

北京周报

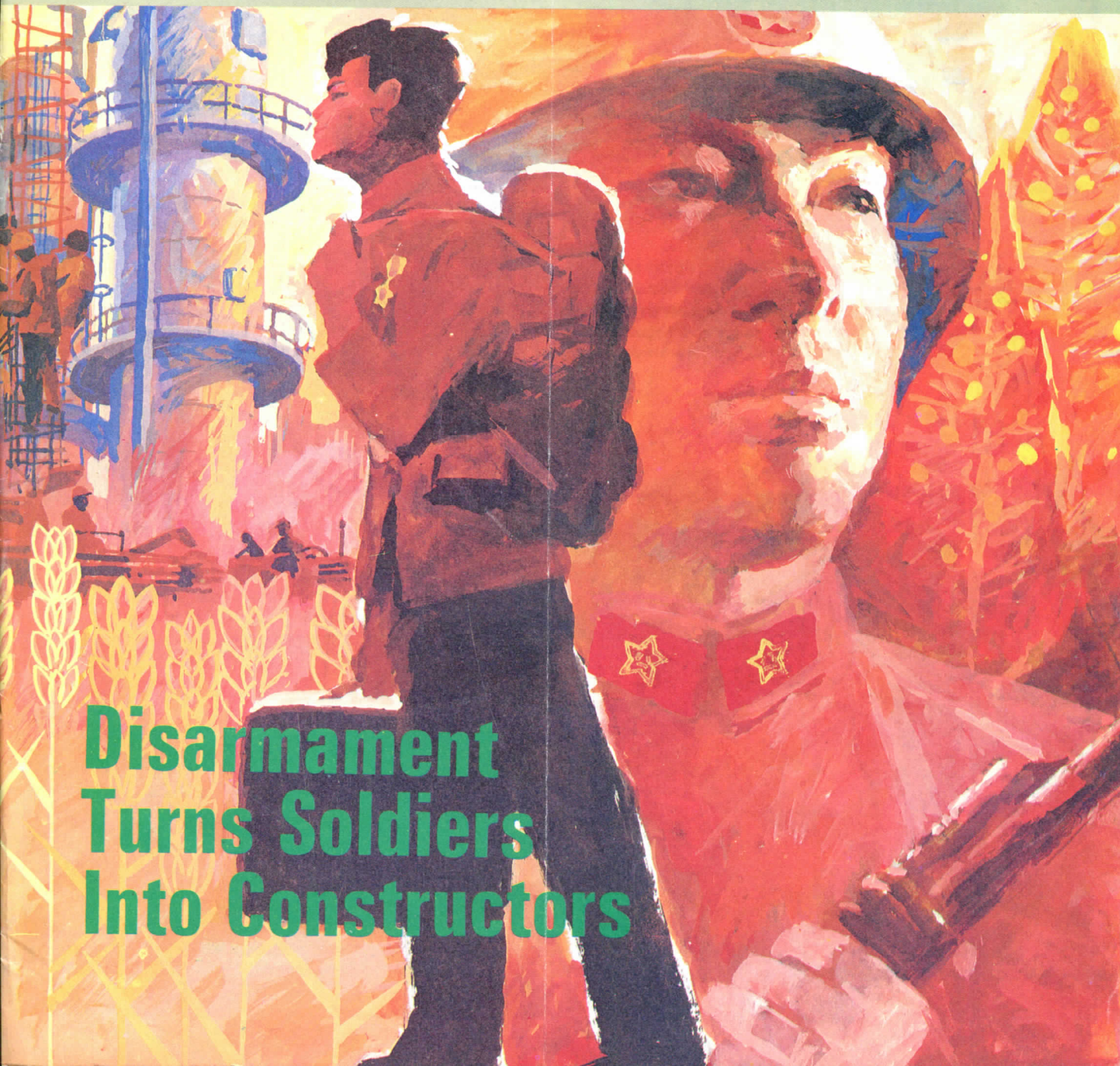
A CHINESE WEEKLY OF NEWS AND VIEWS

Beijing Review

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April 28, 1986

CHINA LAUNCHES NEW FIVE-YEAR PLAN



**Disarmament
Turns Soldiers
Into Constructors**



Residents delight in get-togethers with young visitors.

The Harbin Home for Elderly Expatriates

Since opening in 1954, the Harbin retirement home for foreigners in Heilongjiang Province has cared for approximately 1,000 elderly men and women of various nationalities.

Photos by He Zongyue and Guo Cunfa

SPOTLIGHT

Residents at the home receive regular medical check-ups.

A mother and daughter playing cards.



Dinner at the Harbin home is a group affair.





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COVER: One million ex-soldiers help China modernize.

Photo by Liao Zongyi

HIGHLIGHTS OF THE WEEK

More on China's 7th Five-Year Plan

■ Excerpts of China's Seventh Five-Year Plan for economic and social development approved by the Fourth Session of the Sixth National People's Congress (centrefold). An article by our political editor discussing how the Seventh Five-Year Plan differs from the previous six plans, how it is formulated and what its prominent features are (p. 4).

Demobilized Soldiers Began New Lives

■ While China's decision to cut back the size of its army by 1 million has been praised worldwide, the enormous slash has created a huge task of resettlement for the government. The two articles in this issue describe how demob officers and rank-and-file members settle down in the coastal city of Tianjin and in a county in central Hunan Province (p. 15 & p. 17).

The Debt Crisis Analysed

■ The worsening debt crisis, which is gripping the developing countries, hurting the growth of international trade and destabilizing the world economy, has its roots both in the outdated international economic order and in the flawed development strategies of the debtor nations (p.19).

US Action Runs Counter to International Norms

■ The US April 15 air raid of Libya, reportedly the largest American air strike since the end of the Viet Nam War, has stirred up a wave of condemnations from around the world, as well as at home (p.11).

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Discussions on the New Five-Year Plan

By An Zhiguo

China launched its Seventh Five-Year Plan (1986-90) for national economic and social development in early spring 1986. It is the first time ever since the founding of New China that the current five-year plan was discussed and adopted by the National People's Congress before it was promulgated and implemented.

The previous six five-year plans could not have been drawn up in the first year when they were put into practice. The First Five-Year Plan which started in 1953, and the Sixth, which began in 1981, were most successful and made known to the public. But the former was not officially adopted until July 1955 due to a lack of experience; the latter was only passed in December 1982 because China was then going through a period of intensive economic readjustment. The other four five-year plans, because of various causes and especially due to the interference of the "cultural revolution," were formulated rather late, their contents were incomplete and were not promulgated at all.

The early formulation and promulgation of the Seventh Five-Year Plan indicates that both subjective and objective conditions were ripe for China to draw up and implement a long-term plan: China has, from its positive and negative experience, determined that it will press ahead with its economic construction; it has set clear-cut goals of quadrupling the gross annual value of industrial and agricultural production by the end of the century; it has achieved nationwide political stability and unity; and it has brought about stable and sustained economic development while gaining valuable experience in planning work.

The preparation for and formulation of the Seventh Five-Year Plan has gone through a period of three years, which can roughly be divided into three stages:

From early 1983 to early 1985, the State Council organized officials in various departments to investigate major problems relating to socio-economic development during the Seventh Five-Year Plan period, and invited leaders from various regions, departments and enterprises, as well as specialists from the natural and social sciences institutes to hold discussions and work out initial estimation and authentication of the plan.

From April to September 1985, the Central Committee of the Chinese Communist Party systematically set forth its proposal for the drafting of the Seventh Five-Year Plan, which laid down a clear-cut guideline for the formulation of the new plan, the major tasks for this period and a series of principles and policies suited to the new situation.

From last October to this March prior to the Fourth Session of the Sixth National People's Congress, the State Council, acting on the proposal of the Party Central Committee, organized more thorough investigation and study of the whole plan. It made repeated efforts to achieve an overall balance and estimation and authentication of the plan, solicited the opinions of officials in different regions and departments, worked out the draft Seventh Five-Year Plan and submitted it to the National People's Congress for examination and approval.

While examining and discussing the new plan, deputies to the recent NPC session unanimously agreed that the new plan was

positive, realistic and feasible.

The new five-year plan has the following prominent features:

■ Giving priority to reform. Within the Seventh Five-Year Plan period it will be crucial for China's socialist economic structure to make the transition from the old pattern to the new. During this period, a sound foundation will for the most part be laid down for the establishment of a socialist economic structure with Chinese characteristics. To do this, China will carry out reforms in the following three fields:

— Infusing fresh vigour into enterprises, especially state-owned, large and medium-sized ones so that they will truly become relatively independent economic entities, and socialist commodity producers and management units that operate business independently and assume sole responsibility for their losses and profits.

— Further developing the socialist commodity market and gradually perfecting the market system.

— State management of enterprises will change gradually from direct control to indirect control and a new socialist macro-economic management system will be established.

■ Setting an appropriate economic growth rate. It is stipulated in the Seventh Five-Year Plan that the nation's total industrial and agricultural output value will increase at an average annual rate of 6.7 percent, and the gross national product (GNP) at an average annual rate of 7.5 percent, slightly lower than the actual speed achieved during the Sixth Five-Year Plan period. But as far as the requirement for the economic growth rate needed for the reform of the economic structure is concerned, such a rate

of growth is not low. If such a growth rate is actually reached by 1990, China will be able to increase its industrial and agricultural output value by 130 percent and GNP by 160 percent respectively over those of 1980; the average annual growth rate during the 10 years will reach 8.7 percent and 10 percent respectively, higher than the average annual growth rate of 7.2 percent required for quadrupling the gross annual value of industrial and agricultural production within two decades, as anticipated. By then, the output of China's major products will reach a new level, its economic strength will greatly increase and living standards will be considerably improved. Such a growth rate is not low even when compared to the economic growth rate during the same period in some industrially developed countries.

■ Taking account of accumulation and consumption. To maintain a sustained economic growth rate, in the next five years, social investment in the fixed assets will be 70 percent more than during the Sixth Five-Year Plan period to reach 1,296 billion yuan. The average accumulation rate stands at 30 percent, which is on a par with that during the Sixth Five-Year Plan period, but lower than the 1985 level. On the whole, such a level of accumulation is just right. In the meantime, the actual consumption level of both urban and rural people during the five-year period will register a 5 percent increase each year, a growth rate parallel to that of the national income increase rate during the same period, corresponding with the need to achieve a well-to-do standard of living by the end of the century.

■ Attaching importance to the development of science, technology and education. With regard to the stepped-up development of science and technology and close integration of science and technological work with

economic construction, the Seventh Five-Year Plan clearly sets forth China's strategy for science development. This strategy includes energetic development and popularization of scientific and technological results; concentrated effort on key scientific and technological research projects; active exploration of the new technology and high-tech field; an effective combination of domestic scientific and technological researches with importation of advanced overseas technology; and redoubled efforts in research into applied science and basic science. The plan has also detailed concrete tasks in this regard for the next five years.

With regard to intelligence development, the nine-year compulsory education plan will press ahead in various localities in accordance with their concrete conditions. This endeavour will go along with efforts to push forward vocational and technical education and consolidate and improve university and adult education. From 1986 to 1990, close to 5 million senior specialists will be trained, doubling the figure of the previous five years.

During the next five years, the state financial allocations in science, education, culture, hygiene, and sports shall reach 201.6 billion yuan, or a 72 percent rise from the level of the Sixth Five-Year Plan period.

■ Opening wider. It is planned that effort shall be made to further expand foreign trade and economic and technological exchange. By 1990, the national import and export trade volume will be 40 percent more than in 1985. In the meantime, the scope of foreign capital utilization and technological importation will be widened correspondingly.

■ Paying equal attention to the promotion of the cultural and ideological advance as well as material progress. The plan stresses that while material construction be pushed forward, efforts should also be made to



strengthen cultural and ideological work. Therefore, the plan not only includes the substantial content of the development of various cultural, health and sports undertakings but also comprises the contents of strengthening political and ideological work, perfecting socialist democracy and legal systems and achieving fundamental changes for the better in social morals and order.

There are also many changes in the plan with regard to the basic ideas and methods in making the plan. In the past, the planning work included mainly setting targets, allocating investment, arranging projects and earmarking materials. The new plan, however, while setting forth necessary targets, puts forward policies and important measures for the fulfilment of these targets. Thus the new five-year plan comprises both correct strategy and policies for its fulfilment. In this plan there are comparatively fewer mandatory targets but more guidance ones, with attention being paid to using economic levers such as pricing, taxation and credit to guide and readjust the orientation and operation of socioeconomic activities in coordination with the legal and necessary administrative measures. This makes it a plan of scientific value and of great flexibility, paving the way for the smooth development of national economic structural reform and various areas of social undertakings.

Open Policy a Boon to Overseas Investors

The import licence system recently introduced in China will pose no difficulty for joint ventures with Chinese and foreign capital, State Councillor Gu Mu told the *Beijing Review* at a press conference attended by more than 100 Chinese and foreign reporters in Beijing on April 10.

The Chinese government, he said, would provide every convenience for foreign investors and simplify the red tape involved in processing applications for import licences. Permission will be given to imports prescribed in contracts already signed, he added.

The state councillor, who had postponed the press conference because of poor health, had just been discharged from the hospital and appeared a bit tired. But his confidence in the country's open policy soon got the best of it, and he talked through the conference in high spirits.

The year just gone by was a vintage year for China in drumming up foreign capital needed for the modernization drive, he said. All told, direct foreign investment in China amounted to US\$5.85 billion, 120 percent more than in the previous year; and approval was given to 1,300 joint ventures with Chinese and foreign capital, equivalent to the total approved in the previous five years altogether.

But joint ventures already established in China are far from enough, Gu said. He told the reporters that the Chinese government would do everything it could to help joint ventures overcome whatever difficulties they encountered.

Over the last six years, China gradually has set up an extroverted economic structure encompassing special economic zones, open port cities, coastal economic open zones and enterprises in its interior, pumping new life into the country's economy.



Shenzhen, the first special economic zone established in China, now has 147 industrial enterprises that manufacture export commodities. Last year the zone exported nearly twice as many industrial commodities as it did in 1984, with the percentage of exports in the zone's total sales volume rising from 33 to 43.

Referring to the Foreign Exchange Certificates currently in circulation in China, the state councillor said that China, noticing the many drawbacks to the two-currency system, would work to abolish it. Gu was quick

to add, however, that the abolition would not guarantee the Renminbi's immediate status as a currency free for exchange with foreign currencies. In Shenzhen, he said, three currencies were now in circulation—the Renminbi, Foreign Exchange Certificate and the Hong Kong dollar. This has proved detrimental to China's economy and will be dealt with as soon as possible.

Foreign Exchange Certificates, with a face value equivalent to that of the Renminbi, are issued in limited quarters in return for foreign currencies collected.

Some reporters asked if China was disappointed that its major trade partner, Japan, had invested little in special economic zones and elsewhere in China. Gu said it was not a matter of disappointment because it was always up to the investors to decide whether to invest. He noted, however, that Japanese investment in China did show a slight upturn last year.

Responding to complaints on the part of some foreign businessmen that land use costs in the special economic zones and other open areas were too high, Gu said he deemed the charges rational, but he said China has been reassessing the issue. ■

by Yang Xiaobing

Asia, Africa Work to Curb Hunger

The World Food Council (WFC) will sponsor a symposium in Guangzhou from May 12 to 17 for African countries to learn from the agricultural policies and experiences of the Asian countries.

Africa has over the last few years been hit by incessant dry spells that have parched the land and resulted in widespread famine. The WFC has, while extending relief to Africans on the

verge of starvation, decided to hold the symposium in an effort to find methods to further curb the African food crisis. The symposium will begin in India from May 5-10 before moving on to China.

Representatives from 19 African countries will hold sessions with their Asian counterparts. A number of world organizations, including the Asian

Development Bank, the African Development Bank, the UN Food and Agriculture Organization, the World Bank and the World Food Programme, will also send delegations to the conference.

It was announced that He Kang, China's minister of agriculture, will speak on behalf of the Chinese government at the Guangzhou symposium. Pamphlets and field-work studies on China's recent agricultural policies and grain production efforts will be circulated at the meeting.

Zhu Pairong, the Chinese official responsible for organizing the Beijing branch of the symposium, told *Beijing Review* that the grain crisis in the African continent was a matter of world concern. Since China and Africa both belong to the third world, he said, China's experience should be of some help to African countries in their effort to tackle the food shortage.

Last year China was hit by serious natural disasters, plunging its grain output to an all-time low in the last few years. But the country was still able to provide 170,000 tons of grain to Africa.

by Han Baocheng

UN-China Joint Project Lauded

The First Country Programme (1982-85), a co-operative project between China and the United Nations Development Programme (UNDP), worked better than expected, UNDP Administrator Bradford Morse announced at a press conference in Beijing on April 16.

The programme, formulated in accordance with the objectives of the Chinese Sixth Five-Year Plan (1980-85), included 150 projects designed to boost the output of food and consumer goods, the service trades, energy develop-

ment and conservation, human resources development, and the strengthening of infrastructure.

