes the possibility of peaceful reunification with the motherland through contacts and dialogues between the Kuomintang and the Chinese Communist Party.

I am not a fortune-teller and don't want to make any rash predictions. But I feel that, given the current situation, the "troubled times" and "time of reconciliation" are unlikely to appear for some time. The

"difficult times" will linger on, and the Kuomintang authorities will continue to retain sovereignty over the island and reject attempts at reconciliation. This is because currently there is no authoritative successor in Taiwan although a new president has assumed office and a leading body has been formed. "Political restructuring," including the lifting of martial law and bans on other parties and the press, are welcomed by the Taiwan people and are expected to be continued. Taiwan authorities have also readjusted and relaxed their "mainland policy," a move which received popular support and is unlikely to be reversed. All these are factors which will help stabilize the situation in Taiwan for a while.

Taiwan authorities made an important step forward with Chiang Ching-kuo's "mainland policy." However, it is only a small step. The principles of "people-to-people, one-way, indirect and gradual contacts," like four defence lines, still persist, and the "three nos" policy (no contact, no negotiation and no conciliation) is often emphasized by Taiwan authorities. Even Chiang Ching-kuo's "testament" announced after his death talks about "opposing the Communist Party and reunifying China," and "reuniting China under the Three People's Principles." It seems that the new leading body in Taiwan will loyally follow "the teachings of the deceased," at least in the near future, and will not readily open the door for peaceful negotiation. There looks like little possibility for either disorder or reconciliation in the foreseeable future. The main likelihood is a continuation of the present situation—a predicament.

Professor Tien Hong-mao of Wisconsin University, USA, said at a forum last January that, after the death of Chiang Ching-kuo, Taiwan could pass through three

phases—the “sad phase,” the “honeymoon phase” and the “period of turbulence.” Now, the “sad phase” has passed and the “honeymoon period” has begun. Considering the recency of Chiang Ching-kuo’s death and the difficulties confronting Taiwan, Taiwan’s political forces may restrain themselves and cooperate for a time. But what will happen later?

“I don’t believe the opposition forces in Taiwan will give in on important matters of principle,” Professor Tien said. “Many thorny problems will place the new leadership in a very difficult position.”

Although Taiwan has some economic and political strength, it also has many problems which are difficult to resolve. One is the “legally constituted authority” of the Kuomintang. Taiwan authorities can hardly maintain their existing ruling systems under the banner of a “whole China” while retaining sovereignty over a small island. Certainly the opposition forces will not agree to this.

Another problem is Taiwan’s “international personality.” At the moment only a small number of countries still keep up diplomatic relations with Taiwan and this situation will continue to change against Taiwan’s favour. Can Taiwan “return to the international community” through “money diplomacy” or “material diplomacy”?

The other issue is public feeling. Today’s mainland is no longer the one of the chaotic “cultural revolution.” Reform, opening up to the world and developing the national economy have won wide public support. The Taiwan people and overseas Chinese elsewhere all eagerly hope the two sides of the Taiwan Straits can remove the barriers imposed by man-made “fences” and restore normal relations. Under such circumstances, how can the “three



ZHENG SHUFU

Taiwan compatriots in Beijing share a 25-kg mooncake at a Moon Festival gathering in Zhongshan Park, Beijing.

nos” policy obstruct the overriding will of the people? The world is changing and so is public feeling.

Taiwan authorities must also change their old concepts and policies and it would be better for them to make their own changes rather than passively continue on the current path. If the Taiwan authorities intend to rely on their existing power to put off the question of retaining sovereignty over a part of China, they will only end up harming the country, the people and themselves.

Commenting on Taiwan’s political future, Professor Tsai saw “reconciliation time” as equally damaging to Taiwan as the current predicament and possible disorder. I cannot agree with him on this point. Certainly predicament and disorder are both harmful to Taiwan, but disorder originates from predicaments. The Kuomintang and the Communist Party have been facing each other on either side of the Taiwan Straits, neither fighting a war nor becoming reconciled—this is at

the root of predicament and disorder.

The only difficulty in reconciliation is that it requires that Taiwan give up its designation of “country.” But in fact, it is not easy for Taiwan authorities to use this title without reserve. Insistence on this point will trigger problems centred around the Kuomintang’s “legally constituted authority” and the future of Taiwan and sharpen existing contradictions. Disorder would then be unavoidable.

Will the future of Taiwan be so terrible, will the Kuomintang be “swallowed up” and “identified” with the Communist Party if Taiwan gives up the title of “country”? We have only to look at the examples of Hong Kong and Macao. The Communist Party does not want to swallow them up, but instead, likes to maintain these two stable and prosperous places outside the socialist mainland, as this is conducive to China’s modernization drive and to the future of the Chinese nation as a whole. Although the Taiwan case

is different, the reasoning is the same. The Communist Party does not intend to "swallow it up."

Some overseas friends told us in private that to overcome Taiwan with force would be difficult, and the Communist Party would probably have to pay a high price; given Taiwan's island-type economy, it would be easier to disturb and damage its economy. Some high-ranking officials in Taiwan and pro-Taiwan scholars abroad have also showed concern about this. However, this is not an action the Communist Party would even consider. For the same simple reason—a stable and prosperous Taiwan will do the mainland good and help rejuvenate the whole Chinese nation.

All in all, it is not reconciliation which will harm Taiwan's future development but the anti-Communist and non-reconciliation policy perpetuated by the Kuomintang authorities, and the Communist-phobia this policy stirs up in Taiwan society.

Three Estimations

Stable and disruptive factors have been present in Taiwan's political situation since Chiang Ching-kuo's death. In the short-term, stability will overcome any disturbance, but in the long-term the situation will be reversed. My views of the future can be concluded as follows:

1) The various factors conducive to stability existing before the death of Chiang Ching-kuo will continue to hold sway. They include the formation of a collective leadership, the continuing development of the economy, the introduction of "political restructuring," and the readjustment of the Taiwan authorities' "mainland policy."

Neither the Communist Party nor the United States wish for disorder in Taiwan. A relatively stable situation can therefore be maintained there, although minor

problems and disturbances are possible.

2) In the long run, before the normalization of relations between the Kuomintang and the Communist Party and before a solution to the struggle between "reunification" and "independence," factors harmful to stability, such as the Kuomintang's "legally constituted authority," "Taiwan independence," differences between Taiwan's natives and those from the mainland after 1949, and its "international personality," will continue to develop. In this case, confrontation and conflicts are inevitable.

3) The only solution to these problems is to practically, reasonably and carefully restore normal relations between the two sides to safeguard the unity of China, satisfy the wishes of the nation, respect the rights and interests of the Taiwan authorities and people, and ensure Taiwan's future stability and prosperity. However, it is impossible to solve these problems without normal exchange and dialogue between the governments and people of both sides.

In August 1987, *United Daily News* of Taiwan published an article by Professor Fu Wei-hsun of the Temple University of the United States. Fu stated that for the resolution of relations between the two sides of the Taiwan Straits, the Kuomintang authorities must readjust their present "three nos" policy and replace it with the active "reunification policy." There is no other way out. I agree with Professor Fu's proposal and I hope all patriotic Chinese in China and abroad will help bring about an agreement between the two parties to end separation and achieve reunification of the motherland as soon as possible, and further to fulfil the great cause of rejuvenating the whole Chinese nation. ■

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Relations Between Planning and Market

by Gao Shangquan, Vice-Minister of State Commission for Restructuring Economic Systems

Economic restructuring is a complex process involving many theoretical issues, but at its core is the need to acquire a sound understanding of the relationship between planning and market. It is necessary not only in current efforts to intensify reforms, but also in establishing the new framework of a planned commodity system. Without this understanding, it would be difficult to grasp the broader goals of economic restructuring and specific reform measures would be altered, effecting the progress of reform as a whole.

(1) Regulation through either planning or market is a method and not a fundamental attribute of the social system. Both methods can be turned to good use under the economic conditions of public ownership.

Capitalist countries, especially developed ones, now lay much stress on government macro-control of the economy as well as regulation by planning. To overcome the drawbacks of the traditional planned economy, socialist countries have launched a tide of reform which places emphasis on a complete change from rigid economic management through stereotyped administrative orders to an increased role for market regulation. These changes are manifested in a form of "amalgamation" of the patterns of economic operation and management under different economic systems. The "amalgamation," however, refers only to the methods of economic operation, but not the two social economic systems.

The introduction of regulation through planning in capitalist

countries does not involve any change in the nature of the capitalist system. The introduction of market mechanisms also has no effect on the nature of the socialist system, but rather improves economic management. In the final analysis, the social and economic nature of a country is determined by its system of ownership; the patterns of economic operation and forms of management have no real influence over its social and economic nature.

Why is regulation through planning and market becoming such a widespread trend in world economies today? Some reasons are offered here.

Commodity economy, be it capitalist or socialist, is based on market. In line with the Marxist point of view, the market is related to the social division of labour. "The 'market' arises where, and to the extent that, social division of labour and commodity production appear." (Lenin: *On the So-Called Market Question*) Therefore, both socialist and capitalist commodity economies can make use of the market mechanism.

The market, including the capital funding market, expands with the development of commodity production and exchange. Under such circumstances, we should neither restrict the development of commodity and money markets through administrative means, nor discard them offhand when problems emerge. On the contrary, we should proceed from the objective development of the socialist market and learn how to effectively guide and organize the market through indirect control and legal means. The market is not

something to be feared and the socialist market is one which can be controlled. Improved macro-economic control will encourage the unrestrained, ordered progress of the market.

Modern socialized mass production demands planning. Lenin once said: "Large-scale machine industry, unlike the preceding stages, imperatively calls for the planned regulation of production and public control over it."

Socialized mass production knits the various sectors of the national economy into a mutually restricting and dependent organic whole through co-operation and the division of labour. In order to achieve an effective, ordered production, it is necessary to form a set of clear goals and basic rules for overall control. Therefore, regulation through planning has become a precondition for the normal operation of social reproduction.

Scientific and technological development has prepared the physical conditions for the exercising of macro-economic control. The modernization of transport and communications, the rapid development of electronics, telecommunications, and methods of information dissemination have loosened the restrictions of space and time, making it possible for macro-economic control to efficiently monitor economic processes and provide effective, timely regulation. Planning is an extremely important part of this control.

In general, both planning and market regulations are managerial processes; neither is identified with a special society, nor do they conflict with each other. The idea



In an effort to guarantee the supply of grain rations at state-set prices, a grain market has been set up in Wuhan to meet growig urban demand.

that planned management exists only in socialist economies and market regulation is unique to capitalism does not tally with current economic realities. Although countries differ in the extent to which they impose market controls, market and planning regulations are common to modern commodity economies.

It should be pointed out that under socialist conditions, with the means of production under public-ownership and the contradiction between socialized production and private ownership of the means of production basically eliminated, it is possible to make better use of market and planning regulation to amalgamate all sectors of the national economy. However, the realization of this goal calls for reform through the efforts of millions upon millions of people.

(2) The development of a socialist commodity economy calls for the gradual reduction of the scope of mandatory planning and their replacement with economic contracts.

Mandatory planning is a result of product economies and a basic feature of the traditional, highly

centralized system operating in the Soviet Union. In the past, there were various reasons for the implementation of this system. Theoretically, it is believed that under public ownership there would be no contradictions among various interest groups; unanimity of economic interests was stressed. Centralized planning was seen as a distinguishing feature and a major advantage of the socialist system.

The system of mandatory planning practised in the Soviet Union was determined by historical conditions and political goals. It aimed to break the obstacles imposed by imperialist powers, build up the national defence and concentrate human, material and financial resources towards the development of heavy industry. It once played a positive role. But, with economic development and the rapid advance of science and technology, mandatory planning increasingly fell out of step with developments in the productive forces and its defects became more and more obvious.

Hungary took the lead to abolish mandatory planning and Bulgaria recently made a similar

decision. Last June, Mikhail Gorbachev spoke about the need to abandon mandatory planning, saying that it was naive to think that the central government could anticipate and cater for all possible contingencies in the economic field.

The introduction of state economic contracts to gradually reduce the sweep of mandatory planning is a concrete manifestation of planned commodity economies; the aim is to carry out planning on the basis of commodity exchange and the law of value. This is the direction reforms to the planning system should take. It involves the following procedures: (1) Economic contracts between the state and enterprises or among the enterprises and units should be made in line with the principle of exchange of equal value. This is the only way to satisfy the interests of all parties. (2) Market mechanisms should be introduced to enable enterprises and units to choose the best qualified partners through public bidding. (3) Economic interests and responsibilities should be stated clearly to the partners.

The use of economic contracts in place of mandatory planning does not involve the abolition of planning but a strengthening of the scientific nature of planning. It has the following advantages: Planning in the form of contracts can avoid subjectivism and the tendency of mandatory planning to lose contact with reality. Contracts are based on economic interests and responsibilities and can be implemented through legal procedures. They are conducive to enterprises' self-motivating and self-limiting mechanisms and to making enterprises commodity producers and managers. At the same time, they can provide restraints against government departments. They produce a better combination of planning

and market. They are also conducive to gradual change within the functions of government bodies from direct allocation of money and goods to enterprises to exercising indirect control through economic and legal means, thus creating conditions for streamlining government organizations.

The replacement of mandatory planning with economic contracts represents a major breakthrough in both reform theory and practice. While the process of transition must be a gradual one, full preparation is essential. It is necessary to acquire a sound understanding of the concept of socialist commodity economy and of equal exchange. Governments at various levels must gradually change their functions, reduce their direct control, learn to exercise indirect control through economic means and establish the new approach of "the state regulating the market and the market guiding enterprises." With direct control generally reduced, the state should also improve its control over the few key enterprises and goods which still remain under direct control, and implement the principles of socialist commodity economy. Goods distributed according to state plan should go directly to enterprises and construction projects via planning and supply departments. Government departments' powers to distribute goods should be gradually abolished to do away with direct interference in production and construction.

(3) Economic development and reform demand the replacement of material planning with policy planning.

Integration between planning and market is changeable in form. In the early stage of industrialization, market immaturity can lead to more government interference and planned production quotas. With the development of

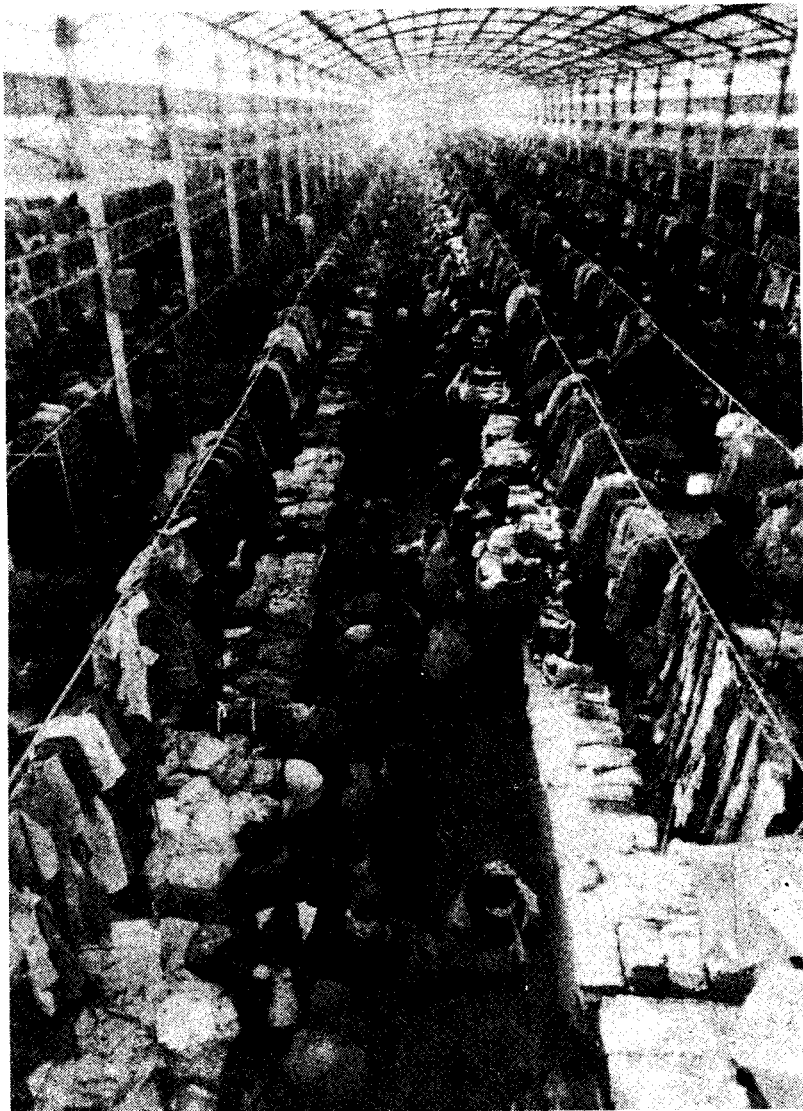
the economy and market, economic relations become increasingly sophisticated, calling for the gradual replacement of material planning with policy planning.