"The Chinese authorities have utilized UNDP assistance with a high degree of creativity and dedication," Morse said. "And I think the results that have been achieved, due principally to the efforts of the Chinese government and people, have been extraordinarily significant, to say the least."

Morse, who is also director of the UN Office for Emergency Operations in Africa and secretary-general of the Inter-Action Council of Former Heads of Governments, made an official visit to Beijing to discuss with government officials issues related to co-operation between China and the United Nations, particularly the UN Development Programme. Also joining him at the press conference was Manfred Kulesa, resident UN representative in Beijing, who discussed a recent controversy concerning funding for China's population control programme.

Premier Zhao Ziyang met Morse on April 15, expressing his satisfaction with the increased Sino-UNDP co-operation and his gratitude to Morse for his contributions to such co-operation.

According to a detailed report drawn up by the UNDP in China, the First Country Programme was predicated on the principle that China should rely mainly on its own efforts while using foreign assistance only as a supplementary resource.

The UNDP's assistance has been geared towards bridging critical technological gaps in a number of fields ranging from food processing, manufacturing procedures, computer application, oil exploration, mining, and efficient utilization of energy to develop forestry and the grasslands, the report stated.

In financial terms, UNDP resources available to China amounted to US\$78.8 million

China & the World

Greek Prime Minister Visits China. Greek Prime Minister Andreas Papan-dreou left Beijing for Athens on April 10 after a three-day official visit to China at the invitation of Chinese Premier Zhao Ziyang. During his stay in Beijing, Papan-dreou met Deng Xiaoping and Li Xiannian, and held official talks with Zhao.

■ ■ ■

Committee Decides on Games Date. The 11th Asian Games will be held in late September and early October 1990—Beijing's golden season, the organizing committee announced after its first meeting in Beijing on April 17. "Unity, friendship and progress" is the motto for the games, the meeting decided. An estimated 6,000 athletes are expected to compete at the games.

■ ■ ■

China to Attend ADB Session. State Councillor Chen Muhua will lead a delegation for the 19th annual session of the board of governors of the Asian Development Bank (ADB) to be held in Manila between April 30 and May 2. This will be the first time for China to attend such a meeting since it was admitted as a member state by the ADB last February.

Chen is governor of the People's Bank of China and a member of the board of governors of the ADB.

between 1982 and 1985. It has helped China set up or upgrade several technical training centres which today are playing a leading role in the dissemination of advanced technology and in training Chinese personnel.

The report also indicated that a project dealing with the transfer of knowledge through foreign experts had brought significant results.

An emphasis on the promotion of economic and technical co-operation among the developing countries has been another salient feature of the First Country Programme, the report wrote. The Chinese government has allocated 5 percent of the UNDP funds to support development activities in other countries.

UNDP, supported entirely by voluntary contributions from participating governments, is the largest component of the United Nations, both in terms of the resources for which it is responsible and in terms of its geographical coverage. It maintains programmes in 150 developing countries and self-governing territories through a field network of 113 offices.

"I regard China's programme as one of the most successful programmes of the UN development programmes," said Morse.

After extensive discussions, Morse said the Second Country Programme, which was waiting for UN approval, was designed to support China's development strategies during its Seventh Five-Year Plan period (1986-90).

He said the programme, which is the largest UNDP technical co-operation programme in the world, would focus on five areas—human resources development, technical transformation of existing industries, development of advanced technology, improvement of living standards and application of information technology.

The administrator said that to finance the 1986-90 period the UNDP governing council had approved a tentative budget of US\$138.3 million, which would be combined with China's "cost sharing" contributions.

Kulesa, head of the UN Fund for Population Activities, disclosed at the news conference that the US Agency for International Development was considering a proposal to withhold its entire US\$35 million annual contribution to the UNFPA.

"The threatened cutoff of American aid could jeopardize United Nations' efforts to control world population growth," Kulesa said.

He said that a US\$10 million reduction in funds to the organization last year to protest against alleged forced abortions and sterilizations in China did not have a great impact on its work. "But," he said, "the possibility of a complete cutoff of US contribution would be a major blow to our programme. Not only our programme in China, but for all worldwide programmes."

Kulesa said the UNFPA programme did not support any programme of abortion in any part of the world. "What we do in China is demography, education and contraceptive production. That is all," he said.

He added that the UNFPA would continue its China programme regardless of the USAID decision.

by Wang Xianghong

Sino-Soviet Ties: Neighbours, Not Allies

China is willing to normalize relations with the Soviet Union when certain obstacles are lifted. Vice-Premier Li Peng recently told a group of visiting American journalists recently.

"We hope that both China and the Soviet Union will become good neighbours," said Li on April 15 in Beijing. "But they will not become allies."

Li Peng said this while answering a question about the prospects for Sino-Soviet relations raised by members of the Centre for Strategic and International Studies of Georgetown University in Washington D.C.

Led by co-ordinator Sterling Slattery, the group was composed of 13 journalists representing more than 100 American newspapers.

During the meeting Li Peng answered a dozen questions covering a wide range of subjects.

Referring to China's economic co-operation with foreign countries, Li said the products made by joint ventures or foreign enterprises in China should be sold mainly on the international market.

The home market may open itself to those manufacturing goods that are needed in the country's development, he said, adding that joint ventures with Chinese and foreign capital should earn foreign exchange instead of spending it.

Li said the present declining oil prices would probably affect not only offshore oil exploration, but also the world economy as a whole. But up to now no foreign corporation had cancelled its oil contract with China, he added.

On the contrary, three more foreign corporations signed contracts with China in late March. A far-sighted entrepreneur should not indulge in his immediate interests, but should open his eyes to the great potential of China as a developing country, he said.

On China's economic restructuring, Li said that much had been achieved in the reform last year, and the main task for this year was to consolidate and improve reform measures in order to advance.

Li said the implementation of the policy of opening to the world

and the stress on learning from advanced foreign technology and management expertise would neither change China's socialist system nor lead it to capitalism. He made his points by listing five reasons:

—Public ownership is the mainstay of the country's economy. The output value of the private economy accounts for only a small part of the national economy;

—The principle of distribution according to work done will forestall 'disparity' in private incomes;

—China's market-oriented economy is planned;

—Due attention is being paid

not only to the country's material development but also to its socialist culture and ethics;

—All economic crime will be brought to legal account.

Li said China's crackdown on criminal offences in the economic field would only benefit the reforms rather than ruin them. China took a serious attitude towards criminal offences in economic areas, and acted in accordance with the laws, he said.

"At the same time," he said, "we should draw a clear distinction between normal economic activities and unlawful ones. To solve the problems, we will never use the method of launching a mass movement." ■

Should Women Retire Earlier than Men?

Is it fair that women are required to retire at 55 years old, five years earlier than men? This question has become a popular topic among China's professional women as many of them are approaching the retirement age.

China's current regulation on retirement for workers and staff members requires that in normal cases men should retire at 60 and women at 55. This regulation has been carried out without debate since the early post-liberation days.

But some women are beginning to ask why men should be allowed to remain in the workforce five years longer than women. The issue has come to the foreground as a large number of women intellectuals and officials who were trained and educated after the founding of the People's Republic of China and began work in the 1950s are approaching their retirement age of 55.

"This regulation gives consideration for women engaged in physical labour, but it renders women in the fields of culture, education, science and technology

in a position unequal with men," said Wei Junyi, 68, a nationally known writer and publisher. "Fifty-five is an age when one is most experienced and still mentally energetic, an age when one brings about better professional results," she added.

Wang Jinfeng, 57, a reporter with 37 years of experience at *Renmin Ribao* (People's Daily), argues that women are definitely not inferior to men intellectually. "Women of 55 are, like men of the same age, in their middle ages. They don't have much housework at this time as their children have grown up, and they have built up rich experience through 20 to 30 years of work. Many of them are simply indispensable to their professions," she said. "I don't see why women should retire five years earlier than men."

Some of the arguments against women retiring earlier than men are so familiar that they can be heard in many other countries. One opinion has it that as women start school and career at the same age as men, why should they be deprived of the right to work as

News in Brief

According to a circular issued by the General Office of the Chinese Communist Party Central Committee and the State Council, all clocks should be set ahead one hour at 2 am on Sunday, May 4 so that 2 am becomes 3 am. Clocks should be turned back one hour at 2 am on Sunday, September 14, the circular stipulates.

The new time is expected to save 1.5 billion kilowatt hours of electricity annually across the country.

■ ■ ■

A Chinese space technology expert said recently that China was likely to launch a space shuttle by the year 2000. The next item on the Ministry of Astronautics Industry's agenda is to launch a space station and a shuttle," the expert said. "A detailed plan has yet to be worked out," he added.

■ ■ ■

A Chinese company employee has been sentenced to death and a government official to 17 years of prison by the Intermediate People's Court of Beijing for leaking important state secrets to foreign and Hong Kong businessmen and for taking bribes.

Zhang Changsheng, a company employee, received bribes totalling about 711,100 yuan (RMB). He was sentenced to death. Ye Zhifeng, a deputy section chief of the Import and Export Bureau under the State Economic Commission, was sentenced to 17 years of prison for abusing her power and taking bribes.



LIU YUSHENG

4-Year-Old Painter Makes a Debut

Zhu Jiangjie, a four-year-old girl from Guangzhou, was the talk of the town when she held an exhibition of her paintings in Chinese ink and brush at the Dongfang Hotel. A cheerful girl full of imagination, Zhu began learning to paint at age three and has painted more than 300 works in traditional Chinese style. One of them, a swamp of gold fish, ran three meters long.

long as men? Another oft-asked question is: Since statistics worldwide have shown that women live longer than men, why should they work for fewer years?

One more reason for Chinese women in their 50s urgently demanding a postponement of their retirements is because political movements in bygone days, especially the "cultural revolution," delayed their studies and work and they now are just beginning to achieve some results.

But some women in their early 40s have an opposing opinion. They argue that under the present economic conditions, women do much more housework than men, while also having to look after their children, so they grow old and run out of energy earlier than men. They should relax at an earlier age, they say, and spend their remaining years looking after their grandchildren, visiting friends, travelling, writing, or doing whatever they wanted to do when they were younger. Also, earlier retirement for the aged leaves more positions open for younger successors.

Li Minshan, a university teacher, is opposed to postponing

the retirement age for women. "No matter how energetic some elder women may be, they are absolutely not as energetic as young people," she said. "So why can't they make room for young people to bring their talent and ability into full play?"

Between the two divergent views stands a third one, which holds that the official retirement age should be the same for both sexes, but that different treatment should be given according to individual conditions.

All this controversy prompted the All-China Women's Federation to conduct a survey among 44 work places in Beijing, including ministries and commissions under the State Council, universities and colleges, hospitals, and secondary and primary schools. More than 1,000 questionnaires were sent out and 892 were returned. The results indicated that 62 percent of the women questioned wished to postpone their retirement, while 38 percent did not. The survey also showed that women of different professions, ages, education, work experience and salaries vary in their opinions as to when they

should retire. The overwhelming majority of women officials and professionals in science, education and public health service prefer to retire at 60; middle school teachers find 55 the good time to step down; primary school teachers and nurses expressed a desire to retire at 50 or 55 years old. Those who wish to retire at 60 are women mostly older than 50 already. And the majority of those with university or college degrees also said they would like to work until they were 60, so did most women officials who took up work before 1956 and those with higher salaries.

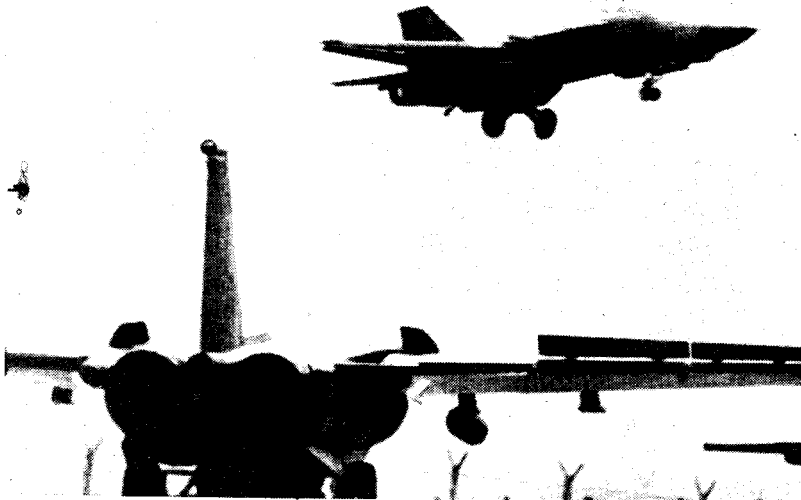
The All-China Women's Federation has reported the issue to the Ministry of Labour and Personnel and it is said the ministry is considering extending the retirement age. It is likely that some changes in the policy will be made in the near future.

According to statistics, men and women retire at the same age in many developed countries, including the United States and Japan. In many countries, the retirement age for women is at or higher than 60. . . . ■

US-LIBYA

Air Raid Condemned Worldwide

The US air raid of Libya has stirred up a wave of condemnation from around the world, with the exception of two American allies, Britain and Canada.



A US F-111 fighter-bomber is taking off from the US air base in Britain for air raids on Libya.

At zero hour GMT on April 15, 18 bombers and 15 fighter-bombers of the United States hit the Libyan capital, Tripoli, and Benghazi, its second largest city, accomplishing reportedly the largest American air strike since the end of the Viet Nam War.

Two hours after the raid, US President Ronald Reagan made a televised address from the White House, defending the military actions. He said the United States had obtained "irrefutable" evidence that Libya had "planned and executed" the April-5 bombing in a West Berlin discotheque, which killed an American soldier and a Turkish woman and injured 230 others, among them some 50 American military personnel.

Although discord between the United States and Libya can be traced back to many years, the radical deterioration of the relations between the two countries began in late March when

three US aircraft carriers participating in "military manoeuvres" in the Mediterranean entered an area of the Gulf of Sidra which Libya had declared to be part of its territorial waters.

The obvious muscle-flexing of the US military under the pretext of free navigation in international waters sparked off the first military clashes between the United States and Libya on March 24 when Libya fired missiles at US aircraft and the United States retaliated with missile attacks on Libyan patrol boats and a landbased missile site.

Three weeks later, the United States allegedly acting in retaliation for the West Berlin discotheque blast, attacked Libyan territory again in total disregard of the norms of international relations.

The US military action on the pretext of settling an international

issue has aroused worldwide condemnation.

France, a US ally that had expressed objections to the US actions, refused to allow US bombers to fly across French airspace to hit Libyan targets.

But British Prime Minister Margaret Thatcher defended the US air strike on Libya, as well as her decision to allow US jet planes to take off from air bases in Britain for the attack.

The United Nations Security Council held an urgent meeting on the same day of the US attack against Libya at the request of Libya, Oman, Syria and Burkina Faso. Most speakers at the meeting condemned the United States for its military action against Libya in violation of the UN Charter.

The UN Secretary General Javier Perez de Cuellar in his statement called on the concerned parties to exercise restraint and settle the conflict according to the UN Charter.

The US bombing also stirred up a wave of condemnations in the Arab world. Kuwait, Iran, Egypt, Jordan, Lebanon, Morocco, Arab Yemen, Saudi Arabia and the Palestine Liberation Organization all denounced the US action and called on Arab people to unite.

The Organization of African Unity and the Organization of the Islamic Conference and the Arab Parliamentary Union (APU) also strongly censured the US actions. Akef al Fayed, chairman of the APU said the US moves were a grave menace to the security and peace in the Mediterranean region.

Most West European countries said the United States should have restrained itself and used peaceful measures to settle the conflict.

In Eastern Europe, Romania urged Reagan to stop all military actions and resort to negotiation to solve the clashes. Yugoslavia stated that the US military action was an unbridled invasion on the sovereignty of a non-aligned country.

The Soviet Union and other member countries of the Warsaw Treaty Organization all expressed their support for Libya while condemning US aggression.

A commentary in *Renmin Ribao* (People's Daily), China's official newspaper, declared on April 16 that despite the excuse, the US air raids on Libya, which inflicted heavy loss on Libyan life and property, "run counter to international norms and should be denounced by the world."

The commentary said the swift deterioration of the situation in the Mediterranean and the Middle East has caused grave concern and uneasiness in the Mediterranean nations and the world over. "It is totally reasonable for the world community and the Arab countries in particular to call for an immediate end to the military action so as to safeguard the peace and stability of this region."

The commentary went on to say that "the US claimed its latest attack was in retaliation of the two explosion incidents with the TWA Boeing 727 flight and the West Berlin discotheque. But Libya has denied its involvement in the blasts. Terrorist activities, which injure and kill innocent people, are undoubtedly always offensive and disgust most of the world nations and people. The Chinese government always opposes and condemns all forms of terrorism and disapproves political struggles by terrorist means. But at the same time, we hold that no country has the right to launch military attacks on other countries, to violate their territorial sovereignty, under the pretext of anti-terrorism."

The newspaper warned that "the present situation in the Mediterranean harbours a great danger. History has proved that international conflicts and confrontation cannot be settled by the use of force. We call on both the United States and Libya to exercise restraint and halt immediately their hostilities and seek a proper settlement through dialogue or other peaceful means, so

that peace and stability in the Mediterranean can be maintained."