The major thrust of policy planning involves enacting appropriate macro-economic policies, including financial and monetary ones; making a decision about a reasonable economic structure and readjusting its orientation of development; and adopting

policies for regional development and income distribution. Guiding policy plans are flexible and open to continuing evaluation, amendment and improvement. In medium-term (five years, for instance) policy plans, material production quotas should be abolished, and principles, policies and goals laid down for development on the basis of analysis and economic forecasts; the implementation of the plans should be ensured by market forces, includ-

A clothes market set up last year in Shijiazhuang, capital of Hebei Province.

WU QINGYUE



ing taxation, pricing, credit and monetary means.

The shift from material planning to policy planning represents a major change in management through planning. The goals of medium-term and annual plans should be well co-ordinated to ensure the relative stability of policies. In annual plans in particular, policy goals must be clear and the measures effective. At the same time, there should be feedback and supervision over the policies' implementation. At present, planning and economic administrative departments at

various levels should formulate policies on industrial set-up, regional distribution and technological structure, and taxation, banking and pricing departments should take measures for macro-economic control.

To better co-ordinate planning and market through the replacement of mandatory plans with economic contracts and material planning with policy planning, the new approach of "the state regulating the market and the market guiding enterprises" will emerge in economic operation. Economic relations between en-

terprises, and government planning work will thus be established on the basis of commodity exchange and the law of value. This will make it possible for enterprises to determine their production goals according to market supply and demand, and for governments to regulate supply and demand through economic and legal means. Once achieved, this will provide the economic and social environment enterprises need to make their own decisions, and procedures will be established for the government to exercise indirect control over the economy as a whole. ■

China's Ocean-Going Fleets

by Our Correspondent Zhang Zhiping

When the world's shipping was languishing in the doldrums in the 1980s, China's shipping business started to boom. China's ocean-going fleets' deadweight tonnage (DWT) is now 17 million, ninth of all countries in the world. In terms of the number of vessels, China has been placed sixth. In 1987, China's shipping-freight volume was 65 million tons. It is being recognized as a major force challenging the traditional ocean-shipping powers.

There are more than 80 sea transport enterprises in China. Most of them are small with just one or two vessels, funded or jointly operated with local governments, and engaged mostly in offshore transport. The China Ocean Shipping Company (COSCO) is the biggest ocean shipping enterprise and by far the most important in China. Its DWT accounts for 75 percent of China's total.

The rapid growth of China's import and export trade in recent years has provided China's ocean-

going transport with ever increasing custom. Some 80 percent of China's foreign trade goods are carried by COSCO.

COSCO boasts 600 vessels, including full container ships, roll-on-roll-off ships, bulk carriers, dry cargo ships, oil tankers and refrigerator freighters, with a total loading capacity of 13 million tons and a total DWT of 11.6 million. About 80 percent of the 600 vessels were imported, most of them second-hand, which is cheaper than building them here.

To keep up, COSCO has also been importing a great deal of advanced equipment. China now has 57 container ships with a total of 33,300 TEUs (20-foot equivalent units) and 15 roll-on-roll-off ships adding up to 160,000 tons of loading capacity. Shanghai has the biggest container ship fleet in the country.

The container ship wharf in Tianjin is 1,300 metres long and 47 metres wide, and has an annual loading and unloading capacity of 400,000 standard containers.

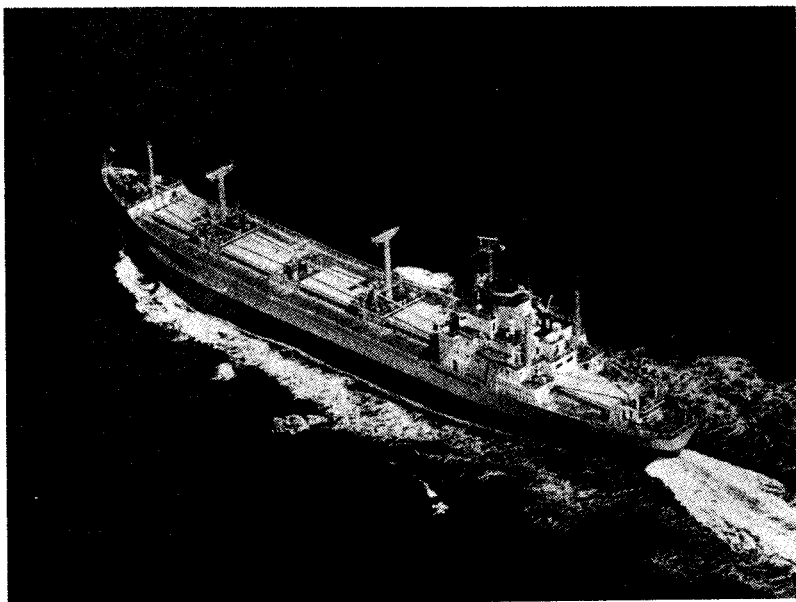
Tianjin's wharf has seven berths for special purposes, more than any other port in China.

The wharf, controlled by computers, has a wireless command system, and its central control room is equipped with closed circuit television. This allows for comprehensive supervision. However, because of discrepancies between the way the enterprise is run and the requirements of modern management, the sophisticated equipment is not being fully utilized.

Service

COSCO is made up of its Tianjin, Dalian, Qingdao, Shanghai and Guangzhou subsidiaries and has opened 37 international cargo services.

In June 1986, COSCO implemented the "five-fixed things" system for its international services: fixed lines, vessels, type of cargo, berths and schedule.



A container ship.

Adhering to the fixed schedule is a vital element in COSCO's making headway in its business. To achieve this, the Chinese fleet has been known to take economic risks. When the Shanghai Ocean Shipping Company opened its shipping service to the USA, it did not get enough business—but it persisted to make the scheduled runs, much to the delight of its clients.

The safety record of China's tanker fleet is excellent. No explosion, fire or oil spillage has taken place on any of the 12 oil tankers operated by the Dalian Ocean Shipping Company in the past five years. The Guangzhou Ocean Shipping Company is responsible for services to the Middle East. Its vessels have plied the troubled Persian Gulf and never fallen behind schedule.

As with any enterprise seeking good business, COSCO has always adhered to the motto: The customer first. It has also endeavoured to keep costs down. Its charges have always been lower than its international counterparts and are allowed to float with the market.

COSCO has representatives in the major ports of Japan, Singapore, Kuwait, Australia, Egypt, the Federal Republic of Germany, Britain and Hong Kong. It has also set up a subsidiary in the United States.

COSCO has established 14 Sino-foreign joint ventures. Preparations are underway to re-establish the Sino-Czechoslovak

Shipping Company. The Trans-Ocean Acting Company jointly set up by China and the Netherlands on January 1, 1980 was COSCO's first Sino-foreign joint venture. The 14 joint ventures in Asia and Europe form COSCO's global service network. The 9,000-ton luxury liner *SS Jianzhen*, owned by the International Shipping Company, a joint venture with Japan, has put an end to unscheduled passenger and cargo services between China and Japan.

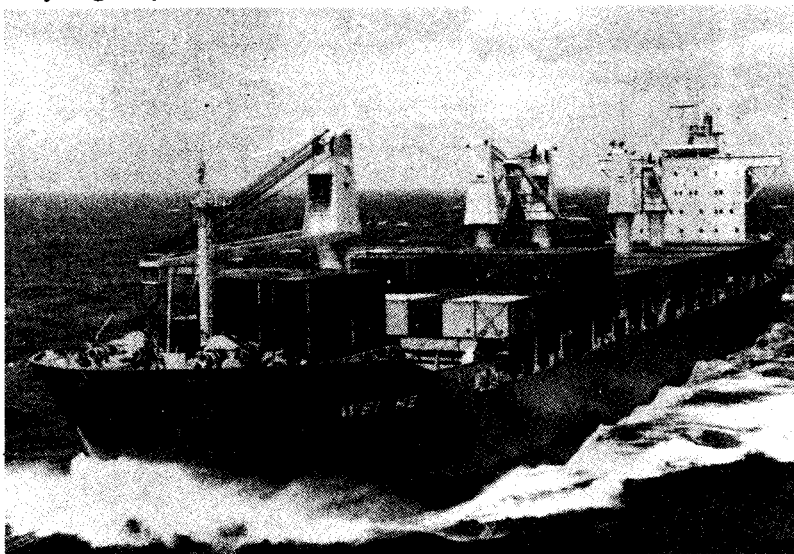
COSCO has also set up joint ocean-going transport companies with Jiangsu, Zhejiang, Hebei, Anhui, Jiangxi and Hunan provinces.

It charters ships and provides crews for foreign shipping companies. Up to now, 1,700 sailors have been assigned by COSCO to work on foreign ships. The Chinese crews have been appreciated by their clients for their intelligence, competence and diligence.

History

China has a glorious navigation history. Zheng He, a politician

A dry cargo ship.



and navigator of the Ming Dynasty, made voyages across the seas from Indonesia to Africa seven times between 1405 and 1433. His fleet had over 20,000 sailors and 60 ships. This scale of endeavour was unprecedented in the world at that time.

After that, China shut itself off from international intercourse. Then foreign powers encroached on the country and war and chaos ensued. China's ocean-going navigation became extinct, and China lost its sailing prowess.

When New China was founded in 1949, China's fleet dispersed to Taiwan and other Southeast Asian countries. Less than one-tenth was left; a depleted, obsolete and useless force. When COSCO was founded in 1961, there were only 25 vessels in the country, with a total DWT of 220,000, manned by 627 sailors. Of the ships, only four small 2,000- to 3,000-ton ones were flying the Five-Star Red Flag. At that time China was doing most of its shipping on chartered vessels.

In the 1970s, China's navigation began to develop. The late Premier Zhou Enlai proposed that China stop chartering and start building up its own merchant fleet. By 1975, China had 330 vessels totalling 5 million in DWT.

COSCO has never looked back. Even during the ten chaotic years of the "cultural revolution" (1966-76), its ships continued to travel the world's seas, and these voyages were never completely suspended.

Crews and Their Families

Over the last 27 years, China's navigation industry produced a body of sailors with distinctly Chinese characteristics. COSCO employs 38,000.

In China the job of the seaman is a life-long commitment, and retirement is set at the standard age of 60.

Lei Shouguo, 37, captain of *SS Luyun*, came to COSCO after he

was released from military service in the 1970s. During his service he was in naval logistics. Naval veterans like Lei make up a fair proportion of COSCO sailors and form the backbone of China's sailing personnel.

In recent years, more and more university graduates have joined the fleet and they are highly valued. Of the 900 captains in COSCO, 30 percent have university education and 20 percent are technical secondary school graduates. The heads of COSCO's five subsidiaries are graduates of mercantile marine institutes. They have been captains, political commissars, chief engineers or first mates on ships.

There are eight institutes or schools which train ships' crews in China. The more famous ones are the Dalian Mercantile Marine Institute, the Tianjin Mercantile Marine Institute, the Jimei Navigation Institute and the Dalian Seamen's School. New crew members will all have some formal training before they set foot on a ship.

China's expanding ocean-going fleet requires more young people, and most of them join the ocean-going fleet seeking adventure. Some are just in love with the sea. Captain Ge Mu, 31, said that his love of the sea is like the farmers' affection for their land.

Two of the three sons of Wang Shen, of the Tianjin Ocean Shipping Company, are now seamen. His eldest son Wang Guorong graduated from the Tianjin Seamen's School and his second son graduated from the Tianjin Seamen's Technical School. Wang Shen says, "My sons can steel themselves on the ships and have good promotion prospects. It's good for their future and for their present, for they make good money."

The wages of the Chinese seamen are generally higher than

the standard employees' pay in China and they are allowed a proportion in foreign exchange on their voyages. As well as more money, their travelling means they have more opportunities to spend on fancy consumer goods such as Japanese-made televisions and refrigerators, which are in great demand in China. There is a 20-inch *Hitachi* colour TV set in the room of Wang Shen's newly married eldest son. Wang also said that they have two Japanese motorbikes.

The life of a seaman is generally dull and monotonous, but Chinese sailors keep excellent discipline. Meanwhile, things are not all roses for these sailors' spouses. Husbands may spend eight or nine months a year at sea, leaving the wife with all the household responsibilities and, besides the wives may have their own careers.

Liu Qingxian's husband, Luo Xingai, is a ship's political commissar. He went to sea in 1979. In the past eight years, he has spent the equivalent of no more than one year at home. The couple have four children, the eldest is 21 years old and the youngest, 17. Liu is the accountant of the Tianjin Seamen's School. In the past eight years, the children have grown up, the only son has joined a ship, and Liu, too, has made strides in her career. It has not all been plain sailing for Liu and the children, but Liu says: "That doesn't matter. So long as I look after the house well, my husband will have no qualms about his work."

Captain Lei Shouguo's wife cultivates half a hectare of land in his native place, Shanxi Province. Each time Lei has home leave, he returns to help his wife farm. There are 17,000 COSCO crew members whose wives are in the rural areas. In general, sailors' families are comparatively stable and their rate of divorce is lower than the average rate in China. ■

Experts and Scholars on Reforms

In its inaugural issue this year, "Reform," a bi-monthly theoretical magazine compiled by Director of the Chongqing Academy of Social Sciences and Editor-in-Chief Jiang Yiwei, carried articles by some Chinese experts and scholars on China's current reforms. The following are three abridged articles from the magazine.

Separating Party and Government Functions

In his article on separating Party and government functions, the well-known jurist Zhang Youyu said, the success or failure of reform to the political structure finally lies in the rational division of Party and government functions. During the revolutionary war period, it was necessary for the Party to exercise "monist leadership" and "make no distinction between the functions of the Party and the government." With our country now in a stage of peaceful socialist construction, the continuation of the practices of "no distinction between Party and government functions" and "monist leadership of the Party and government" will not benefit, but harm our cause.

Zhang's main views on the issue are:

- The Party should only exercise political, not organizational leadership over state organs. The relationship between the Party and government is not one of subordination. The Party should refrain from issuing arbitrary orders to state organs but base its leadership on sound principles and policies and effective work carried out by Party organizations and members in state organs at various levels.

- Principles and policies formulated by the Party should provide the guidelines for the work of state organs. However, when handling state affairs, administrative organizations have the right to flexibly apply Party principles and policies according to specific conditions. Party organizations should neither monopolize nor intervene in the work of administrative organs.

- Party organizations and members in state organs should do their best to implement Party principles and policies, but they have no right to give orders. Even Party members in leading positions with decision-making power should follow the principle of democratic discussion before making decisions. Leading Party members of a unit should unite with and encourage other leading members with no party affiliation to work well; ordinary cadres should do their best to perform the tasks assigned by administrative leaders.

Zhang pointed out that the main problem now is that some Party organizations in government offices act as "overlords" issuing orders, going against the Party Constitution which calls for

"uniting with non-Party cadres and the masses."

To control this tendency, the 13th National Party Congress held last October revised the Party Constitution. Leading Party members' groups in state organs will be replaced by Party committees or working committees, with only supervisory and guaranteeing functions.

Of course, if necessary, Party organizations can directly put forward proposals to state organs on important issues. In fact, any citizen, group or party has this right. But the Party organizations cannot force state organs to comply with their suggestions. As for proposals offered by Party organizations, state organs are free to either accept or refuse them on their merits.