In the United States, many cool-headed Americans have considered the possible outcome of the US "retaliation." They have taken note that Israel, claiming to "punish terrorism," has frequently attacked Lebanon only to bring misery to the war-ridden

Lebanese people and to stir up more and more terrorist activities against its own people.

It is still not known, however, whether the decision-makers of the US government will be cool-headed enough to rethink the whole drama after the administration has vented its anger on Libya with a military strike.

by Xin Zong

KAMPUCHEA

Why Hanoi's Latest Attacks Failed

This year's dry-season offensive launched by Viet Nam against Kampuchea has been the weakest one so far because the armed forces of Democratic Kampuchea have taken their defence into the interior.

During this dry season the Vietnamese offensive, whether along the Kampuchean-Thai border or in the Kampuchean interior, has been greatly reduced in scale compared with the past. This is not what Hanoi had hoped for.

To launch their eighth offensive since the invasion in 1978, the Vietnamese authorities brought in tens of thousands of additional troops to back up their forces in Kampuchea. They also sent in a large number of Soviet-made tanks and artillery between last September and this January. At the same time, they compelled several hundred thousands of Kampuchean labourers in the west and northwestern areas to set up wire entanglements, dig trenches and lay mines in an attempt to establish a cordon sanitaire blocking all passage. Nevertheless, their dream of cutting off the supply lines of the resistance forces did not materialize.

Why did Hanoi's eighth dry-season offensive fail?

First, in the early part of last year the armed forces of Democratic Kampuchea moved into the interior to wage guerrilla warfare after they lost their main camps along the Kampuchean-

Thai border. Since last September, when the dry season was to begin, the Kampuchean armed forces have attacked the Vietnamese camps, strongholds and commanding posts and destroyed many village regimes in Siemreap, Battambang, Pursat, Kompong Chhnang and Kompong Thom Provinces, along the Mekong River north of Phnom Penh, and around and inside of Phnom Penh.

From January to the end of March, the armed forces of Democratic Kampuchea concentrated their attacks on the Vietnamese-occupied cities of Battambang, Siemreap, Kompong Thom, Kompong Speu and the international airport in Phnom Penh. In these battles they destroyed many Vietnamese rear supply bases, military training centres, munition depots, and damaged Pocheng Dong and Pech Cham airports. The situation has become so serious for the Vietnamese authorities that they have had to withdraw their troops from the west, northwest and east to enforce their defensive strength in Phnom Penh and other provincial cities.

Moreover, the Vietnamese bases along the Kampuchean-Thai border have often been attacked and a blockade line has

been loopholed. After last year's rainy season the Vietnamese troops set up fortifications along the hundred-mile stretch of the Kampuchea-Thai border, hoping to cut off the rear-supply line for the Democratic Kampuchean troops. But their attempts failed. The armed forces of Democratic Kampuchea are still able to go in and out of the country as they like.

During October and November, the resistance forces launched fierce attacks on a main Vietnamese tank regiment and armoured regiment in Phnom Sampoeu County of Battambang Province, as well as against the commanding headquarters of a main army division and an artillery base stationed near Pailin town. Under such circumstances the Vietnamese troops have had to strengthen their defenses, leaving little time or resources to launch a new offensive.

Still another reason for the changing situation is that the Kampuchean people are giving greater support to the Democratic Kampuchean resistance forces. This fact is reflected in the many mutinies breaking out among the Vietnamese-backed Heng Samrin troops. Since moving into the interior, the armed forces of Democratic Kampuchea have actively engaged in guerrilla warfare while carefully and strictly carrying out the new policies of the Kampuchean coalition government. They have shown their respect for the interests of the Kampuchean people, winning over the masses and disintegrating the Heng Samrin puppet regime so that more and more Kampuchians have come to realize who are the patriots and who are the aggressors. This has inspired crowds of young people in the countryside and the provinces bordering Viet Nam to file into the jungles to aid the resistance forces. The people in the occupied areas have somehow smuggled out grain to the resistance forces. Attracted by the coalition government's slogan "Khmers do not fight

Khmers," the number of the Heng Samrin troops who have mutinied and revolted has increased. More than 800 soldiers of the two regiments of the Heng Samrin stationed in Pursat rebelled against the Vietnamese troops and seized their tanks and artillery.

A final reason for the failed offensive is that Hanoi's economy is in deep trouble while its troops are beginning to tire of war. Since Viet Nam launched its aggression against Kampuchea in 1978, it has used up large amounts of manpower and financial resources. Its industrial and agricultural targets have not been met and the economy has continued to deteriorate. Because the Viet-

namese people are dissatisfied with the clique of Le Duan, the first secretary of the Vietnamese Communist Party, it has not been easy to persuade fresh troops to enter Kampuchea. More and more of the Vietnamese troops already in Kampuchea are unwilling to shed more blood for the Le Duan clique.

International observers believe that although the resistance forces of Democratic Kampuchea do not yet have the strength to defeat the Vietnamese aggressors in armed combat, they are at least containing more and more Vietnamese troops in the Kampuchean interior.

by Yan Ming

JAMAICAN CONFERENCE

Sharing of Deep Sea Resources

Demands for a reasonable division of natural wealth among nations are mounting as more resources are being uncovered from the depths of the world's oceans.

The fourth annual conference of the preparatory commission for the International Seabed Authority and the International Tribunal for the Law of the Sea concluded on April 11 in Kingston, Jamaica, after 25 days of talks on the exploration of deep-water resources. American representatives were conspicuously absent from the participants of more than 100 countries interested in deep-water investment.

The meeting began with talks on the deep-water seabed areas where more than one country has applied for resource exploration registration. Although exchanges on this issue have resulted in initial progress, the effort to reach a thorough compromise among all member nations in the International Seabed Authority failed. The problem will be on the agenda in the upcoming Geneva meeting this summer.

Among the first applicants for

exploration rights to the Pacific seabed southeast of Hawaii are the Soviet Union, France and Japan, with the area proposed by the Soviet Union overlapping that of France and Japan. Though India is the only country asking to explore the Indian Ocean, it will not be permitted to register until boundary conflicts have been resolved.

The preparatory commission has not succeeded in stifling disagreement among its members since its foundation in 1983. The United States has not participated in commission talks because of its refusal to sign the 1982 Law of the Sea Convention. Seven Western nations, including Great Britain, are also at odds with the developing countries since they have different interests in exploring the international seabed resources.

In August 1984, the United States and Great Britain, together

with six other Western countries signed a provisional understanding which called for the exploration and exploitation of deep waters according to their own laws. The action provoked criticism at the commission's second meeting and was described as having denied the principles and spirit of the Law of the Sea Convention.

In November 1984 the United States granted licenses to four of its financial consortiums, allowing them to prospect the seabed resources of the Pacific. This unilateral action was criticized at the third meeting of the commission.

Since the end of the 1960s, developing countries have fought against maritime hegemony, demanding the establishment of a new sea order that guarantees the reasonable division of international exploration waters. However, citing the freedom of the sea, several developed countries have insisted on exploring international waters with their advanced technology, in an attempt to monopolize the exploration of minerals. It is the position of the developing countries, and some small developed countries as well, that international waters should not be seized as private possessions; all countries should be entitled to share in the natural resources of the sea.

At the 22nd UN General Assembly Session in 1967, Malta was the first to suggest that a new convention be drawn up which would render deep-sea resources beyond national territories the common property of humanity. The new UN Law of the Sea Convention was finally worked out in 1982 at the third United Nations' conference concerning sea laws, after nine years of protracted negotiations. According to the convention, the international seabed areas and their resources become the common property of mankind; properties and economic profits gained through the activities

within the seabed should be shared fairly without discrimination.

The fight for international water resources has been intensifying in the past 20 years since abundant mineral resources were discovered in deep waters due to the advances in oceanography and the new technological revolution.

Below the Pacific, at a depth between 4,000 and 6,000 metres, a reserve of nearly 3,000 billion tons of manganese nodule was discovered. Between 2,000 and 3,000 metres below the Red Sea, rich metallic mud was found, containing dozens of rare metals such as gold, silver, bronze and zinc.

by Liu Kaichen

ALBANIA

New Leader on the Rise

During his first year in office, Albania's new leader, Ramiz Alia, has slightly shifted the emphasis on the country's economy and foreign policy.

Since succeeding the late Enver Hoxha a year ago, Albanian leader Ramiz Alia has continued his predecessor's internal and foreign policies while paying greater attention to the country's economic development and expansion of its international relations.

Alia was Hoxha's right-hand man before he became first secretary of the Party after the latter's death in April of last year.

The 60-year-old Alia has not made major changes in the Party or government leadership, but has removed Harilla Papajorgji, chairman of the State Planning Commission, and several deputy ministers and local party officials from their jobs.

In making such changes, Alia, who is also president of the Presidium of the People's Assembly, has called on the entire Party and people to unite to overcome the difficulties facing the country.

The new leader has given top priority to revitalizing the Albanian economy. He has required Party and government officials to strengthen their leadership to ensure the fulfillment of production plans. To obtain first-hand information on the present

condition of Albanian economy, he recently inspected 10 of the country's 26 districts. Together with other Party and government leaders, he took part in last Autumn's grain harvest to encourage farmers to overcome the effects of a prolonged drought.

Alia's distinctive "hands on" approach to dealing with his country's economic problems appears to have produced some positive results. Last year's projected quotas for industrial products such as coal, chromium, copper and natural asphalt have reportedly been reached, and the country's agricultural output increased by 2.2 percent over the previous year, despite unfavourable weather conditions. Food supplies, especially meat and vegetables, have also improved slightly.

However, a number of problems still plague the country. Oil, natural gas and electricity production failed to reach state quotas, and labour productivity remains low because of outdated technology and machinery and poor economic management.

In an attempt to strengthen its international economic ties, Al-

(Continued on p. 23)

The Seventh Five-Year Plan of the People's Republic of China for Economic and Social Development

(1986-1990)

Excerpts

Approved on April 12, 1986 by the Fourth Session of the Sixth National People's Congress

Introduction

The period of the Seventh Five-Year Plan for Economic and Social Development is crucial for the comprehensive reform of our economic structure. It is also important because during this period we must make the material and technological preparations and train personnel so as to ensure greater economic progress during the 1990s. In order to attain by the end of the century the magnificent goals set by the Chinese Communist Party at its Twelfth National Congress and to build a socialist society with Chinese characteristics, it is absolutely essential for us to have an overall plan for the next five years and to carry it out successfully.

In drawing up the Seventh Five-Year Plan, we have done our best to make it realistic and feasible, basing it on a comprehensive assessment of our country's economic and social realities. We have taken into consideration the remarkable achievements already scored and other favourable conditions for further advance, and we have also tried to anticipate the problems and difficulties that might arise.

During the period of the Seventh Five-Year Plan, we will continue the changeover of our strategy for economic development and our system of economic management from old models to new ones in accordance with the general requirement of building socialism with Chinese characteristics and with the basic principle of invigorating our domestic economy and opening to the outside world. To achieve our goals, we need to adopt the following guidelines:

— Give priority to reform and make sure that reform and development are adapted to and promote each other.

— Keep a basic balance between total social demand and supply and try to maintain a balance in state finance, credits, materials and foreign exchange and a general balance among these different sectors.

— Give top priority to improving economic results and especially product quality, and correctly

handle the relations between economic results and growth rates and between quality and quantity.

— Further rationalize the industrial structure so as to keep pace with the people's changing demand patterns and with the modernization of the national economy.

— Keep total investment in fixed assets within proper limits, rationalize investment patterns and accelerate the development of the energy, transport, telecommunications, and raw and semi-finished materials industries.

— Shift the emphasis of development to the technological transformation, renovation and expansion of existing enterprises, and have them expand reproduction chiefly by intensive means.

— Attach strategic importance to the advance of science and education, promote scientific and technological progress and speed up the development of intellectual resources.

— Open wider to the outside world and link the development of the domestic economy better with expanded economic and technological exchange with other countries.

— Further improve the material and cultural lives of both urban and rural residents on the basis of increased production and better economic results.

— Promote the cultural and ideological advance of socialist society while furthering its material progress.

— In all our efforts to build the country, maintain our tradition of hard work and thrift.

I. Major Tasks and Objectives for Economic Development

Chapter 1

Major Tasks

— The major tasks set by the Seventh Five-Year Plan are as follows:

1. To create a favourable economic and social environment and maintain a basic balance between

total social demand and supply, so as to facilitate the reform and to lay most of the groundwork for a new type of socialist economic structure with Chinese characteristics within the five years or a little longer.

2. To maintain a steady growth of the economy and, while controlling the scale of investment in fixed assets, vigorously push forward the construction of key projects, the technological transformation of enterprises and the development of intellectual resources, so as to prepare the materials, technology and trained personnel required for continued economic and social development in the 1990s.

3. To further improve the living standards of the people in town and countryside, on the basis of increased production and better economic performance.

Of the three closely interrelated tasks, the first is the most important.

The work of the Seventh Five-Year Plan period can be divided into two stages, the first two years comprising the first stage and the last three years the second. In the first stage, efforts in economic construction will be focused on reducing excessive investment in fixed assets and checking the precipitous rise in consumption funds, so as to strike a basic balance between total supply and demand. In economic structural reform, efforts will be made to enhance macroeconomic control in order to stabilize the economy. At the same time we shall try to further invigorate the large and medium-sized state enterprises and to develop lateral economic ties among them. In the second stage, these tasks having been accomplished, we will push forward economic structural reform and step up production and construction to fulfil all the other tasks set by the plan.

Chapter 2

Economic Growth Rate and Economic Performance

1. Total Output Value of Industry and Agriculture

The total value of industrial and agricultural output for 1990, calculated in terms of 1980 constant prices, will be 1,677 billion yuan, a 38 percent increase over 1985. This is an average annual increase of 6.7 percent. The breakdown of this total is as follows:

Total value of agricultural output will be 353 billion yuan, up 21.6 percent over 1985. This is an average annual increase of 4 percent (or 6 percent if the output value of village industries is included).

Total value of industrial output will be 1,324 billion yuan, up 43.4 percent over 1985. This is an average annual increase of 7.5 percent (or 7 percent if the output value of village industries is excluded). Of this total, the output value of light industry will be 661 billion yuan and that of heavy industry 663 billion yuan, both increasing at an average annual rate of 7.5 percent.

2. Gross National Product

Calculated in terms of 1985 prices, the 1990 GNP will reach 1,117 billion yuan, an increase of 44 percent over 1985, or an average annual increase of 7.5 percent. The breakdown of this figure is as follows:

The contribution to GNP of primary industry will be 306 billion yuan in 1990, a 22.9 percent increase over 1985, or an average annual increase of 4.2 percent.

The contribution to GNP of secondary industry will be 530 billion yuan, a 45.2 percent increase over 1985, or an average annual increase of 7.7 percent.

The contribution to GNP of tertiary industry will be 281 billion yuan, an increase of 71.3 percent over 1985, or an average annual increase of 11.4 percent.

3. Economic Performance

We shall systematically adopt international standards for important products and increase the number and variety of new products. The amount of energy, measured in tons of standard coal, required to produce each 10,000 yuan of national income will be reduced from the 1985 figure of 12.9 tons to 11.4 tons by 1990. National labour productivity is expected to rise by an average of 3.8 percent annually. In state enterprises and institutions, the proportion of investment in fixed assets for capital construction projects to be brought into operation will increase from 73.6 percent in the period of the Sixth Five-Year Plan to 75 percent in the period of the Seventh. The average turnover period for budgetary circulating funds of state-owned industrial enterprises will be shortened from 101 days in 1985 to 96 days in 1990.

Chapter 3

Generation and Distribution of National Income

1. National Income

In 1990, national income will reach 935 billion yuan, an increase of 38 percent over 1985, or an average annual increase of 6.7 percent.

Total consumption funds for the five years are set at 3,007 billion yuan, the average annual rate of consumption being 70 percent of national income. Total accumulation funds are set at 1,315 billion yuan, the average annual rate of accumulation being 30 percent of national income.

2. Consumption Level of Citizens

By 1990, the consumption level of citizens all over the country will reach 517 yuan per capita, an average annual increase of 5 percent. The average annual increase for urban residents will be 4.2 percent and that for rural residents 5.1 percent.

3. Scale of Investment in Fixed Assets

During the five-year period, the total amount of investment in fixed assets will be 1,296 billion yuan, of which 896 billion yuan will be invested in state enterprises and institutions, 160 billion yuan in

collective enterprises and 240 billion yuan in private enterprises in town and country.

Of total investment in fixed assets of state enterprises and institutions, investment in capital construction will amount to 500 billion yuan, investment in updating equipment and technological transformation to 276 billion yuan and that in other projects to 120 billion yuan.

The fixed assets of state enterprises are to grow by more than 600 billion yuan in five years.

Chapter 4

Finance and Foreign Exchange

1. State Revenues

State revenues in 1990 will come to 256.7 billion yuan. Total revenues for the five-year period will be 1,119.4 billion yuan, an increase of 437.6 billion yuan over the previous five-year period.