Party organizations can give orders to its members, even those in leading positions in state organs. Party members must adhere to decisions made by the Party organizations. But they can air any disagreements through formal channels within the Party when they think the decisions are unsound. However, they should not refuse to follow the Party's decisions simply because they are leading members of state organs. The success of the implementation of Party orders depends on the level of competence of the leading members.

Improving the Quality of Cadres

Huan Xiang, a Chinese specialist on world issues recently returned from abroad, considers the improvement of cadre quality an urgent task in the reform process.

Huan said many foreign scholars, politicians and reporters are showing great interest in China's reforms and open policy. From the nine years of reform, they see China as having a bright future as long as it maintains its policies on reform and opening up to the outside world.

However, Huan Xiang also heard complaints from foreign friends. One was to do with product quality. Many exports from China do not come up to the standard of samples offered by Chinese producers and the return of merchandise is a frequent occurrence.

Foreigners are also dissatisfied with business dealings with the Chinese. It takes a long time to conclude business contracts with Chinese counterparts and sometimes, contract demands can not be met. One Western businessman told Huan Xiang that he made five business trips to China, and spent two and a half years conducting business negotiations, but has still had no success in concluding a contract.

Some foreign friends have the impression that the Chinese are very "shrewd" in matters of trade, but they are also myopic, only seeking short-term profits. It is not uncommon for Chinese to give the green light to negotiations after being offered some very minor advantages.

A businessman from the Federal Republic of Germany told the author he had received seven or eight trade delegations at the provincial and ministerial levels, who all asked the same questions. The businessman said, "They

never read the printed materials we provided them. At first, I thought they perhaps didn't know any foreign language, but I later found they did not even read the Chinese translations."

Huan Xiang said that raising

the quality of the people is an important factor. It is important to raise their sense of honour, responsibility and self-confidence. They should be encouraged to gain a professional understanding of their own trades. Only in this way can they become successful negotiators and gain the respect of foreign counterparts.

Focus Reform on Contract System

Economist Yang Peixin said in his article that the stimulation of state-owned enterprises should centre on implementing and perfecting the contract system of managerial responsibility. Meanwhile, other reform measures should be adopted on the basis of this central task.

In the 1950s, China established a highly centralized mandatory planning economy in which various economic departments directly controlled enterprises by setting tasks for them. As a result enterprises lost their managerial power. Reforms to the old system should start with transforming enterprises into independent commodity producers.

Chinese farmers were the first to find the key to reform in the countryside—fixing farm output quotas for each household. The reform made farmers shake off the trammels of the old distribution system characterized by "eating from the same big pot." They have since become independent commodity producers with the right to manage their products.

Encouraged by the success of the rural reforms, urban enterprises also wanted to adopt the contract system. But at that time, payment of taxes to the state rather than the direct delivery of profits was considered an easier method to implement. The past few years have shown that the

reform measure was not effective in stimulating enterprises and most enterprises have still not achieved independence as commodity producers.

To further invigorate enterprises, reform of their management systems is once again being looked at by urban enterprises. The reform is essential to handling the relationship between the state and enterprises and workers. Now, the total amount of profits and taxes handed in to the state is stipulated in the contract. Enterprises prefer to seek higher contract quotas in exchange for more decision-making power, self-development and economic gain, because the contract system is conducive to making them independent legal persons. Under the system, wage increases for workers are closely linked to growth in enterprise profits and the implementation of the principle of "distribution according to work, and more work, more pay" is ensured.

Yang concluded that "fixed farm output quotas in the countryside" and "the enterprise contract system in the cities" are effective solutions to the problems of the old system. Therefore, implementing and perfecting the contract system should be made the focus of current economic reform and applied to urban enterprises in an active but careful way. ■

Three Types of Socialist Monopolies

"LILUN XINXI BAO"

(Theoretical Information)

Under socialist conditions there are three basic kinds of monopolies.

—**The state monopoly.** To facilitate the overall development of the national economy in a favourable direction, the socialist countries retain total ownership and control of some sectors and natural resources. State industrial and other economic monopolies are vast in scale and involve huge investments. No individual or group could control them. A state monopoly involves both public ownership and total control of management and administration.

—**The regional monopoly.** Different regions or departments can secure a monopoly by putting up administrative walls. There are three basic types of regional monopoly. The first is the commercial monopoly. In this case, areas or departments carry out a policy of regional economic blockade. They try to prevent commodities made elsewhere from entering their areas and promote sales of poor-quality, high-priced goods made within their areas. The second is the production monopoly. Areas or departments make profits not from the division of labour in society through lateral economic ties but from the establishment of regional or departmental production systems. The third is the monopoly of resources. In situations where materials and goods are in short supply, areas or departments carry out a policy of regional protection and restrict or prohibit exchanges of means of production among regions or departments.

—**The group monopoly.** This refers to cases where a small number of big industrial groups or alliances of enterprises jointly control one or several departments' production and marketing. This monopoly is an outcome of lateral economic ties moving towards centralized production. In the current Chinese situation, this kind of monopoly is the precursor of the trans-regional or trans-departmental monopoly. Group monopolies can be divided into two types: First, those whose main goal is to produce exports to bring in more foreign currency; and second, those which are trying to create conditions favourable to competition in the domestic market. In a group monopoly, an enterprise with rich human and material resources acts as the core

and ally with other enterprises which find each other attractive for various reasons. The members of the monopoly are mutually complementary in key elements of production and productive capacity and share out the work and co-operate with one another. This kind of monopoly enjoys great advantages and can manufacture high-quality products.

The three types of socialist monopoly are different from the capitalist monopoly in characteristics and goals. State laws, policies and plans may restrict monopolies in capitalist countries, but the sphere of interference is limited. The implementation of laws in the capitalist countries proceeds in all cases from the interests of the monopoly capitalist class. In socialist countries both group and regional monopolies must subject themselves to control, regulation, guidance and supervision by the state.

(January 18, 1988)

Raising the Nation's Level of Education

"ZHONGGUO JIHUA SHENGYU BAO"

(China Family Planning News)

The tremendous success of the Chinese government in controlling population growth has been the focus of much world attention. But with regard to the task of improving the educational level of the people, there has not been such rapid progress. This task has become the most pressing one in China today.

—**Compulsory primary education still has to be popularized.** Officially 95 percent of the country's school-age children attended school in 1984 but only 60 percent of them actually completed their primary school

education. The percentage of primary-school students entering middle schools in 1982 was only 30.75 percent. Imbalances in the structure of secondary school education have seriously interfered with the development of medium and higher-level technical forces and with the level of technical competence of workers.

—**Higher education is rather backward.** In China, university students account for a very small proportion of the country's total population. Every year only 330,000 students graduate from 675 colleges and universities. Moreover, owing to the irrational structure of educational institutions and curricula, the available pool of senior technicians is limited.

—**Adult education leaves much to be desired.** China now has 115.15 million workers and government employees. According to statistics, about 80 percent of workers and government employees and about 70 percent of base-level leaders only have middle or primary school levels of education.

—**Funds for education are far from adequate.** Every year educational funding only accounts for less than 3 percent of the country's total expenditure, while in developed countries it amounts to about 7 percent.

—**High proportion of illiterate women.** According to a national survey, about 12 percent of the Chinese population between the ages of 15 and 49 cannot read or write. But among child-bearing women, the percentage is as high as 35.6. It is therefore very important to immediately enforce compulsory nine-year education.

—**Low-level urbanization.** At present about 80 percent of the Chinese population still lives in rural areas, and the level of education for this group is very low.

To sum up, the Chinese education system and the level of intellectual development of the people fall far short of the needs for rapid development of the socialist economy. Zhao Ziyang, general secretary of the Communist Party of China, stated at the 13th National Congress of the CPC that to accomplish the second step of the plan for economic development, priority must be given to the expansion of science, technology and education. Only through effectively tapping intellectual resources and respecting knowledge, will it be possible to make great achievements in the development of the Chinese education system and the improvement of the people's level of education.

(February 1, 1988)

Better Students Are Rewarded

"GUANGMING RIBAO"

(Guangming Daily)

Last year 826 students with bad examination results from Shanghai's 43 colleges and universities were ordered to quit school or repeat the year's work. This process of elimination has been widely carried out in Shanghai's institutions of higher learning in recent years and made some contributions towards improving educational practices. Shanghai's colleges and universities actively adopted a range of measures.

—The grants system will be cancelled and a scholarship system established. The 1987 ceiling for scholarships was 350 yuan which went to about 45 percent of students. Of this number, the majority received scholarships for their special subjects. Students in financial difficulty can borrow money from the school authorities and repay them after they have a job.

—University authorities have begun collecting 300-400 yuan a year in teaching fees from students who failed to qualify for the next grade.

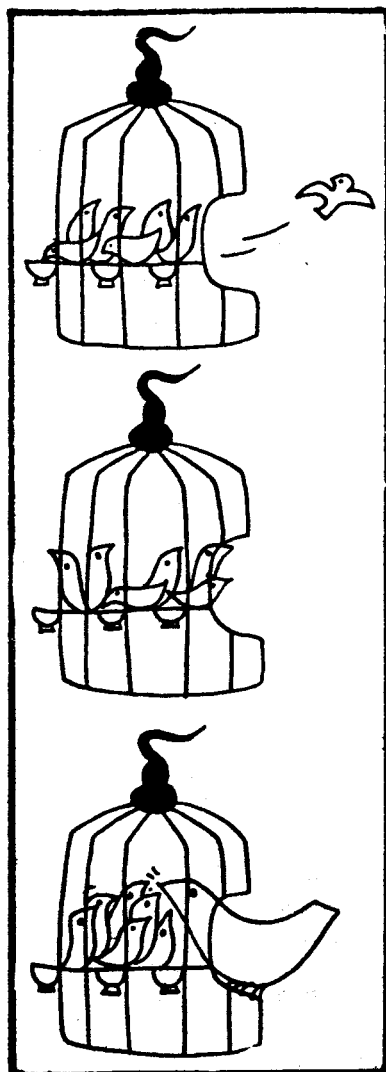
—Second or third year college students who perform very well in their examinations can transfer to undergraduate courses in universities after their schools report to the higher authorities concerned. Second or third year undergraduates who fare badly are transferred to training classes or schools after their university authorities report to the higher authorities concerned.

—Some institutions of higher learning in Shanghai are catering for the very good students by offering special classes, allowing them to skip a grade and moving up the date of their graduation.

—A comprehensive method of

evaluation has been introduced. It aims to form an overall appraisal of students—morally, intellectually, physically and aesthetically. Students scoring highly will be rewarded or be given priority when choosing jobs. Half Shanghai's colleges and universities have now implemented this form of evaluation.

(February 2, 1988)



An astonishing change after a few days of leave.

Cartoon by WANG JU

6 Export Bodies to Be Established

According to an official of the Ministry of Foreign Economic Relations and Trade, to facilitate the reform of its foreign trade system, China will establish six export chambers of commerce after May this year. The chambers will focus on cereals, oils, farm produce and animal by-products; textiles and garments; light industrial products; arts and crafts; metals and minerals; machinery and electric products; and medicines and health care goods. Planning groups are now developing regulations, selecting members, and studying the production and sales of commodities as well as prices.

The new chambers of commerce will link the government with foreign trade enterprises. Their tasks will include:

- Helping government departments in charge supervise member enterprises' implementation of rules and laws relating to trade and strengthening the control of export trade to promote its orderly development.

- Helping member enterprises formulate plans for developing export commodities and offering suggestions to government offices.

- Promoting links among member enterprises, exchanging information, studying the export commodities market, and offering consulting services, on how to expand exports.

- Organizing exhibitions, publicizing export products, and participating in international conferences.

The official pointed out that the chambers of commerce are the result of reform to the foreign trade system. Their main task is to co-ordinate the export of China's staple goods which enjoy great prestige on the international

market. The establishment of the chambers will help maintain order on the international commodities market.

All officials in charge of planning for the chambers of commerce will participate in or lead export co-ordination work as deputy heads of trade delegations at the Guangzhou Export Commodities Fair this month.

Since the Third Plenary Session of the 11th Party Central Committee in 1978, with the reform of its foreign trade system, China has delegated export and management power to local authorities. So far, about 1,000 import and export companies and large export-oriented enterprises have been set up.

The transition has led to some confusion in the management of export commodities. So since April 1985 China has set up more than a dozen export associations dealing with carpets, furs, pearls and jewellery, tungsten and tungsten products, non-metallic minerals, electrical machinery and motor vehicles.

These associations will become branches under the new chambers of commerce.

by Yao Jianguo

Progeni Plans Computer Venture

Perce Harpham, chairman of the board of New Zealand's Progeni, said at a meeting on March 23 in Beijing that his company has filed an application to set up a company in Beijing to develop and market computer software. It will be New Zealand's first wholly owned enterprise in mainland China.

Founded in 1968, Progeni markets its products in many countries. Harpham said his company has been co-operating with the Beijing Aeronautical

Institute, the Dalian Engineering Institute and the PLA General Hospital since 1986. Progeni has developed POLY (C) micro-computers, which are especially suited to Chinese clients because they can use not only Chinese or English but also forge language for people who do not understand any kind of computer language.

Harpham said he is confident about the future of the venture. "Relying on Progeni's advanced technology and the talents of the Chinese people, we expect to become a world centre for computer software technology for use in education," he said.

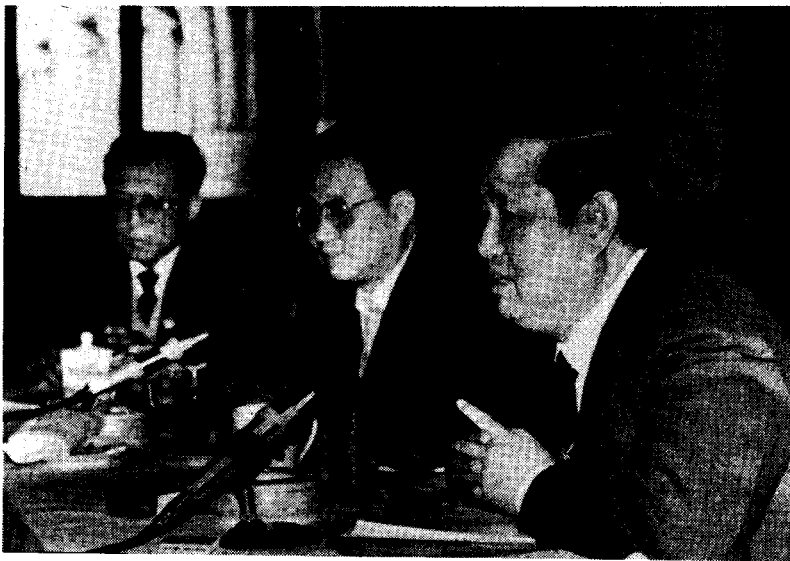
by Li Ning

Shandong Invites Talented People

East China's Shandong Province is inviting talented people with an understanding of foreign economics to join in its international economic exchange programme. Governor Jiang Chunyun issued this statement at a press conference in Beijing's Great Hall of the People at the end of March.

According to Jiang, Shandong needs 26,800 more trained people to help with the re-equipping of foreign-oriented enterprise in the areas of administration, foreign trade, economic and technological exchange, foreign law, international finance and foreign language.

With a long history of foreign trade, Shandong has six open cities and six open ports and has established economic and trade ties with over 150 countries and regions. Foreign investment involved in contracts with overseas businesses so far has totalled US\$2,550 million, and 130 foreign-funded enterprises have been established. One of the country's main export commodity production centres, the province



Governor Jiang Chunyun at the press conference in Shandong Province. JING QIANG

exported US\$2,970 million worth of goods last year.

Shandong is one of the coastal zones opening for foreign trade. The government recently recognized Qingdao, Yantai, Weihai, Weifang, Zibo and Rizhao as economic development zones, which means one-third of the province will enjoy preferential treatment in their foreign economic activities.

Shandong is also rich in natural resources. Its raw materials industry is now being replaced by processing industries, but progress is being slowed by backward technology and a shortage of scientists and technicians. Many industrial enterprises are still equipped with technology from before the 1960s and few have advanced since so the modernization process will not be a simple one.