2. State Expenditures

State expenditures in 1990 will amount to 256.7 billion yuan. Total expenditures for the five-year period will be 1,119.4 billion yuan, and thus the budget will be balanced.

The major purposes of state expenditures will be as follows:

(1) To continue to guarantee the construction of key projects. The appropriations (including foreign loans) for capital construction in the five years will be 349.9 billion yuan, accounting for 31.3 percent of the total state expenditure.

(2) To develop intellectual resources with more appropriations. In the five-year period, operating expenses for education, science, culture, public health and sports will total 201.6 billion yuan, an average annual increase of 8 percent, which exceeds the growth rate of revenues from regular items.

(3) To promote reform of the price structure and the wage system.

Proper limits will be put on the growth of expenditures for national defence and administration.

3. Credit Receipts and Payments

The total credit available during these five years will increase by 474.5 billion yuan, while the total of credit actually used will grow by 574.5 billion yuan.

Credit will mainly be used to provide more loans for the circulating funds of industrial and commercial enterprises, for agriculture and for investment in fixed assets.

In accordance with the needs of expanded production and circulation of commodities, we will increase the issue of currency by an appropriate amount on the basis of growing savings deposits.

4. Foreign Exchange Receipts and Payments

According to figures supplied by the Ministry of Foreign Economic Relations and Trade, the nation's total turnover of import and export in 1990

will amount to US\$83 billion, a 40 percent increase over 1985.

While trying to earn more foreign exchange through export, we shall increase the amount earned from sources other than trade and economize on the use of all foreign currencies.

Chapter 5

Objectives for the Development of Science and Technology and of Education and Other Social Programmes

1. Scientific Research and Technological Progress

In the five years, the state will concentrate on 76 major scientific and technological research projects and 200 projects designed to develop technology and spread the use of significant research achievements. We shall try to attain major successes in new technological research projects that are of crucial importance and marked progress in the application of new technology to transform traditional industries. By 1990, the quality and properties of about 40 percent of our major industrial products will have reached the level of advanced countries in the late 1970s or early 1980s.

Vigorous efforts will be made to open up areas of new and high technology and to intensify applied and basic research.

We shall also conduct in-depth research in social sciences.

2. Development of Intellectual Resources

The system of nine-year compulsory education will be gradually introduced. In the next five years the number of students graduating from full-time vocational and technical schools at the senior middle school level will increase by 110 percent over the period of the Sixth Five-Year Plan.

The number of graduates of regular or special courses in institutions of higher education will increase by 70 percent as compared to the preceding period, and the number of those who have completed postgraduate work by 350 percent. Various forms of adult higher education will be expanded.

We shall also expand part-time training for cadres, workers and peasants by diverse means.

3. Other Social Programmes

We shall try to keep the average annual population growth rate at around 12.4 per thousand.

About 29 million new jobs will be provided in cities and towns in the five years.

We shall take more effective measures for labour protection and gradually introduce or improve systems of social benefits to meet the needs of the new situation.

We shall add 400,000 beds in hospitals above the county level.

We shall further improve the use of land,

exploit and utilize natural resources more rationally and control pollution more effectively.

We shall further expand all cultural and sports undertakings.

II. Industrial Structure and Policies

Chapter 6

Targets and Principles for Readjustment of Industrial Structure

1. While promoting all-round developments of agriculture and steady growth in light and heavy industry, we shall emphasize improving the internal structure of all three sectors.

2. We shall speed up the development of the energy and raw and semi-finished materials industries and at the same time appropriately control the growth of ordinary processing industries, so that the two kinds of industries develop in better proportion.

3. Priority will be given to the development of transport and communications.

4. Vigorous efforts will be made to expand the building industry.

5. We shall accelerate the development of tertiary industry, which serves production and meets people's everyday needs.

6. We shall work hard to improve traditional industries and products by introducing new technologies, to develop knowledge- and technology-intensive products according to established priorities, to open up new areas of production and to promote in a planned way the creation and development of a number of new industries.

By 1990 the relative proportions of the major sectors of the economy will be as follows:

—Of the total value of industrial and agricultural output, the proportion contributed by agriculture will drop from 23.9 percent in 1985 to 21 percent. The proportion contributed by light industry will rise from 38 percent to 39.4 percent and that of heavy industry will rise from 38.1 percent to 39.6 percent.

—Of the Gross National Product, the proportion contributed by tertiary industry will increase from 21.3 percent in 1985 to 25.5 percent, while that of primary and secondary industry taken together will drop from 78.7 percent to 74.5 percent.

Chapter 7

Agriculture

Section 1. Primary Tasks and Targets

During the Seventh Five-Year Plan period, we shall continue to consider agriculture the foundation of the national economy and to promote the all-around development of the rural economy.

Section 2. Structure of Rural Production

The following changes in the structure of rural production are anticipated by 1990:

—Of total agricultural output value (not counting the products of village industries), the proportion contributed by crop farming will drop from 66 percent in 1985 to 62 percent, while that contributed by forestry, animal husbandry, aquatic and sideline production will rise from 34 percent to 38 percent.

—Of total output value in rural areas, the proportion contributed by agriculture will fall from 57.7 percent in 1985 to 51 percent, while that contributed by industry, construction, transport, commerce and service trades will rise from 42.3 percent to 49 percent.

(1) Crop Farming

We shall continue to act on the principle that we must never relax our efforts to increase grain production and to develop a diversified rural economy. Targets for average annual output of the main crops are as follows:

Grain: 415 million tons (425-450 million tons in 1990), which represents an increase of 12 percent over the period of the Sixth Five-Year Plan.

Cotton: 4.25 million tons (4.25 million tons in 1990), which is slightly less than the average annual output during the preceding period.

Oil-yielding crops: 17.12 million tons (18.25 million tons in 1990), or 42 percent more than during the preceding period.

Sugar-yielding crops: 63.85 million tons (68.75 million tons in 1990), or 40 percent more than during the preceding period.

To fulfill the grain production quota, we will make sure that land allocated for the purpose is not reduced and we will strive to raise per-unit yield. Cash crops will be produced in accordance with changes in market supply and demand. Adequate land will be reserved for growing vegetables in city suburbs. Cities will depend mainly on their suburbs for vegetables, drawing additional supplies from the distant outskirts and trading with other areas. Land planted to fodder and to crops that are designed to add nutrients to the soil will be increased.

(2) Forestry

Our principle is to continue to stress afforestation. In five years 27.70 million hectares of land throughout China will be planted to trees so that total forest cover will increase from 12 percent in 1985 to 14 percent in 1990.

We shall plant trees on uncultivated mountains, hills and waste land and protect them by restricting access to forests. We shall continue to build shelterbelts in the northwest, north and northeast, and we shall afforest the areas along the upper and middle reaches of the Changjiang (Yangtze) River to conserve water and prevent soil erosion. We shall accelerate afforestation on the plains in drainage areas of rivers and streams and to

plant trees on the fringes of villages, along rivers and roads and around homes. We shall exercise more effective government administration over forestry and put a stop to destructive lumbering.

(3) Animal Husbandry

In 1990 targets for the output of major animal products are as follows:

Meat: 22.75 million tons, an increase of 19.7 percent over 1985.

Milk: 6.25 million tons, a 2.1-fold increase over 1985.

Eggs: 8.75 million tons, an increase of 65 percent over 1985.

In developing animal husbandry, we shall place equal emphasis on farming and pastoral areas and encourage peasants and specialized households to breed livestock, supplemented by the state and collectives in the endeavour. As animal husbandry increases, we shall focus on improving breeds to increase their marketability. An animal husbandry network will be gradually established on the outskirts of large and medium-sized cities, combining stock breeding, fodder production, livestock raising, processing of animal products and consultant services. We shall promote the development of pastures and make better use of the grassy hills and slopes in south China.

(4) Aquatic Production

We shall continue to develop aquiculture, fishing and processing simultaneously, with emphasis on the first, but there will be different priorities in different areas. The target for output of aquatic products in 1990 is 9 million tons, an increase of 29 percent over 1985.

(5) Township Enterprises

In 1990, the total output value of township enterprises is expected to be 460 billion yuan, a twofold increase over 1985.

We should actively support the development of township enterprises, plan them rationally, give them correct guidance and improve their management.

In setting up township enterprises, all localities should rely mainly on their own accumulated funds and undertake only such projects as are within their capacity. They should make steady advances, avoid acting blindly, and ensure that they do not pollute the environment.

Section 3. Water Conservancy and Meteorology

(1) Water Conservancy

We shall continue to increase flood-control capability for the Huanghe (Yellow), Huaihe, Haihe, Changjiang, Zhujiang (Pearl), Liaohe and Songhua rivers, particularly in their major sections. We shall initiate in the East the first phase of a project to divert water from south to north China, so as to relieve shortages of water for industrial and agricultural uses in Beijing, Tianjin and Hebei Province.

We shall carry out new water control projects at selected places in the valleys of small and medium-sized rivers. We shall also strengthen the management of existing projects and provide them with all supporting facilities to make them more effective.

(2) Meteorology

In the five years we shall build a system for gathering meteorological data by a polar-orbiting weather satellite for their processing and for transmitting the resultant information and put up a radar network to monitor rainstorms along the Changjiang River valley. We shall also complete most of the construction for national, regional and interprovincial communications networks for the meteorological service. We shall also accelerate the building of a mid-range weather forecasting system.

Section 4. Major Policies and Measures

We shall further develop different forms of the responsibility system linking remuneration with output, and different forms of co-operation and joint management between undertakings on the basis of voluntary participation and mutual benefit. We shall continue to reform the agricultural planning system and the system of unified and fixed state purchasing of farm products. We shall improve the soil; spread the use of fine crop strains; improve agricultural techniques, operations and management; increase supplies of chemical fertilizers, pesticides, plastic sheeting, farm tools and electricity in the rural areas; and promote mechanization. We shall increase state investment in agriculture, with emphasis on infrastructural facilities, at the same time expand accumulation of funds in agriculture.

Chapter 8

Consumer Goods Industry

Section 1. Basic Tasks

To accommodate the people's rising consumption levels and changing consumption patterns, we shall vigorously promote an all-round development of the consumer goods industry. It is expected that in 1990 output of consumer goods will be 40 percent greater than in 1985.

Section 2. Development of Major Sectors

(1) Sugar, Tobacco and Beverage Industries

In 1990 the output of these products is expected to be as follows:

Sugar: 5.5-6.0 million tons, an increase of 23.6-34.8 percent over 1985.

Cigarettes: 26 million cartons, an increase of 10.6 percent over 1985.

Beer: 6.5 million tons, 2.1 times the amount produced in 1985.

Soft drinks: 3 million tons, a three-fold increase over 1985.

We shall carry out technological transformation of existing sugar refineries and build a number of new ones to increase capacity by 1.6 million tons. We shall transform, renovate and expand a number of cigarette factories so as to improve quality and increase the proportion of low-tar and filter-tipped cigarettes. Beer production capacity will be increased by 3.5 million tons in the five years.

(2) Textile and Garment Industries

— **Chemical fibre industry.** The target output of chemical fibres for 1990 is 1.45 million tons, an increase of 500,000 tons over 1985. Production capacity will increase by 870,000 tons in the five years.

— **Cotton textile industry.** The target output of cotton yarn for 1990 is 21.5 million bales and of cotton cloth 16.2 billion metres. The total number of open-end spinning heads will increase by 420,000 in the five-year period, and the number of modern looms will go up by 13,000. In addition, 2.5 million spindles will be renovated.

— **Wool and linen industry.** Priority will be given to the development of wool-blend fabrics and coarse woollen fabrics.

— **Silk industry.** Emphasis will be placed on greater variety, quality and intensive processing.

— **Knitwear industry.** Efforts will be made to produce more cotton and cotton-blend knitwear and to increase the proportion of such products in the total output of the textile industry.

— **Garment industry.** For 1990 the target output of garments is 2.8 billion pieces, an increase of 65 percent over 1985.

(3) Durable Consumer Goods Industry

In 1990, most of the components for television sets, refrigerators and washing machines will be produced domestically. In terms of both technical and economic norms, the components produced by most factories will match those of the developed countries. The 1990 output of television sets is expected to reach 15 million, of which 5 million will be colour sets, 22 percent more than in 1985. The planned output of household refrigerators is 6.5-7.5 million, 4.7-5.4 times more than in 1985. Twelve million household washing machines will be produced, or 36 percent more than in 1985.

(4) Other Light Industries

The 1990 output of machine-made paper and cardboard is expected to be 10 million tons, or 21 percent more than in 1985. Paper-making capacity will increase by 2 million tons in the five years. The output of detergent is expected to be 1.4 million

tons, an increase of 40.6 percent over 1985. Efforts will be made to produce other products, including various small articles for daily use, in accordance with market demand and available resources.

Section 3. Major Policies and Measures

We shall give greater scope to the regulating role of price policies, gradually widening the price gap between top quality products and average quality products. We shall thus help increase the varieties of products, improve their quality and develop new ones. In providing loans, allocating foreign exchange and supplying energy, raw and semi-finished materials and means of transport, we shall give priority to production of those goods for which there is greatest demand. A number of centres for the production of raw materials for the textile industry and other light industries will be built systematically. Associations of related enterprises will be organized around key enterprises.

Chapter 9

Energy

The target for total output of non-renewable energy in 1990 is the equivalent of 991 million tons of standard coal, representing an increase of 150 million tons over 1985 and an average annual growth rate of 3.4 percent. The equivalent of 100 million tons of standard coal will be saved in five years.

Section 1. Power Industry

This 1990 target for national output of electricity is 550 billion kw., 142.7 billion more than in 1985. In the five-year period, power generating capacity will be increased by 60-65 million kw., of which hydropower will account for 18.8 million kw. Generator installations with a total capacity of 30-35 million kw. will be put into operation; this figure includes 8 million kw. of hydropower.

A number of thermal power plants will be built in the major coal producing areas, coastal areas and areas that consume a great deal of electricity. Several big hydropower stations will be built along the upper reaches of the Huanghe River, the upper and middle reaches of the Changjiang River and its major tributaries and of the Hongshui River. Medium-sized hydropower stations will be built in northeast and east China and in other regions. Nuclear power stations will be built at selected places. Efforts will be made to strengthen regional power grids.

The main policies and measures in this connection will be the following: All localities, departments and enterprises will be encouraged to pool funds to build power stations. The price lever will be used in regulating the supply and demand for electricity. Investment in the capital construction of state-planned power projects will be made by the

Ministry of Water Resources and Electric Power, control of the supply and distribution of electricity and of power grids will be tightened.

Section 2. Coal Industry

In 1990, total coal output is expected to reach one billion tons, or 150 million more than in 1985. In the five-year period, new mines will be opened with a planned production capacity of 318 million tons, of which 167 million tons will actually be produced by those that have been completed.

The geographical distribution of this new capacity will be as follows:

—North China: 111.5 million tons, of which 70.85 million will actually be produced.

—Northeast China and eastern Inner Mongolia: 65.65 million tons, of which 36.86 million will actually be produced.

—East China: 62.96 million tons, of which 26.26 million will actually be produced.

—Central-south China: 20.26 million tons.

—Southwest China: 10.5 million tons.

—Northwest China: 16.65 million tons.

The principal policies and measures will be as follows: Those coal mines whose products come under unified state distribution will be required to take overall responsibility for their input and output, so that they will try to produce more with less input. The emphasis in construction will be placed on technological transformation, renovation and expansion of existing coal mines. We shall continue to build small, medium-sized and large mines, especially the two former. Localities and departments will be encouraged to pool funds to operate coal mines. Assistance will be given to the construction of selected small and medium-sized local coal mines.

Section 3. Petroleum Industry

In 1990, the total output of crude oil is expected to reach 150 million tons, an increase of 25 million tons over 1985. The planned output of natural gas is 15 billion cubic metres, 2.14 billion more than in 1985. During the five years, oil extracting capacity is to increase by 60 million tons and natural gas extracting capacity by 3 billion cubic metres.

Principal policies and measures will be as follows: The practice of allowing enterprises to dispose of all oil they may produce in excess of their annual quotas will be continued. Efforts will be made to renovate and expand old oil fields and to provide them with all supporting facilities. Managerial expertise and advanced technology will be imported and assimilated. We shall accelerate the prospecting for and development of natural gas, so as to reduce our lopsided reliance on oil.

Section 4. Energy Conservation and Reduced Use of Oil for Fuel

Further efforts will be made to launch technological transformation projects with a view

to conserving energy. In the five years the state will build a number of key energy-saving projects. It will also build technologically advanced demonstration projects to set an example of low energy consumption combined with high economic performance. We shall experiment with more new techniques, technologies, equipment and materials and bring into widespread use those which save large amounts of energy.

In the period of the Seventh Five-Year Plan, efforts will be made to reduce the consumption of fuel oil by a planned total of 10 million tons. In 1980 40 percent of all oil produced was consumed in the form of fuel; it is anticipated that in 1990 only about 18 percent of the total will be so used.

Section 5. Rural Energy Resources

We shall encourage conservation of energy resources in rural areas. We shall try to spread the use of firewood- and coal-saving stoves and of methane-generating pits and to develop fuel forests. More small hydropower stations will be built in rural areas where there are sufficient water resources. Solar wind and geothermal energy will also be exploited.

Chapter 10

Raw and Semi-Finished Materials Industries

Section 1. Objectives

The targets for the output of major products in 1990 are as follows:

—Steel: 55-58 million tons, an increase of 17.9-24.3 percent over 1985;

—Rolled steel: 44-46.5 million tons, an increase of 19.6-26.4 percent;

—Chemical fertilizers: 16.3 million tons, an increase of 22.1 percent;

—Soda ash: 3.5 million tons, an increase of 75 percent;

—Ethylene: 1.2-1.4 million tons, an increase of 84.3-115 percent; and

—Timber: 68-72 million cubic metres, an increase of 7.8-14 percent.

The economic performance of these major industries will reach a new high.

Section 2. Construction Plans

We shall upgrade a number of key iron and steel projects and mining projects and build new ones so that the major equipment of all these projects is up to the level reached by developed countries in the late 1970s. Over the five years, we plan to increase steel-making capacity by 15 million tons, iron-smelting capacity by 12 million tons, rolling capacity by 14.5 million tons and iron-ore mining capacity by 42 million tons.

We shall promote production of three major synthetic materials. In the five-year period, the

newly added production capacity for ethylene and synthetic resins will be 930,000 tons and 1,250,000 tons respectively, for synthetic rubber 100,000 tons and for synthetic fibre 180,000 tons.

We shall continue to give priority to the production of aluminium and to promote production of lead, zinc and copper. We shall arrange the production of tin, a traditional export, and other minerals that have been in short supply at home. In the five-year period the capacity to produce oxidized aluminium will be increased by 1,110,000 tons and the capacity to produce electrolytic aluminium by 420,000 tons.

We shall readjust the relative amounts of different fertilizers produced. We shall increase output of soda ash and other raw materials for basic industrial chemicals, promote the production of refined industrial chemicals and explore the production of new ones. In the period, we plan to increase our production capacity for nitrogenous fertilizer by 1.2 million tons, phosphate fertilizer by 730,000 tons, and soda ash by 2,600,000 tons.

We shall raise the efficiency of existing oil refining equipment and improve intensive processing. In the next five years we expect to achieve the capacity to process an additional 22.5 million tons of crude oil and to reprocess an additional 24 million tons.

We shall expedite the growth of the lumber industry and work hard to increase its output. We expect that output to be increased by 3.04 million cubic metres in five years. By 1990 the output of composition board will come to 2 million cubic metres.

Section 3. Major Policies and Measures

We shall institute different forms of the contract system, under which enterprises are responsible for their own input and output. We shall gradually reduce the quantity and variety of products covered by mandatory plans. When possible, we shall import more raw materials and semi-finished products to be processed domestically. Localities, departments and enterprises will be encouraged to engage in raw and semi-finished materials industries. We shall systematically raise the prices of raw and semi-finished materials that are too low and price chemical fertilizers according to quality and seasonal demand. We shall use metals more efficiently, cut back consumption quotas for raw and semi-finished materials, develop substitute materials and do a good job of recovering and recycling waste materials.

Chapter 11

Geological Prospecting

We shall speed up mineral surveys and evaluation of reserves. We shall increase prospecting for oil, natural gas and coal and try to verify new reserves of these as well. We shall

improve the general survey of gold, silver, copper, aluminium, lead, zinc, tin, sulphur, borax and other mineral ores and try to locate additional exploitable reserves. At the same time, we shall promote work in hydrogeology and engineering geology and lay a solid foundation for geological work and research.

To accomplish all this, we will have to reform the management system for geological work and encourage the initiative of the geological teams. Localities, departments and enterprises should be compensated for the use of their geological prospecting results, so they will be encouraged to raise funds for projects in this field. We shall gradually introduce on a trial basis the system of bidding on geological work. We shall assemble a crack contingent of highly competent, mobile geological workers, build bases for field teams and gradually improve their working and living conditions. The technological level of geological prospecting will be raised and equipment upgraded.

Chapter 12

Machine-Building and Electronics Industries

Section 1. Objectives and Plans for Production and Construction

It is planned that by 1990 the total output value of China's machine-building and electronics industries will be 50 percent greater than that of 1985. The major products of key enterprises should be manufactured according to international standards, so that in terms of quality half of such products will have reached the level attained by industrially developed countries in the late 1970s or early 1980s. Integrated circuits, computers, communications equipment, software and other products will be up to advanced world standards. Efforts will be made to open up the world market so as to substantially increase the export of mechanical and electronics products. The specific plans are as follows:

To meet the need for increased production and conservation of energy, we shall promote the manufacture of power, mining and oil equipment. We shall bring our annual power generating capacity up to 10 million kw, and build the corresponding equipment for transmission and transformation. We shall increase our capacity to produce power station boilers, ancillary generators, etc., which are now in short supply. We shall try to develop complete sets of equipment for 20-million-ton class opencut mines, equipment for underground mining, multi-purpose mining equipment, and equipment for large coal-washing plants and for large ore-dressing plants. We shall develop whole sets of oil drilling equipment and gradually learn how to manufacture key equipment for offshore oil exploration and for intensive oil processing. We shall develop new energy-efficient mechanical and electronics products to replace those that are energy-wasteful.

To speed up the development of transport services, we shall expand the production of transport equipment, making the manufacture of automobiles an important support industry. In 1990, we expect to produce 560,000 automobiles of all kinds, with production techniques for major models up to the level reached by developed countries in the early 1980s. We shall expand the production of rolling stock and raise our standards of commercial ship-building. We shall increase the manufacture of passenger and freight planes for use on domestic airlines as well as planes for specialized purposes.

To stimulate the raw and semi-finished materials industries, we shall accelerate the manufacture of equipment for the metallurgical, chemical and building materials industries. In co-ordination with the building of the second-stage project of the Shanghai Baoshan Iron and Steel Corporation, we shall manufacture modular sets of heavy metallurgical equipment. We shall also provide complete sets of advanced equipment, including continuous casting machines, rolling mills and blast furnaces, for the technological transformation, renovation or expansion of key iron and steel plants. To facilitate similar modernization undertaken by enterprises in the chemical industry, we shall provide modular sets of equipment for ethylene processing and for the production of chemical fertilizers, gas for urban use, soda ash and refined industrial chemicals. We shall promote the manufacture of plastics processing machinery and provide mechanized vertical kiln equipment for the technological transformation of small cement plants.

To foster new industries, we shall speed up the development of the integrated circuits, computer, communications equipment and software industries. We shall build bases for scientific research on and manufacture of integrated circuits and bring them into widespread use. We shall stress production of micro-computers and their peripheral equipment and at the same time develop computers of all sizes, including industry computers. We shall make greater efforts to develop and manufacture modern communications equipment, with emphasis on optical-fibre and terminal equipment. We shall work out policies for developing application software for computers.

To serve the needs of an expanded rural economy and the technological transformation of major industries, we shall organize the manufacture of farm machinery and machines for other specialized purposes.

To facilitate the technological transformation and expansion of the machine-building and electronics industries, we shall accelerate the development of basic machinery, meters and other instruments as well as of basic machine parts and electronic components.

We shall also try to increase the manufacture of mechanical and electronic products that are

designed to raise living standards and to serve social development.

Section 2. Major Policies and Measures

Except for a few special enterprises, all machine-building and electronics enterprises will be placed under the administration of large or medium-sized cities. The enterprises will be given operating and managerial powers. It is essential to closely link management of these industries with management of the urban economy. We shall draw up regulations governing responsibility for the quality of products and strictly enforce them, setting up a regular system of quality control. We shall make unified plans for the technological transformation of the machine-building and electronics industries and for the introduction and development of new technologies in those fields. We shall promote co-ordination among specialized departments, step up scientific research and enhance our capacity to develop new products.

Chapter 13

Building and Building Materials Industries

The total output value of the building industry in 1990 is expected to be 229 billion yuan, an increase of 40 percent over 1985.

The target for total cement output in 1990 is 180 million tons, a rise of 26.4 percent over 1985. While promoting production of plate glass for windows, we shall explore new varieties of intensively-processed glass, such as large-sheet armoured glass, stained glass and heat-absorbent glass. We shall upgrade ceramic bathroom fixtures and increase their variety. We shall develop new varieties of building materials for decoration, remodeling, panelling and ceilings. We shall also expand demonstration production lines of aerated concrete, building blocks and other partition materials that conserve energy and are made of waste materials. More use will be made of silicate and non-metallic minerals.

Chapter 14

Transport and Post and Telecommunications

Section 1. Objectives and Policies Of Development

In 1990, the total volume of freight carried by all means of transport is expected to be 9.4 billion tons, an increase of 44.6 percent over 1985. Of this, freight handled by transport departments will amount to 3.7 billion tons, a rise of 35 percent over 1985, or an annual increase of 6.2 percent. The anticipated passenger volume will be 8.5-9.0 billion persons, an increase of some 60 percent.

Target figures for the various sectors are as follows:

Volume of rail freight: 1.6 billion tons, an

increase of 25.5 percent over 1985. Number of passengers carried by rail: 1.4 billion, an increase of 36.4 percent.

Volume of freight handled by ships and barges: 600 million tons, up 23.2 percent from 1985. Passengers carried by water: 299 million, 12.3 percent more than in 1985.

Handling capacity of coastal harbours: 500 million tons, an increase of 51.5 percent over 1985.

Volume of freight moved by highway transport departments: 900 million tons, an increase of 38.5 over 1985.

Volume of air freight: 2.5 billion ton-kilometres, nearly double that of 1985.

Total post and telecommunications business: 5 billion yuan, an increase of 70.1 percent over 1985.

To attain these objectives, we shall adopt the following policies and measures: (1) Continue to operate transport and telecommunications services with funds raised by the state, collectives and individuals. Where conditions permit, encourage localities and departments to build harbours and piers for specialized use or establish airlines, with their own resources or with pooled funds. (2) Step up technological transformation, renovation and expansion of existing facilities to maximize their effectiveness. (3) Organize road transport to relieve the pressure on railways, link up river and ocean shipping and various means of relay transport. Promote container traffic and raise the efficiency and quality of transport services by land, water and air. (4) Continue to work steadily on structural reform. Civil airlines and post and telecommunications departments will be allowed to retain 90 percent of their profits for their own use. A system will be established by which railway departments contract with the state to provide specified services and are responsible for their own profits and losses. Harbour authorities will make further efforts to separate the functions of government from those of enterprises. We shall continue to readjust charges for transport and postal and telecommunications services appropriately.

Section 2. Transport Networks

To facilitate the transport of coal, it is essential to set up a transport network based on railways and incorporating highways, water routes and port facilities. To implement the policy of opening to the outside world and to link the coastal cities by maritime shipping, we have to set up another transport network, based on harbours and incorporating rail, highway, water and air routes. To meet the demands of substantially increased passenger traffic, and to take the pressure off trains, we have to increase travel by highway and expand the capacity of rail, water and air transport.

We shall build a number of new airports, especially in the coastal cities opening to the outside world, and expand existing ones.

In the five-year period, we plan to complete 3,600 kilometres of new trunk railway lines, to double-track 3,300 kilometres of railways and to electrify 4,000 kilometres. We plan to build more than 1,600 kilometres of high-speed first-class highway and 10,000 kilometres of second-class highway. We plan to dredge 5,000 kilometres of inland river routes and to build and put into operation 120 deep-water berths and 80 small and medium-sized ones, thus increasing the cargo-handling capacity of ports by 200 million tons.

Section 3. Post and Telecommunications

During the period of the Seventh Five-Year Plan, China will install an additional 2.5-3.0 million telephones. A system of automatic or semi-automatic connections for long-distance calls between certain cities will be introduced. These will include provincial capitals, economic centres, coastal cities opening to the outside world and prefectures and municipalities in the economically developed eastern region. At the same time, domestic and international telecommunications and postal services will be actively developed.

Chapter 15

Commodity Circulation

Section 1. Circulation of Consumer Goods

It is projected that in 1990 the volume of commodity retail sales will be 646 billion yuan, 50 percent greater than in 1985, or an average annual increase of 8.5 percent. Of this total, sales of consumer goods will amount to 574 billion yuan, an increase of 51.5 percent over 1985, or an average annual growth of 8.7 percent.

To maintain a basic balance between the supply and demand for consumer goods, we have to do the following. We must ensure the fulfilment of the purchasing and distribution plans for a few farm and sideline products, such as grain, cotton and oil-yielding crops, that are vital to the national economy and the people's daily life. As for those farm products for which the system of unified and fixed state purchase has been abolished, state commercial departments must control their sources to make sure that adequate supplies reach the market. Purchase and supply of manufactured consumer goods must also be carried out properly. Controls must be further relaxed and channels of circulation must be unclogged. State commercial departments must control wholesale marketing of commodities that are in short supply so as to keep prices and the market stable. We must improve the forecasting of market demand and publish timely commercial predictions as guides to production and consumption. We must speed up the development of commercial enterprises. In 1990 we expect to have 25 million of them, including retail stores,

Economic Development of the Eastcoast Region**Section 1. Objectives and Tasks**

restaurants, snack bars and service shops, or double the number in 1985. Fifty million people will be employed in these trades, again nearly twice as many as in 1985. Political and ideological work among them will be enhanced so that they will improve their attitude and offer better services.

Section 2. Circulation of Means of Production

While improving the overall balance of distribution of important materials and providing guidance for the distribution of other materials, we shall systematically cut back the number of them that are subject to distribution under state plans. We shall thus reduce the proportion of total social resources that is allocated by the state and expand the proportion covered by guidance planning and market regulation. We shall gradually improve the present system, according to which means of production are allocated by the state to administrative departments and regions, and let large and medium-sized cities organize their circulation, thus expanding the market for them. The state will improve the handling of means of production under its direct control. Those enterprises which refuse to accept orders in accordance with the state's distribution and allocation plans, or which fail to deliver goods according to contracts signed with the state, will be called to account and deprived of the right to sell their own products.

Section 3. Market Management

Registration and licensing will be strictly enforced. Small retailers operating without a business licence and corporations and warehouses which have failed to register with the proper authorities will not be tolerated. It is forbidden to raise prices at will or by deceptive means. Illegal practices such as tax evasion, giving short weight and jacking up prices must be stopped. Fake merchandise and products that are inferior in quality or not up to health standards must be removed from the market according to law.

III. Geographical Distribution and Policy For Regional Economic Development

In developing China's regional economy, we must establish correct relations among the eastcoast, central and western regions. During the period of the Seventh Five-Year Plan and in the 1990s, we must speed up development in the eastcoast region, concentrate on building the energy and raw and semi-finished materials industries in the central region, and make active preparations for further development in the western region. We shall co-ordinate the continued advance of the eastcoast region with the development of the central and western regions, so that all three can support each other and promote each other's progress.

In the eastern region, the emphasis will be on technological transformation of traditional industries and existing enterprises and on creation of new industries. Knowledge-and technology-intensive industries and consumer goods industries will be developed to turn out advanced, high-grade, high-precision new products. We shall accelerate the development of special economic zones, coastal cities and other areas opening to the outside. These will gradually become our bases for conducting foreign trade, for training senior technical and managerial personnel and sending them to other parts of the country, and for disseminating new technologies and providing information and consultant services throughout the country.

The main tasks are: To raise the technological level of existing industrial enterprises and to upgrade and update their products; to develop energy resources and improve the transport network, so as gradually to ease the shortage of energy and the strain on transport; to expand agricultural production and readjust the structure of rural production; to expand tertiary industry, which serves production and people's daily life, in particular consultant services, banking, insurance and information services and to set up markets for manufactured items of everyday use and for farm and sideline products, as well as trading centres for means of production and for import and export commodities; and to promote tourism.

Section 2. Major Policies and Measures

(1) We shall quicken the pace of technological transformation of existing enterprises, with emphasis on those in Shanghai, Tianjin, Shenyang, Dalian and other old industrial cities and bases. At the same time, we shall make the best use of foreign funds from all sources, including overseas Chinese, to introduce advanced technologies that we can apply and key equipment that we need.

(2) We shall apply the special preferential policies to develop, in a selective and systematic way, the special economic zones and coastal cities and other areas opening to the outside.

(3) We shall curtail the development of industries which consume large amounts of energy, materials and transport capacity or which cause serious pollution by gaseous, liquid or solid wastes.

(4) We shall gradually transfer manufacture of ordinary products to areas having abundant energy resources and supplies of raw and semi-finished materials. We shall promote the manufacture of products that can bring in more foreign exchange earnings through export.

(5) We shall master and assimilate imported

advanced technologies, developing and applying them at home.

Chapter 17

Economic Development of the Central Region

Section 1. Objectives and Tasks

In the central region, we shall speed up the construction of the power generating, coal mining, petroleum, nonferrous metals, phosphate mining and building materials industries. In the cities and areas that are comparatively well developed, we shall promote knowledge- and technology-intensive industries and new industries. We shall vigorously develop agriculture in order to ensure steady growth in the output of grain and cash crops.