To solve the problem of the shortage of skilled people, the province has formulated preferential policies to encourage scientific research institutes, universities and colleges, experts and technicians of the province to join in local economic construction. Scientific and technological, edu-

cational and economic circles in Beijing and other provinces are also being looked to for co-operation. Shandong also plans to take in a large number of overseas administrative personnel and technicians. The procedures for the economic development programme are receiving careful study and are expected to be published in May 1988.

by Zhang Zeyun

Japan Invests in China's Leasing

Fuji Bank recently invested US\$2 million to set up a joint venture—the Kang Fu International Leasing Co. Ltd.—with the China Kang Hua Development Corp. (CKHDC). The second joint leasing company funded by Japan in China this year, the venture opened in Beijing on March 25. The first one, funded by the Trust and Banking Corp. of Japan, opened in early March.

The Japanese side holds 40 percent of the new leasing company's shares. During the 20-year co-operation, both sides will make full use of the financial resources of the Fuji Bank and

CKHDC's business superiority. Through leasing, subleasing and export leasing, the company helps Chinese and overseas enterprises and institutions import technology and equipment, and promotes the development of export-oriented economy in China's coastal zones.

Leasing is a newly established business in China, welcomed by thousands of enterprises in need of advanced technology but short on funds. Since its establishment in 1981, the China Orient Leasing Co. Ltd., the first Sino-Japanese joint venture in China, has set up about 40 leasing companies. Sino-foreign joint ventures account for 50 percent of the total and are mainly Japanese invested businesses. The establishment of this new company further indicates Japan's interest in China's leasing business.

by Yao Jianguo

News in Brief

■ A senior official of China's General Customs Administration says the country will establish about 100 new customs houses in the next two or three years as part of the plan to promote the economic development of coastal areas.

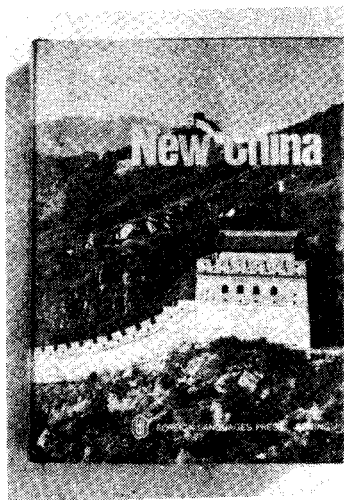
China currently has 161 customs houses with 20,000 employees. To improve the management of imports and exports of goods made from imported raw materials, 852 bonded factories and 994 bonded warehouses had been set up by the end of last year.

■ China will soon launch its weather satellite. The National Meteorological Bureau is set to launch the satellite and to receive satellite weather data at ground stations in Beijing, Guangzhou and Urumqi. Each of the three cities is more than 2,000 kilometres apart. At present, China's satellite meteorological data comes from US and Japanese satellites.

An Accurate and Up-to-Date Guide

Encyclopedia of New China

Edited by Luo Liang et al
Foreign Languages Press
First edition, Beijing, 1987
990 pages, 187 x 258 mm
ISBN 7-119-00086-1/Z 17
List price: RMB 150 yuan



China will be major industrial power in 20 years." This is an observation I have heard several times, particularly during my recent trips abroad.

"Not so soon," I have always told my friends. According to official Chinese forecasts, the country's per-capita GNP will only be US\$800 by the end of the century. In another 50 years, China may be able to approximate the level of the world's developed countries, but not much sooner.

The reasons for this can be found in *Encyclopedia of New China*, a comprehensive manual just published by Foreign Languages Press. It enumerates the relevant facts:

China's population was 1,046,390,000 in 1985, almost double the 1949 figure of 541,670,000 (p. 40).

The modernization drive was

launched in 1979 when per-capita GNP was US\$250 (p. 123).

Illiteracy dropped sharply after 1949, but the rate was still 23.5 percent in 1982 (p. 39).

An enormous population to feed, a low productivity and a low educational level are some of the factors which make it impossible for China to achieve modernization overnight.

The book presents the basic facts about China today in a down-to-earth style. While outlining the achievements of the PRC, it also discusses, or at least touches on, some of its problems. In spite of its inadequacies, which will be dealt with later in this review, the book can be useful in different ways:

Political analysts will find the section on Chinese history (pp. 63-124), the Chronology of the PRC (pp. 909-970), and the section on the Communist Party of China (pp. 155-163) helpful in judging political trends in China today. The section on foreign relations (pp. 207-275) is the first systematic Chinese examination of the PRC's foreign policy to come out in English.

To economists and business people, the book offers an industry-by-industry description of the Chinese economy (pp. 283-470), including special sections on foreign trade and foreign investment (pp. 445-470), and relevant laws and regulations are given in the appendices. This offers an opportunity to look at the Chinese market and areas where business can be successful.

Travellers and the tourism industry will benefit from a number of sections in the book, not just the one on tourism (pp. 417-427). The life-size terra-cotta

warriors, horses and chariots photographed on p. 74, the ancient temples, pagodas and grottoes illustrated on pp. 599-603, the gold-filigree teapot on p. 665, the cloisonne urn on p. 669 are a few examples of China's cultural heritage and give some idea of its tourist resources. Those leading or participating in specialized tours will find helpful information in relevant sections of the book. The facts and figures given in the section called "Life" (pp. 471-488) provide a clue to the everyday life of ordinary Chinese.

Special mention should be made of Appendix II, "Brief Guide to China's Leading Officials" (pp. 831-908). The more than 200 biographies were prepared before the 13th National Congress of the Communist Party of China held last October. But since the emphasis is on the younger, recently promoted officials, readers can find information on practically all those elected to key posts at the congress and those who will receive important appointments at the First Session of the Seventh National People's Congress opened on March 25. The names are in alphabetical order in *pinyin*, the Chinese characters are also given. This is probably the only *Who's Who* of its kind available anywhere.

The *Encyclopedia* is an accurate, up-to-date guide for anyone who wishes to learn something about present-day China, from university professors to school children.

Though commendable as a first attempt by a PRC publishing house, the book suffers from certain obvious inadequacies. There is no list of illustrations (of which there are over 200). On p. 356, the text says that "the commune is no longer the grass-roots government in the countryside," but the people's communes are officially abolished in 1983.

(Continued on p.34 and for North American Edition p.46)

Zhao Zhunwang—A Creative Artist



Zhao Zhunwang.

Beijing painter Zhao Zhunwang has aroused a lot of attention in the city's art circles since he was commissioned to paint a scroll commemorating the Long March which the Chinese Workers' and Peasants' Red Army embarked on in the mid-30s.

Under the influence of his mother, Zhao acquired a great love for Chinese painting at an early age. Later he received professional training at the Academy of Chinese Painting of Jiangsu Province in eastern China, and became a landscape painter.

The turning point in Zhao's career came in 1985 when he was invited to paint a scroll showing the mountains and rivers along the route of the Long March. He accepted the challenge of condensing all the different landscapes into one painting, and at the same time capturing their beauty.

In the autumn of 1985, Zhao left Beijing to trace the Red Army's route. He spent several months making observations and sketching, and took almost 2,000 photographs. After an additional two months of hard work, he finally completed the scroll.

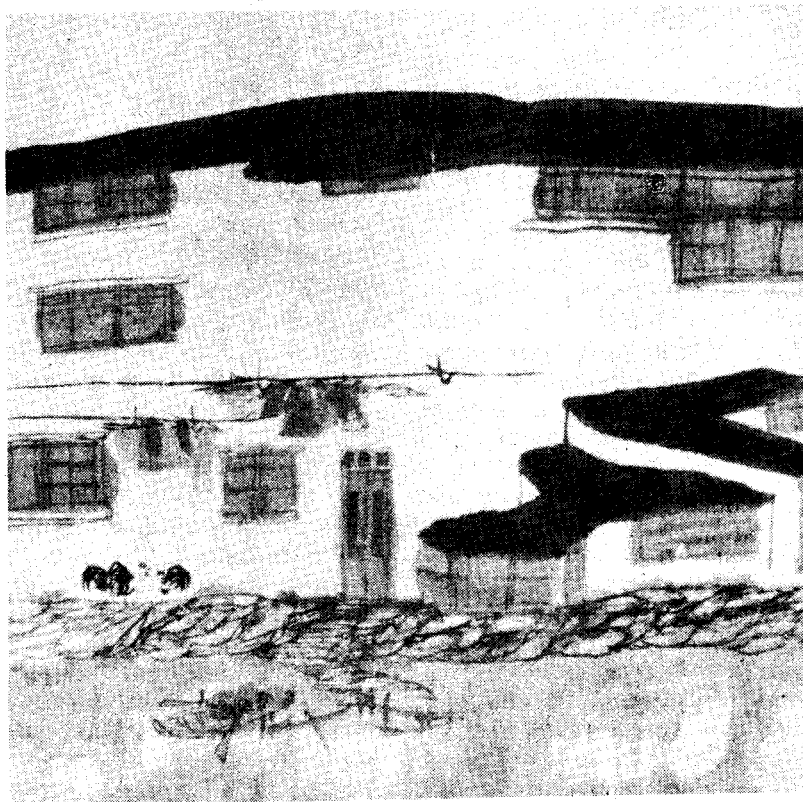
The work was a success. On 2.2 by 20 metres of paper, a dozen or so mountains and big rivers are ingeniously laid out, with Ruijin, where the Long March started, at one end, and Yanan, where it finished, at the other.