Our major tasks in this region are as follows: We must accelerate the development of the energy and raw and semi-finished materials industries. The target for coal output in 1990 is a minimum of 580 million tons, an increase of more than 20 percent over 1985. For electrical generating capacity the 1990 target is 200 billion kwh., an increase of nearly 40 percent over 1985. Production capacity for crude oil is to increase by at least 20 million tons in five years. By 1990, and in that year the output of steel is to total 16.80-17.85 million tons and that of rolled steel 13.90-14.80 million tons. We must step up the technological transformation of existing enterprises in the machine-building industry, to increase their productive capacity. We must fully realize the potential for increasing agricultural production and establish a number of commodity production bases for grain, soybeans, oil-yielding crops and sugar-yielding crops. Vigorous efforts must be made in afforestation, in the development of animal husbandry and the processing of animal products. We must develop the areas along the middle reaches of the Changjiang River, so that they can play an important role in stimulating progress in the western region.

Section 2. Major Policies and Measures

We shall appropriately increase investment in the development of the energy and raw and semi-finished materials industries in the central region. We shall try to master and assimilate advanced technologies and managerial expertise introduced from foreign countries and to promote economic ties with the other regions. The central region will receive in a planned way those industries that are to be transferred from the eastern region because they consume large amounts of energy or of raw or semi-finished materials. We shall help to develop local mining industries and step up the construction of transport lines connecting with the eastern region.

Chapter 18

Economic Development of The Western Region

Section 1. Objectives and Tasks

In the western region, we shall work to develop farming, forestry, animal husbandry and transport. We shall increasingly exploit energy and mineral resources on a selective basis and promote processing industries where local conditions permit. In cities and areas where the economic and technological level is relatively high, existing enterprises will undertake technological transformation.

The major tasks in this region are as follows:

— To protect land reserved for growing grain, raise per-unit yield and annually reduce the amount of grain imported from other parts of the country;

— To speed up the development of grasslands and pastoral areas, planting more trees and grass so as to improve the ecological environment and facilitate animal husbandry;

— To accelerate the electrification of existing rail trunk lines and the construction of new lines connecting the western region with the other two;

— To build more highways and open up new airline routes to sparsely populated areas;

— To take advantage of the production capacity and high technology of defence industries and speed up the transfer of military technologies to civilian industries, encouraging their widespread use;

— To open up areas for exploiting energy and mineral resources along the middle and upper reaches of the Huanghe River and the upper reaches of the Changjiang River;

— To develop the Sichuan-Yunnan-Guizhou border area, so that it will gradually become a base for the production of energy and raw and semi-finished materials; and

— To develop the Urumqi-Karamai region so as to make it an important industrial centre of Xinjiang.

The targets set for the western region in 1990 are:

— Electricity: a minimum of 93 billion kwh.;

— Coal: a minimum of 180 million tons;

— Crude oil: a minimum of 8 million tons;

— Steel: 7 million tons;

— Phosphate fertilizers: 500,000 tons;

— Grain: a minimum of 90 million tons;

— Meat: 5.6 million tons;

— Cured tobacco: 700,000 tons; and

— Additional afforested areas: 1.74 million hectares.

Section 2. Major Policies and Measures

We shall raise the level of general and scientific knowledge of the people of various nationalities so as to train enough personnel for future development. We shall put more effort into general geological surveying and prospecting, so as to obtain data on exploitable mineral reserves and the hydrogeological and engineering-geological data necessary for large construction projects. We shall broaden the scope of co-operation and association with the central and eastern regions and increase exchanges among different areas and districts within the western region. We shall speed up the construction of frontier market towns and expand foreign trade and small-scale trade along the frontiers. We shall continue to give preferential treatment to the western region as in the period of the Sixth Five-Year Plan, and will take fresh measures to accelerate the development of education and of the transport, energy and mining industries there.

Chapter 19

Economic Development of Old Revolutionary Base Areas. Areas Inhabited by Minority Nationalities, Frontier Areas and Poverty-Stricken Areas

Section 1. Old Revolutionary Base Areas

We shall develop transport services to promote the commodity economy in mountainous regions, and we shall build up farming, forestry and animal husbandry there as soon as possible. At the same time, in accordance with local conditions we shall develop aquaculture and processing industries for farm and animal products. Small iron and coal mines and hydropower stations will be built in accordance with local resources. Developed areas should take the initiative in helping the old revolutionary base areas develop economically.

Section 2. Minority Nationality Areas

We should take full advantage of the abundant natural resources in these areas. We shall improve conditions for farming and animal husbandry, increase grain output, step up the development of pasture land by planting trees and grass, and gradually create a balanced ecological environment. We shall push forward the development of the energy and raw and semi-finished materials industries and improve transport facilities. We shall promote trade among different nationalities and encourage the production of articles of daily use to meet the special needs of minority peoples. We shall accelerate the construction of educational and cultural facilities in these areas.

Section 3. Frontier Areas

We shall work hard to promote farming, forestry, animal husbandry, sideline production and local industries in the frontier areas and foster small-scale trade along the frontiers where conditions permit.

Section 4. Major Policies and Measures

The state will continue its policy to provide funds to aid the old revolutionary base areas, areas inhabited by minority nationalities, frontier areas and poverty-stricken areas. It will continue to reduce taxes levied on the people in these four types of areas. We shall also mobilize the appropriate departments and units in economically developed cities and areas to give assistance to their counterparts there.

Chapter 20

Regional Co-operation and Networks of Economic Zones

Section 1. Regional Co-operation

(1) Plans of regional co-operation should be drawn up so that they can be co-ordinated with the state plan. We shall proceed from the principle of dividing responsibility for regional co-operation between the central and local authorities, the latter having the larger share.

(2) We shall encourage localities and departments to launch joint construction projects which are badly needed by the state. In allocating investment, the state will give special consideration to construction projects in the fields of energy, transport and raw and semi-finished materials.

It is imperative to work out appropriate methods of management and to formulate laws and regulations governing the management of jointly-owned and jointly-operated domestic enterprises.

Section 2. Networks of Economic Zones

(1) We shall accelerate the formation and expansion of a national network of economic zones. These will include the Shanghai Economic Zone, the Northeastern Economic Zone, the energy production bases centring around Shanxi Province, the Beijing-Tianjin-Tangshan Zone, the South-western Zone (Yunnan, Guizhou and Sichuan provinces, Guangxi Zhuang Autonomous Region and the city of Chongqing).

(2) We shall establish a second-echelon network of economic zones linking provincial capitals, designated ports, and cities located along vital communication lines.

(3) We shall establish a third-echelon network of economic zones, with the cities directly under the jurisdiction of provincial governments as centres.

Section 3. Readjustment and Technological Transformation of Enterprises in the "Third-line Regions"*

(1) Those enterprises which are rationally distributed geographically, turn out marketable products and have good economic returns should continue to raise their technological level and improve their operations and management.

(2) Those enterprises which are basically successful but are operating under capacity due to shortages of energy, transport, information services etc. should nevertheless make efforts to upgrade their technology and increase their production capacity.

(3) Those few enterprises which are badly located, poorly market-orientated and unable to carry on should undergo readjustment. They should move to other places, convert to the manufacture of other products, amalgamate with other enterprises, suspend operations, or shut down.

Chapter 21

Urban and Rural Construction

We shall continue to adhere to the principle of controlling the size of large cities, developing medium-sized ones moderately and small ones actively. Thus, we shall prevent overpopulation in large cities but will develop a number of small and selected medium-sized cities. In 1990, we expect there will be at least 400 cities and 10,000 towns.

In this five-year period new urban housing with floor space totalling 650 million square metres will be completed. Efforts will be made to alleviate acute water shortages in urban areas and to basically meet the needs of county towns throughout the country for drinking water. We shall improve urban transport and build more roads and bridges. We shall rapidly increase gas supplies and central heating systems so that in 1990 an average of 40 percent of urban households will use gas for cooking, and more housing—a total floor space of 50 million square metres—will have central heating. We shall improve the environment by planting trees and grass and having better sanitation. In 1990 the tree- and grass-covered area will be four square metres per capita.

During the period of the Seventh Five-Year Plan new houses to be built in the rural areas will total 3 billion square metres in floor space. More factories and public facilities will be constructed in villages and towns.

Chapter 22

Land Use and Conservation of Soil

The major tasks are:

* "Third-line regions" is the term used to refer to the vast strategic interior regions of China. In view of the need to prepare for the possibility of war, in the early 1960s the Central Committee of the Chinese Communist Party and Mao Zedong proposed that the different regions of China be classified into first, second and third lines according to their respective strategic importance.—Tr.

—To work out plans for the use of land and for soil conservation;

—To undertake general surveys and studies of our land resources;

—To take comprehensive measures to control selected major rivers;

—To improve the water supply in north China and in some of the coastal cities;

—To improve water and soil conservation, preserve and increase the fertility of soil and prevent or control desertification;

—To tighten control over land use and prevent the use of arable land for non-agricultural purposes;

—To speed up exploitation of mineral resources and ensure their rational utilization;

—To encourage the all-round development of mountainous regions;

—To plant more trees and grass and expand forest coverage;

—To intensify the surveying, exploitation and control of marine resources; and

—To improve surveying and mapping services.

IV. Development of and Policies for Science and Technology

Chapter 23

Development Strategy for Science and Technology

1. We shall promote those scientific and technological innovations which promise the best and fastest results and put them into wide use. We shall apply new technology to improve traditional industries, techniques and products and step up the diffusion of such technology, so as to raise the production and technological levels of the whole society. We shall apply all kinds of scientific and technological achievements at different levels, to improve economic efficiency.

2. We shall concentrate on tackling key problems, achieving results in major scientific and technological research projects and applying these results to production and construction.

3. We shall work hard to develop new and advanced technology, especially micro-electronics, information technology and new materials.

4. We shall make a better use of advanced technology introduced from abroad in our domestic scientific and technological research.

5. We shall intensify applied and basic research, thus preparing the necessary scientific and technological basis for long-term development.

Chapter 24

Application and Dissemination of Scientific and Technological Achievements

During the period of the Seventh Five-Year Plan, the state is to undertake 100 pilot projects in key industries and another 100 projects that will

enable us to master and apply the technologies of modular sets of equipment and to develop, disseminate and apply technologies for the manufacture of new products. At the same time, with a view to reinvigorating local economies, the state plans to carry out a "spark programme" consisting of scientific and technological demonstration projects for township enterprises. All the above projects will be chiefly designed:

— To develop fine strains and breeds for farming, forestry, animal husbandry and fishery, and to disseminate techniques for producing high-yield varieties and for improving processing.

— To develop new, high-quality matching sets of products of the textile industry and other light industries, emphasizing the production of foodstuffs, clothing and durable consumer goods.

— To develop key technologies and manufacture key equipment needed in the energy, transport, communications, and raw and semi-finished materials industries.

— To demonstrate the transformation of traditional technologies and promote the extensive application of micro-computers.

In order to accelerate the wide application of scientific and technological innovations, a number of workshops and production lines will be set up for experimentation and demonstration. Assistance will be provided to key research institutions. Workshops, production lines and research bases with modern facilities will be established to undertake pilot-scale experiments. Ties will be strengthened between different departments, between different regions and between scientific research institutions and production enterprises. Payment will be made for transfers of technology.

Chapter 25

Tackling key Scientific and Technological Projects

During the period of the Seventh Five-Year Plan, the state will give priority to 76 major scientific and technological research projects, divided into 349 subprojects. The subjects of this research will include major new technologies and equipment, important new products, new areas of technology, soil conservation and social development.

To be successful in this research, we must adopt the following policies and measures:

— Co-ordinate the plans for research programmes with the plans for technological transformation and the introduction of new technologies, and pool the energies of all sectors involved for joint research;

— Work out overall plans for scientific and technological research projects, and

ensure that the results are applied in production;

— Introduce a system of different ways of administering funds for different categories of key projects and of partial repayment of funds invested in them; and

— Experiment with public bidding.

Chapter 26 Basic Research

During the period of the Seventh Five-Year Plan and for some time thereafter, basic research will focus on projects which have the greatest potential for opening up new areas of technology and for the research of other technologies; projects which help to fully exploit China's natural resources; and those which will have an important impact on the development of science and technology.

A state natural science fund will be established to support basic research. With help from the state, 50 key laboratories will be established which will be open to the public.

Chapter 27

Research in Philosophy and Social Sciences

In research in the social sciences, we shall devote more effort to the study of the basic theories of Marxism-Leninism and to the study of major problems relating to the strategy for economic, scientific, technological and social development and the economic structural reform with focus on the cities. We shall try to achieve the best possible results. At the same time, we shall intensify studies in new branches of social sciences and in frontier sciences, so as to enrich research in this field.

V. Development of Education and Relevant Policies

Chapter 28

Elementary Education

We shall gradually introduce a system of nine-year compulsory education. In cities, developed areas in the coastal provinces and a few developed interior areas, the population is about one quarter of the total in the country. In those areas we shall make primary school education universal (in the few counties and townships where this has not yet been done) and make junior middle school education universal as well, while ensuring its quality. In the less developed towns and rural areas, where nearly half of our people live, we should give priority to making primary school education universal, ensure its quality and prepare to add another three years during the period of the Eighth Five-Year Plan. In economically backward areas, where the remaining quarter of the population lives,

we shall spread elementary education to the extent possible. We shall work hard to develop pre-school education and to eliminate illiteracy among young and middle-aged adults.

Chapter 29

Vocational and Technical Education

To readjust the structure of middle school education, while continuing to operate regular senior middle schools well, we shall expand the number of vocational and technical schools, gradually forming a system of vocational and technical education with Chinese characteristics. In 1990, student enrolment in all types of full-time, secondary vocational and technical schools will be 3.6 million, an increase of 65 percent over 1985. A total of nearly 10 million students will be graduated in the five years, 110 percent more than in the period of the Sixth Five-Year Plan.

Chapter 30

Regular Higher Education

We shall continue to readjust the range of disciplines and undergraduate and postgraduate studies of institutions of higher education, and to improve the teaching conditions of existing schools and the quality of instruction. In 1990, 750,000 students will enter regular or special undergraduate programmes offered by various types of full-time institutions of higher education, an increase of 21 percent over the 1985 figure, while 55,000 will be admitted to postgraduate programmes, an increase of 17 percent over 1985. During the five-year period, at least 2.6 million students will be graduated from institutions of higher education, and 180,000 will complete postgraduate programmes.

While carrying out reform in the management system of education, the state will expand seven universities. It will strengthen certain key disciplines and equip a number of research laboratories and experimental stations. Government departments and localities should give priority to assisting those institutions and faculties that are affiliated with them. Certain institutions of higher learning which have good teaching and scientific research personnel and facilities and have more key disciplines will be turned into centres for research as well as education.

Chapter 31

Adult Education

In this five-year period, institutions of adult higher education will provide the state with 2.1 million specialists having qualifications at or above the level of college graduates. This is two and a half times the number graduated during the period of the Sixth Five-Year Plan. There will also be

considerable development in adult secondary vocational and technical education.

In all forms of adult higher education, we shall continue to combine theoretical study with practice and to work for actual results and better quality. We shall prevent schools from claiming higher status than their curriculum warrants and students from blindly seeking after diplomas and certificates.

Chapter 32

Major Policies and Measures for the Development of Education

We shall streamline administration and delegate more power to lower levels, so as to eliminate excessive and rigid state control over schools at all levels. Through experiments at selected locations, we shall gradually put into practice and management system under which institutions of higher education will be run by key cities. Educational legislation will be reinforced and a comprehensive system of evaluation and supervision will be gradually established. Institutions will not be allowed to claim higher status than their curriculum warrants. We shall run teacher training schools and colleges well and build up a contingent of dedicated teachers. Educational appropriations by central and local governments will rise faster than their revenues from regular items, and the average educational outlay per student will also increase steadily. We shall expand access to education through such means as radio and television. All institutions and schools should strengthen ideological and political work. They should implement the policy of promoting the moral, intellectual, physical and aesthetic development of their students so as to help the students to become better educated workers in socialist construction, men and women of moral integrity who observe discipline and cherish lofty ideals.

VI. Foreign Trade and Technological Exchange

Chapter 33

Import and Export

Section 1. Scale and Structure of Import and Export

In the five-year period, the total volume of import and export will grow at an average annual rate of 7 percent, reaching US\$83 billion by 1990. Export will grow at a rate of 8.1 percent and import at a rate of 6.1 percent.

We shall continue to increase exports of petroleum, coal, non-ferrous metals, grain, cotton, etc. In addition, we shall gradually increase the

proportion of manufactured goods in the total volume of export.

So far as imports are concerned, priority will be given to computer software, advanced technologies and key equipment, as well as to certain essential means of production that are in short supply on the domestic market.

Section 2. Policies for Increasing Foreign Exchange Earnings Through Export

We shall establish an integrated system for the production of export commodities and enhance our capacity to earn foreign exchange through export. In organizing production, in supplying funds, raw and semi-finished materials, fuel, power and packing materials, in assisting technological transformation and in providing transport services, we shall always give priority to export commodities. We shall encourage initiative in the production of export commodities by applying economic levers. The quality of export commodities must be improved, so as to make them more competitive in the world. We shall conduct investigation and study of international markets and improve sales promotion and services. We must expand trade ties with all other countries and regions and make active efforts to open up new markets. We must faithfully observe contracts and deliver commodities on time, so as to maintain a good reputation in the world market.

Section 3. Management of Import and Export

To promote foreign trade we shall continue to reform the system by which it is managed. For some time to come, our most important task will be to strengthen macroeconomic control and the management system, and to regulate import and export by increased use of such economic levers as exchange rates, customs duties, taxation and export credits, to be supplemented with administrative means when necessary. As the macroeconomic management system gradually improves, we shall delegate more decision-making power to government departments and local authorities and, in particular, to enterprises engaging in export, in order to encourage them to expand foreign trade.

Chapter 34

Use of Foreign Funds and Introduction Of Advanced Technology

Section 1. Use of Foreign Funds

In using foreign funds, we shall give first priority to construction projects in such areas as energy, transport, communications and raw and semi-finished materials, and especially to projects for power generation, port facilities and the petroleum industry, and also to the technological transformation of the machine-building and

electronics industries. We shall give second priority to projects that will increase our ability to earn foreign exchange through export and to produce substitutes for imports.

To use foreign capital effectively, we shall diversify the areas in which it is used, further improve the laws and regulations concerning foreign nationals and firms, and make investment more attractive to foreigners. Macro-control over the use of foreign funds will be improved so as to increase economic results and social benefits.

Section 2. Introduction of Foreign Technology And Expertise

In introducing foreign technology, we shall give priority to the transformation of existing enterprises. First we shall import technology and equipment that will help increase our capacity to export and to produce substitutes for imports.

We shall enhance our co-operation with foreign engineers and technicians and invite foreign experts to China to advise and consult with us.

Chapter 35

Special Economic Zones, Coastal Cities and Other Areas Opening to the Outside World

Under the guidance of the state plan, these cities and areas should systematically carry out construction and development with emphasis on key projects. We shall continue to apply special policies and flexible measures in Guangdong and Fujian provinces.

In the special economic zones of Shenzhen, Zhuhai, Shantou and Xiamen, we shall make greater efforts to improve the existing infrastructure and develop supporting industries for projects that use foreign capital. We shall concentrate on completing construction in those areas where development has already begun, gradually building an export-oriented economy that is based on industry and advanced technology and earns foreign exchange through export.

The 14 open coastal cities and Hainan Island should, in the light of their own conditions and characteristics, exploit their advantages to introduce investment from abroad and establish lateral ties at home. In this way they will systematically expand economic and trade relations with other countries and technological exchanges with them. In planning new areas for economic and technological development, the open coastal cities should adhere to the principle of expanding gradually and only in accordance with their capacity, so that each new undertaking will be successful and profitable.

In the open areas such as the Changjiang River and Zhujiang River deltas and the triangular area in Southern Fujian Province, we shall gradually build an economic structure in which agriculture serves

processing industry and processing industry serves trade. In these areas we shall rely on technological transformation and the introduction of advanced technologies to expand export and earn more foreign exchange.

Chapter 36

Contracted Projects in Foreign Countries, Sending Labour Abroad and International Aid

In carrying out projects abroad and supplying labour to foreign countries, we shall continue to abide by contracts, ensure quality, seek small profits and act in good faith, so that the work in this field will expand. We shall strive to improve our management of these projects and to open up new areas of business.

By acting on the principles of equality and mutual benefit, stress on practical results, diversity of forms and common progress, we shall continue to do our work well in offering or receiving aid.

Chapter 37

Tourism

To increase foreign exchange earnings and promote friendly contacts between people of different countries, we must expand our tourist industry. We plan to receive 5 million tourists from abroad in 1990.

Under unified state planning, we shall mobilize all quarters to develop the places of interest to tourists. We shall speed up the training of people engaged in the tourist industry and expand production and sale of tourist commodities.

Chapter 38

Foreign Exchange Receipts and Payments

We must try to increase foreign exchange earnings and economize on their use, maintaining a basic balance and keeping necessary reserves. We shall tighten centralized control over foreign exchange and foreign loans, rationally readjust the spending of foreign exchange and rigorously enforce discipline in this regard.

VII. Investment Pattern and Policies

Chapter 39

Readjustment of Investment Pattern

1. Of total investment in fixed assets for state enterprises and institutions, funds spent for equipment renewal and technological transformation will increase from 27.9 percent in the period of the Sixth Five-Year Plan to 30.8 percent. Of total investment in capital construction for state enterprises and institutions, funds spent on renovation and expansion will grow from 56 percent to 57 percent.

2. Of total investment in capital construction for state enterprises and institutions, funds spent on energy, transport and communications will increase to 37.4 percent as against 34.4 percent during the period of the Sixth Five-Year Plan.

3. With the exception of necessary tourist facilities, we shall cut back on non-productive construction projects, such as office buildings, exhibition halls and centres of all kinds. Housing will be built at a controlled pace. An appropriate ratio between investment in non-productive and productive construction will be maintained.

4. So far as geographical distribution of investment is concerned, priority will be given in the eastern region to technological transformation, renovation and expansion of existing enterprises, in the central region to the construction projects of the energy and raw and semi-finished materials industries, and in the western region to active preparation for development.

Chapter 40

Capital Construction Investment in Different Sectors

The total amount of investment in capital construction for state enterprises and institutions — 500 billion yuan — will be distributed as follows.

1. Funds to be allocated by the central departments will come to 375 billion yuan, which breaks down as follows:

— Energy industry: 117.66 billion yuan, or 23.5 percent of total investment, as against 22.4 percent in the period of the Sixth Five-Year Plan;

— Transport industry: 56.82 billion yuan, or 14.8 percent of total investment, as against 12 percent in the period of the Sixth Five-Year Plan (calculated in terms of the comparable factors);

— Raw and semi-finished materials industries: 78.27 billion yuan;

— Machine-building and electronics industries: 9.4 billion yuan;

— Agriculture, forestry, water conservancy and meteorology: 14.68 billion yuan;

— Textile and other light industries: 10.84 billion yuan;

— Science, education, culture and public health: 9.98 billion yuan;

— Commerce, foreign trade, banking, commodity inspection and customs: 6.45 billion yuan;

— Defence industry, including scientific research defence and military engineering projects: 20.35 billion yuan;

— Other sectors of the economy: 50.55 billion yuan.

2. Funds to be allocated by local authorities will total 112.5 billion yuan.

3. Investment in the four special economic zones in Guangdong and Fujian provinces and in a

nuclear power station in Guangdong will amount to 12.5 billion yuan.

Nine hundred and twenty-five large and medium-sized capital construction projects will be undertaken during the period of the Seventh Five-Year Plan. Of these, 350 will be projects started from scratch and projects for renovation or expansion of existing facilities. Four hundred and fifty projects will be completed and put into operation.

Chapter 41

Technological Transformation

Total investment in technological transformation and equipment renewal for state enterprises and institutions over the five-year period will be 276 billion yuan, an 87 percent increase over investment during the period of the Sixth Five-Year Plan.

Six hundred major projects for technological transformation will be launched. They will be carried out mainly in the following types of enterprises: (1) large and medium-sized key enterprises which are leaders in production technology and managerial skills and which, after the transformation, will reach or even go beyond the level of the advanced countries and thus serve as models; (2) old enterprises which are vital to the national economy as a whole but which are technologically backward; and (3) enterprises which are responsible for earning foreign exchange and which have potentialities for export. In carrying out technological transformation of such enterprises, our goals should be the following: To improve economic performance, enhance product quality, economize on energy, reduce consumption of raw and semi-finished materials, develop new products, expand manufacture of high-quality brands and of products that are in short supply, improve occupational safety and welfare and control environmental pollution.

The machine-building and electronics industries should start technological transformation first.

Chapter 42

Control Over Investment in Fixed Assets

To improve economic returns on investment, we must restrict the scale of investment in fixed assets, especially that in capital construction. We must reassess the projects that are already under construction and tighten control over new ones, so that all projects will gradually proceed according to a rational construction cycle. We shall introduce various forms of the responsibility system in investment and promote different types of bidding for the design and construction of projects and competition among localities to attract such projects.

VIII. Objectives and Tasks of Economic Structural Reform

Chapter 43

Tasks and Stages of the Structural Reform

In economic structural reform, during the period of the Seventh Five-Year Plan we shall concentrate on the following three interrelated tasks:

1. To further invigorate enterprises, especially large and medium-sized state enterprises, so that they become relatively independent economic entities, socialist commodity manufacturers and dealers with full authority for their own management and full responsibility for their own profits and losses;

2. To further expand the socialist commodity market and gradually improve the market system; and

3. To gradually shift state control of enterprises from direct to indirect means, in order to establish a socialist macroeconomic control system. To regulate economic operations by gradually improving economic and legal means, administrative means being used only as a supplement when necessary.

Bearing these three tasks in mind, we shall restructure the planning, pricing, financial, monetary, labour and wage systems, so as to gradually develop a whole set of mechanisms which will integrate planning with marketing, microeconomic flexibility with macroeconomic control.

To fulfil the above-mentioned tasks and lay the foundations of a new economic structure, we shall carry out the reform in three stages. In the first stage, that is, during the next year or two, we shall continue to invigorate enterprises, especially large and medium-sized ones, and to expand lateral economic associations while strengthening indirect macroeconomic control. In the second stage, we shall develop the socialist commodity market by gradually reducing the scope of mandatory planning, reforming the pricing system and the price control system for means of production, improving the taxation system and reforming the financial and monetary systems. In the third stage, we shall establish a new organizational structure appropriate to the new economic structure, continue to solve the question of subordination of enterprises to proper authorities, remove the barriers between departments and between regions, eventually separating the functions of government from those of enterprises.

Chapter 44

Invigorating Enterprises

1. We shall further streamline government administration and delegate more power to lower levels. Except for a few special government

departments and industries, no ministries, provinces or autonomous regions will exercise direct control over enterprises. City government functions must be separated from those of enterprises so that enterprises will become relatively independent socialist commodity manufacturers and dealers with full authority for their own management and full responsibility for their own profits and losses.

2. While continuing to consolidate different forms of the economic responsibility system, the large and medium-sized state enterprises should decentralize their accounting procedures to increase the responsibility of lower echelons. Some small enterprises may be contracted or leased to collectives or individuals for management.

3. An economic environment will be created in which enterprises of all kinds can compete on a more or less equal basis.

4. The leadership structure of enterprises will be improved. We shall gradually introduce a system under which the director or manager will assume full responsibility in order to give free rein to his initiative and enterprising spirit.

5. Lateral economic ties between enterprises will be promoted so that associations of enterprises will gradually take shape.

Chapter 45

Development of the Socialist Market System

Section 1. Gradual Improvement of the Market System Under Guidance Planning

We shall continue to expand the consumer goods market. As regards the circulation of commodities, we shall try to develop lateral connections between urban and rural areas, between regions and between cities. We shall gradually reduce the variety and proportion of means of production that are under unified state distribution so as to expand the market for them. We shall also open up and expand the markets for funds and technology and encourage a rational flow of labour.

Section 2. Reform of Pricing and Price Control Systems

Taking into full account the capacity of the state, enterprises and the people to withstand the strain of reform, we shall work steadily to establish a pricing system which better reflects value and the relation between supply and demand. We shall also introduce a commodity price control system under which some prices are set by the state, others are fixed under state guidance and still others are regulated by the market.

1. Except for a few major items whose prices will continue to be fixed by the state, price controls on consumer goods will be gradually relaxed and prices allowed to fluctuate according to supply and demand.

2. As for means of production, we shall combine relaxed price control with price readjustment. We shall reduce the proportion of products whose prices are set by the state and gradually readjust planned prices on important materials so as to narrow the gap between planned prices and market prices.

3. The fees charged by certain major public utilities and service trades will remain under state control and will be readjusted in a planned way. Price control in the other service trades will be gradually relaxed.

4. We must strictly control the scope and extent of chain-reaction price rises. We shall enforce discipline concerning prices, strengthening control and supervision.

Chapter 46

Improving Macroeconomic Control

1. We shall gradually shift the emphasis in our planning from direct control to indirect but more comprehensive control, chiefly using economic policies and measures to regulate the macroeconomy.

2. We shall introduce new, reasonable tax categories and readjust tax rates. With regard to tax categories, a distinction must be drawn among taxes which go to the central government, those which belong to local governments and those to be shared between the two. The introduction of reasonable categories and the readjustment of rates should serve the readjustment of the industrial structure and create conditions that will allow enterprises to compete with each other on an equal footing. Expenditures which are to be made by the central government should be distinguished from those for which local governments are responsible, so that each will manage its own financial affairs.

3. The People's Bank of China must exercise effective control over the amount of currency issued and the volume of credit through planning, policies and administrative management and by such regulatory means as credit, interest rates, and foreign exchange rates and reserves. Specialized banks should develop into enterprises, financially independent entities responsible for their own operations.

At the same time, we shall reform the wage system, improve economic legislation and supervision, establish economic information networks and gradually readjust the structure of government departments responsible for economic management.

IX. People's Life and Social Security

Chapter 47

Population

At the end of 1990 China's total population should not exceed 1.113 billion. We shall continue

to attach great importance to family planning and make every effort to ensure its success.

Chapter 48

Employment

1. Employment in rural areas

We shall continue to encourage peasants to leave the land but not the village, drawing surplus labour out of agriculture by developing forestry, animal husbandry, fishery and township enterprises.

2. Employment in cities and towns

Within these five years jobs will have to be found for some 30 million people. We should explore all possibilities of employment, especially in collective and individual production, and develop tertiary industry, so that by the end of 1990, we will have basically full employment in cities and towns.

We shall gradually improve working conditions for workers and other employees. We shall take measures to ensure health and safety in the workplace, reducing the incidence of injury, death and occupational disease.

Chapter 49

Personal Income and Patterns of Consumption

Section 1. Personal Income

It is anticipated that in 1990, average per-capita net income of peasants will be 560 yuan, an increase of 41.1 percent over the 1985 figure of 397 yuan.

We expect that in 1990 total wages of workers and other employees will be 190 billion yuan, 54.5 billion more than in 1985. This figure represents an average annual growth rate of 4 percent.

With regard to distribution of income, we shall continue to follow the principle of distribution according to work and to encourage some areas, enterprises and individuals to become prosperous first. We shall lay stress on overcoming egalitarianism but at the same time guard against excessive gaps in income.

Section 2. Patterns of Consumption

We expect that during the period of the Seventh Five-Year Plan patterns of consumption will change in the following ways: Of total personal expenditure, the proportion that goes for food will decrease from 58 percent in the period of the Sixth Five-Year Plan to 55 percent, and the proportion that goes for fuel will drop from 4 percent to 3 percent. The amount spent on articles for use will rise from 13 percent to 15 percent and the amount spent on housing will rise from 8 percent to 10 percent. Expenditures for clothing will remain stable at 12 percent and those for cultural and recreational activities and everyday services will rise

from 4 percent to 5 percent. These goods and services will be available in greater variety and better quality.

Section 3. Policies and Measures for Guiding Consumer Choices

During the period of the Seventh Five-Year Plan and beyond, the diet of our people cannot improve very quickly, and there can be only a gradual increase in the consumption of meat, poultry and eggs. With respect to clothing, people will be encouraged to wear garments made of cotton, synthetics and blends, since consumption of woolen fabrics and leather products can be increased only to a limited extent. We shall increase supplies of electrical appliances that lighten household chores, make everyday living more convenient and enrich cultural life, but tighten control over production of air conditioners and combination heater/air conditioners, which consume large amounts of electricity. Urban residents will continue to use buses and bicycles as their chief means of transport, and production of motorcycles will be strictly controlled. In urban housing construction, we shall prohibit the building of large or luxurious flats. As for rural housing construction, we shall try to be economical in our use of land and especially to use little or no arable land.

Chapter 50

Public Health and Physical Culture

Section 1. Public Health Service

(1) We shall continue to promote preventive medicine and health education. By 1990, safe drinking water will be available for 80 percent of the rural population, and over 85 percent of the total population will have received inoculations.

(2) We shall build more key hospitals. During the period of the plan we shall increase the number of hospital beds by 400,000. The state will allocate funds to build 16 general hospitals, each specializing in one or more branches of medicine, and two modern hospitals with advanced equipment and techniques.

(3) We shall develop traditional Chinese medicine, especially by establishing centres for research in Chinese pharmacology. We shall increase the number of institutions, hospitals and hospital beds for traditional Chinese medicine, so that most cities and counties will have a hospital or clinic where it is practised.

(4) We shall train more professional health workers. During the period of the plan, their number will increase by 770,000, of which 560,000 will be doctors trained in both traditional Chinese and Western medicine.

(5) We shall step up medical research, concentrating on key projects for the study of the

cause, prevention and treatment of common illnesses.

(6) We shall establish a state system of food and medicine control.

Section 2. Medicines

In the pharmaceutical industry, we shall adhere to the principle of quality first. We shall make medicines more effective, readjust the industry's product mix, and strengthen pharmacological research, trying to open up new areas of service.