People's Liberation Army Pictorial published a picture album entitled *Across Crags and Torrents* containing Zhao's scroll, 120 of his sketches and 100 of his

photographs. The album was a hit, with about 10,000 copies sold.

As a Beijing artist, Zhao feels he must paint scenes of the old capital. He has chosen the ancient trees in Beijing as his subjects. Trees are a traditional subject in Chinese painting; artists like to use them to depict human characters, emotions and thought. Zhao has tried various techniques to capture the different styles of trees, including *bai miao* (line drawing in traditional ink and brush style) and *po mo* (splash ink). One of his tree paintings was awarded first prize at the exhibition marking World Environmental Day in 1985.

One of Zhao's works: A Scene of south China.



As he matures in art, Zhao, now 43, pays more attention to the use of water. Traditional Chinese painting paper—Xuan paper—is highly hygroscopic. Taking advantage of this quality, a painter may get the specific atmosphere he wants by giving different tones and shades to the subjects through the subtle use of water. In his recent works, Zhao mainly uses the skill of “combining strokes and spaces.” For example he uses the splash style to paint distant objects and delicate lines to paint the nearby trees. As a result his works have a dream-like quality and convey his unique feeling for the landscapes of his motherland.

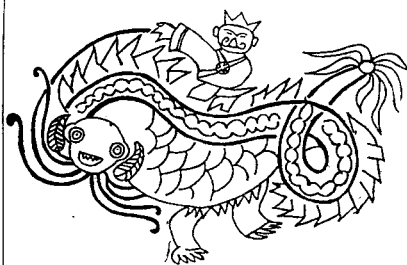
In recent years Zhao has taken part in and supervised the decorations and paintings for several big hotels in Beijing. Along with other renowned artists, he designed and painted the murals in the Great Wall Sheraton Hotel Beijing and the 70-metre-long mural at the Beijing subway station. His works have been exhibited in the United States, Japan, Australia, Britain, Denmark, Federal Germany and Singapore, where they received high acclaim.

by Wei Liming

Miao Dragons Are Something Special

The Miao people, a minority in southern China, have their own dragons—as shown in their traditional artistic works. An exhibition of papercuts and embroidery with various kinds of dragons, recently held at the Chinese Museum of Fine Arts in Beijing, reflected the vivid imaginations of the Miao.

While the Hans used dragons to represent monarchy and imperial power, the Miao people have always used them as ornamental



One of the dragon designs.



Dragon with a human head.

designs for the clothing of women and children.

Miao dragons take a variety of forms. Visitors to the exhibition saw many of them, including centipede dragons, dragons with heads of the cat and other animals, dragons with human heads, flowered dragons, lobster dragons, earth-worm dragons, dragons with bodies made of the leaves of the Chinese locust tree or palm leaves and dragons with bodies like a tree in blossom. But it is ox dragons which are most popular among the Miao people, for most of the Miaos live in

mountainous areas and oxen are their most important means of production. In one Miao legend, the wild animal who made the world is an ox dragon, who carves out rivers with his horns and helps people plough the fields. The mountain dragon, which is believed to be in charge of the land, also has horns of an ox.



Mountain dragon.

Miao women are good at embroidery. They use papercuts to stencil images for their embroidery on cloth. The exhibition featured Miao dragon papercuts made by well-known folk artists from the southeastern part of Guizhou Province.

Professor Zhong Tao, an expert on the folk arts of the Miao, says Miao dragons can be considered as contemporary fossils of ancient Chinese dragons. They have a great similarity to the dragon designs on the painted pottery of the New Stone Age (about 7,000-8,000 years ago) and the jade pieces of the Yin and Shang (c.16th-11th century BC) dynasties. The Miao dragons directly inherited the forms of ancient Chinese dragons, while both Miao and Han dragons have developed forms of their own in the long evolution process. The Miao dragons have great academic significance for the study of China's ethnology and human cultural history.

By Wei Liming

Movie Makers Face a Critical Public

For some Chinese film producers, the first quarter of this year is one they would like to celebrate. But for others, it is one they would rather forget.

While some films did extremely well in the first three months, others suffered failures. The Beijing Film Studio put 13 films on the market, five of which sold a total of more than 1,200 prints throughout the country. *Overlord Huang with a Gold Dart* topped the list, with 313 prints.

On the other hand, the remaining seven films mustered no more than 300 prints in total.

Slandering Letters in the Women's Kingdom, for example, sold a rare low of 28.

A similar situation occurred in other film studios. A well received film could sell 200-400 prints while a poorly received one would only sell 20-30.

Film studios and distributing companies attribute this situation to the adoption of the system of floating prices for film tickets in recent years. This meant that, although one print of any film—good or bad—would cost 9,000 yuan, the ticket price for a well received film could be double or

quadruple the normal price. A poorly received film, meanwhile, could cost only 0.25 or 0.3 yuan for each ticket.

The better a film is received by the public, the more prints distributing companies will buy, the higher ticket prices they can set, and finally, the more profits they will make.

The popular and profit-making films now are those made solely for entertainment and profit such as detective stories and comedies. They are usually full of drama and are lively.

Serious, artistic or intellectual films, such as those on current social issues, seem to be pushed into the background. *Slandering Letters in the Women's Kingdom* is one of them. Such films used to sell at least 70-100 prints. ■

(Continued from p.31 and for North American Edition p.43)

Encyclopedia of New China

China is beginning to build an export-oriented economy, particularly in its coastal areas. The present book is also mainly intended for export, but the authors do not seem to be sufficiently aware of what the foreign audience is interested in. In the long section on industry (pp. 306-347), there is no mention of China's burgeoning space industry which is beginning to attract international customers. Except for a few scattered references in the PRC chronology, the space industry is left out. In the description of the textile industry (pp. 340-343), only eight lines are given to textile exports, the country's major foreign-exchange earner, and under the heading of "Woolen Textiles," there is no mention of the carpet industry,

another important foreign-exchange earner. The sections on economics would have been much more interesting to the foreign reader if the authors had linked their discussions with the world market.

China is a country in transition. While the book gives the basic facts about the changes that have taken place since 1949 and particularly since the reforms got underway in 1979, it does not relate the complexities involved in these changes.

The history section refers to the publication of the article "Practice Is the Only Criterion of Truth" in the *Guangming Ribao* (Guangming Daily) in May 1978 (pp. 116-117), without mentioning that it was the debate over this proposition, apparently purely academic, which heralded the complete negation of the "cultural revolution" theories and practices, and the reappraisal of Mao Zedong's merits and demerits three years later.

China's reforms bring changes which affect the interests and outlook of millions of people. What are the differences which have arisen between them? What are the controversies? What are the good and bad things that have appeared in the course of the reforms and the increasing contacts with the outside world? How do people look at them? Discussions of these questions through the presentation of relevant facts would add considerably to any future edition of the *Encyclopedia*.

Still, the publication of this volume, with its degree of openness and objectivity, would have been inconceivable either before or during or even a few years after the "cultural revolution." Bigger changes in China, more exposure to the world make possible a more meaningful and sophisticated edition of the *Encyclopedia*.

—Zhao Yihe