Section 3. Physical Culture

We shall build up our ranks of athletes and popularize sports so as to improve the health of the entire nation. The state will build a number of major sports facilities; local authorities will also build some in accordance with local conditions.

Chapter 51

Social Security

During the period of the Seventh Five-Year Plan, we shall try to gradually put in place a socialist social security system with Chinese characteristics.

We shall establish the social insurance system, promote social welfare undertakings, continue to give preferential treatment to families of servicemen and revolutionary martyrs and provide relief to the needy.

Social security funds will be raised through various channels. We must reform the social welfare management system, integrating socialized administration with work unit administration, but emphasizing the former. We shall continue to foster the fine tradition of mutual assistance among relatives, friends and neighbours.

Chapter 52

Environmental Protection

Section 1. Basic Tasks

By 1990, 50 to 70 percent of major industrial pollutants will have been reduced to state-mandated emission levels. Measures will be taken to maintain the water quality of rivers, lakes, reservoirs and offshore waters. We shall make every effort to protect the environment in the major cities, to protect the rural environment and to preserve the ecological balance.

In carrying out technological transformation, renovation or expansion, enterprises should make the disposal of pollutants a prime consideration. In constructing new projects, we must see to it that pollution control is built into every stage of design, construction and operation. We shall encourage the multipurpose use of material resources and stop

within a given time limit the manufacture of products that causes serious pollution. Pollution-monitoring networks will be established in cities and nationwide. We shall improve statutes and standards on environmental protection, promote public education in this field and organize relevant scientific research.

X. Building a Socialist Society That Is Culturally and Ideologically Advanced

Chapter 53

Cultural Undertakings

In promoting cultural undertakings, we shall adhere to the principle of serving the people and the socialist cause. We shall take into consideration both economic gains and social impact, giving greater weight to the latter.

Section 1. Literature and Art

Writers and artists should try to create works of strong ideological content and high artistic value. They should immerse themselves in the lives of the people and create works of quality that reflect the current economic reforms and the drive for modernization.

To enrich people's lives, literature and art must flourish. This includes novels, poems, plays, operas, music, dance, traditional performing arts, acrobatics, painting, sculpture, photography, and so on.

All professional troupes should restructure their system of management.

Section 2. Film, Radio and Television

The film industry will make every effort first to improve the quality of its products, then to increase production. Similarly, the radio and television industries will concentrate on programming quality and gradually increase their air time. It is expected that by 1990, radio broadcasting will reach 80 percent of the population and television broadcasting 75 percent.

Section 3. Press and Publications

The press and publishing industries should publicize and correctly explain the Party's line, principles and policies and should propagate Marxism-Leninism and Mao Zedong Thought. At the same time, they should disseminate all kinds of knowledge—general, scientific and technological—that is useful for the country's economic and social development, and a wide range of information.

It is expected that in 1990, a total of 79.3 billion standard sheets of paper will be printed, an increase

of 26.8 billion over 1985. These will include 50,000 book titles making a total of 9 billion volumes, 3.2 billion copies of periodicals and 28.6 billion standard sheets of newspaper.

Section 4. Cultural and Historical Sites, Museums, Libraries and Archives

By 1990, China will have about 700 major cultural and historical sites under protection. Those which are the responsibility of the central government or of provincial governments will be renovated a few at a time, according to a planned schedule, to protect them from weather and natural disasters. Two of our most important projects will be to build the Shaanxi Historical Museum and the Museum of the War of Resistance Against Japanese Aggression. By 1990, except in a few areas, every city and county will have at least a small library. We also plan to build more repositories for archives.

Section 5. Cultural and Recreational Centres

To enable the people to enjoy more leisure activities, collectives and individuals should pool their resources to build more cultural and recreational centres. County cultural centres should be renovated, including the practice rooms, office space for staff and other facilities. Township cultural stations should also be improved and expanded. We shall particularly promote cultural undertakings in areas inhabited by minority nationalities.

Section 6. Cultural Exchange With Foreign Countries

We shall promote contacts and exchange with troupes of foreign performing artists and individuals working in literature and art, radio, film, television, the press and publications, especially with those in third world countries and in other key regions.

Chapter 54

Ideological and Political Work

1. We shall regularly educate the cadres and masses on current situation and our policies, so that they will understand and implement the major principles, policies and measures of the state. We shall also encourage them to cherish lofty ideals, observe discipline, uphold social morality and

professional ethics and resist corruption by capitalist and feudal ideologies.

2. We shall build up our contingent of ideological and political workers and steadily raise their political quality and professional competence.

3. Cadres at all levels are expected to set an example by their fine style of work.

4. We shall constantly broaden the campaign to promote the "five things to emphasize, the four things to beautify and the three things to love"* and to create units that are models of these virtues.

5. We shall commend and honour heroes, model workers and advanced individuals and collectives.

Chapter 55

Socialist Democracy and the Socialist Legal System

We shall continue to strengthen socialist democracy and improve the socialist legal system, and to integrate them so that socialist democracy is institutionalized and written into law.

Administrative statutes will be drawn up in accordance with the provisions of the Constitution and of law so as to gradually institutionalize state administration. Government functionaries are expected to act strictly in accordance with the law, to overcome bureaucratism, eliminate all corruption and safeguard the legitimate rights and interests of citizens. The judicial departments should provide various legal services for economic construction and other undertakings. An understanding of the concept of legality and basic knowledge of the laws will be disseminated among all citizens. Departments of public security, state security organs and the judiciary will strengthen their work.

Chapter 56

Public Order

We shall further reform and strengthen the work of the public security and judicial organs. We shall continue to mobilize all sectors of society to bring about a fundamental turn for the better in the standards of social conduct and in public order and security.

* The "five things to emphasize" are: behaviour, civility, hygiene, discipline and morals; the "four things to beautify" are: thoughts, words, deeds and the environment; and the "three things to love" are: the motherland, socialism and the Chinese Communist Party—*Tr.*

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One Million Soldiers to Modernize

By Our Correspondent Lu Yun

Officers and rank-and-file members of a field army unit in Tianjin, cut back in number as part of a nationwide disarmament operation that began in 1985, have begun new lives as builders. This report profiles the work involved in cutting back the People's Liberation Army by 1 million.

Tianjin, a northern port city, serves as the gateway to China's capital city, Beijing. It was here that the allied forces of eight imperialist powers landed in 1900 to capture Beijing. And during the civil war between the Kuomintang and the Communists, the Chinese People's Liberation Army fought to take Tianjin in 1949 before they went on to gain control of Beijing.

In June last year when the Military Commission of the Central Committee of the Communist Party of China decided to cut back the size of the army by 1 million. The field army unit stationed in Tianjin was disbanded — a division was demobilized and the other divisions incorporated into the other army units.

The cutbacks, according to the government, will render positive contributions to world peace, as well as promote China's modernization drive by diverting more funds and manpower to peaceful construction.

The 25 percent cutback in its armed forces also will allow the PLA to reduce its staff, update its military technology and weaponry, field training and production (since many of its defence factories, airfields and harbours have been turned over to civilian use).

While such a move towards disarmament, peace and modernization has been praised worldwide, the enormous slash in armed forces has created a monumental task for the government: resettlement of the 1 million soldiers.

So far, the reduction efforts

have proceeded smoothly. In the demobilized Tianjin division, for example, officers who are 49 years old or younger have found civilian work, and those who are older have gone into early retirement. The rank and file have returned to their hometowns to take part in the socialist modernization drive.

Men: Content yet Concerned

China practises a compulsory and voluntary military services system. After three years in the army, the ground force men and women are mostly discharged and the remainder volunteer to continue their services. Although this time around some had to leave before their stint was up, they understood the significance of the

disarmament sweep. Given the current situation of farm management by the household and a diversified rural economy, many of the troops who came from the countryside were content to return to their villages and prosper. However, during a recent visit to some of the recently discharged soldiers in Jinghai County, Tianjin, some expressed mixed feelings about new changes in their lives.

According to Section Chief Zhao from the Jinghai County government, who is responsible for the placement of the demobilized soldiers, of the 400 demobilized men who returned to civilian life within the county, some 200 went back to farming while the others were given jobs. The latter category included people who had rendered out-

Wei Lijun (right) learns how to trim apple trees from his father.

LU YUN



standing service, had been disabled while on duty, or were volunteer soldiers. Most of them have either begun their new jobs or are currently attending training classes.

"Because they are considered good politically and physically, and because of the technical training they had received, they are well received," Zhao said.

Some Tianjin residents regret the loss of so many soldiers in the area. During the construction of a water project between 1982 and 1983 to curb the water shortage in Tianjin, the army division assisted in the construction of a 12.39 kilometre-long tunnel. Many officers and soldiers involved in the digging were highly praised for their assistance and the Tianjin municipal government even erected a monument in their honour.

The Jinhai County Cotton Textile Mill with a workforce of 2,000 accepted 26 of the discharged soldiers last year. Zhao Ruyuan was one of them. Receiving a monthly salary of 60 yuan, when allowance is thrown in, the former countryboy appears content with the status quo. "I longed to work in the town when I was young," Zhao said. "Now I've got a job in the state-owned factory."

One of Zhao Ruyuan's comrades, Li Yaobing, was made a firefighter at a granary in Jinhai County. In fact, the new fire brigade is made up entirely of former soldiers. The brigade has been trained by the fire department of the county public security bureau. While Li had only been at his new job for two days when interviewed, he said he was quite interested in the collective life here.

Two other discharged soldiers, Sun Shuyou and Wei Lijun, who are working in a suburb of Tianjin, are unfortunately disturbed by the abrupt changes in their lives. Sun was an army cook for the disbanded division of the Tianjin



Wang Jiaxiang (first right) chatting with workers of the plastic factory.

LU YUN

field army, and learned carpentry during his service. But now he works with his brother-in-law making sesame oil to sell in Beijing. "My boy has been in the army for three years. But he was made to work the farmland. It seems to me he is not happy about this," said Sun's mother in Tianjin. She added, "Now he's been away from home for two months, but has not sent back a word. As a mother, I don't feel happy either."

One afternoon, Wei was out in the orchard of his home trimming apple trees with his father. While walking to the orchard, Wei's mother said, "Lijun longed to find a job in a city factory. Unfortunately, he was discharged and has to be a farmer. He's not happy about this." Wei's father was very frank. He said he supported his son's desire to find a job in city factory. "We contract to tend these apple trees and some farm work; we don't have much work for him to do." When Wei himself was asked why he didn't go work in township factory where able-bodied hands were hard to come by, Wei said he would not accept the low pay of a township job. "I prefer to have a better paying job at a state-owned factory," he said, adding that he had learned how to repair cars in

the army and that he hopes to learn to drive and get work as a driver one day.

Officers: Anxious to Get on

Nearly 200 officers of the demobilized division in Tianjin were transferred to civilian jobs in nine provinces and Beijing and Tianjin last year. Those waiting for assignment are studying administrative and enterprise management and law.

Two former battalion officers, Xue Fengjie and Zuo Zexuan, have applied to return to work in the countryside in Sichuan Province, where their parents live. They said their requests had been granted. Xue was given a job in an automobiles repair plant. As Zuo was interested in the food processing industry in the rural areas, he was assigned to work in a grain supply centre. Both of their wives were also given jobs. The two couples were anxious to leave for reunion with their families.

Xue and Zuo were given about 2,000 yuan for resettlement. Their future salaries will be less than in the army, but this has not squelched their desire to return to their hometowns.

Tianjin provided jobs for 1,600 discharged officers last year, and many were given new houses. Their new posts range from government positions, enterprises management and medicine, to education and publishing.

Chang Guichun, former deputy director of the logistics department for the dismantled army division, was appointed deputy manager of the Tianjin Company. It's the largest taxi company of the 50 in Tianjin.

Chang studied at an automobile transportation school before he joined the army in 1959. In the army, he was also involved in truck transportation work. Even so, he was required to study business management for six months before starting work at the taxi company.

Chang and his wife have been preparing to be assigned to work in Henan Province countryside, where Chang is from. When informed he would be given a job in Tianjin, he and his family were overjoyed. "In my opinion, it is perfectly proper for an army man to obey assignment by his superiors," Chang said. "My job in the army was to serve companies. In the taxi company, I'll do my best to serve the workers and staff."

Providing proper jobs for large numbers of demobilized army officers is intricate and complicated when taking into consideration their hopes and fears

about region, position and pay. Jobs for the first group have been satisfactorily arranged. But others are in limbo while they wait for their assignments. According to army officials, total placement of the 1 million discharged soldiers will not be completed until next year.

Retiring Officers: Still Want to Work

Zhao Jiangyu, ex-political commissar of the dismantled corps in Tianjin, was removed from his office in August 1985.

"I attended the meetings of the Central Military Commission in May and June last year, and heard speeches by Deng Xiaoping and military leaders," Zhao said. "Cutting the size of the army by 1 million is wise and good for the economic construction. It is also a great contribution to world peace." The former military political commissar went on to say that his fellow comrades were not quite psychologically prepared for the demobilization of the division. "But they understood that they should obey the decision," he said. He also said before they left the army, both the officers and men attended intensive adult education classes and by the time they were scheduled to leave, 85 percent of the officers passed examinations equivalent to high school education

and 60 percent of the soldiers mastered one or two skills.

Zhao, 60, joined the army in 1939 during the War of Resistance Against Japan, when he was only 13 years old. During his service in the army, he also went through the war of liberation in late 1940s and the war of resistance against the United States in aid of Korea in the early 1950s. "Now I need to rest, as an ordinary retired citizen," the grey-haired man said.

While Zhao is pleased to have the new-found time to garden and read up on his favourite subject, history, he did express some disappointment about his new life. "I'm physically fit. In 1984, I stayed with a company and even took part in drilling together with the soldiers for 22 days. I think I could still do something for society — and the army," he said.

Wang Jiaxian, former deputy corps commander, is three years older than Zhao, but he was not yet reconciled to retire. So he came up with a scheme to provide jobs for some of the displaced officers. With the support of his superiors the elderly officer set up the Guangli Holding Co., which employs more than 100 discharged army officers and another 100 workers. The company today runs two hotels, a plastics factory, a chemical plant, an embroidery factory and a fishery. Plans are underway to start an automobile repair plant as well as projects to provide labour service abroad. ■

Former Soldiers Active in Rural Areas

by Our Reporters Chen Deyi and Zhou Dinghua

About 600,000-700,000 of China's soldiers are released from military service each year. More than 80 percent of these demobilized servicemen came from the rural areas and most of them have returned there. With the knowledge and training they acquired in the army, many have

become a vital new force in the nation's rural construction.

The following are stories about some Chinese former soldiers who have returned to Qidong County, Hunan Province.

Dentist

Shen Xiaojun, a dentist from the Liwu village in Guiyang town,

regularly treats patients at the rural fairs in Chengguan, Guiyang and Jinqiao towns.

Shen was demobilized from the army and went back to Liwu in October 1983. While in the army Shen took part in several medical training courses, studied a great deal of medical literature and



XU WANYU

Demobilized soldier Bai Xiangyou (left) of Heilongjiang Province has repaired 1,300 pieces of farm equipment for 600 poor farmers in the last three years free of charge or at cost. Bai also teaches welding to young farmers.

worked first as an orderly and then a dentist in an army hospital. Shen has become proficient at treating various dental problems and has been praised by his superiors for his skilled work.

After returning to the village, with the approval of the local government, Shen opened a dental clinic. In his first month in business, Shen treated more than 200 patients free of charge and soon became quite well known. For the convenience of his patients, Shen opened three treatment centres in the Chengguan, Guiyang and Jinqiao towns and toured the three centres regularly regardless of the weather. Shen even responded to a 70-year-old man's request for a housecall for fitting a pair of false teeth.

In the last two years, Shen has treated 5,000 patients and has earned more than 5,000 yuan (US\$1,563). He has now employed two demobilized soldiers as assistants.

Change in a Village

The remote Baima village in Huitang township had no com-

merce or services before former soldier Chen Aibing established a service company there three years ago. Now Baima has a store, a drink shop and a cinema.

Chen joined the army in 1979 and left in 1982. During his three years in the army, Chen spent much of his spare time reading. Upon returning to his hometown Chen was determined to contribute to improving the monotonous life of the village. First he borrowed 2,000 yuan to open a store and a drink shop. Later he set up a brick yard and organized a film projection team with the help of his parents, his brother and his sister. While augmenting his family income, Chen's good service and reasonable charges have been warmly welcomed by the villagers.

photography. He bought several books and magazines on photography, and on holidays he would study photographic techniques at a studio near his camp.

After returning home, Peng realized that since their living standards had improved, the farmers all wanted to have their photo taken. However, there was no photo studio in the village. Peng collected 1,000 yuan for photographic materials and promptly opened his now thriving business.

Factory Manager

The Hongqiao Bag-Weaving Factory sustained losses for many years running and two years ago was bordering on bankruptcy.



Ex-serviceman Wang Qifa of Hebei Province, who donated 20,000 yuan to his village's education fund, chats with a primary school teacher and pupils.

Photographer

Peng Zhongliang who returned to Qidong County in 1982 has toured almost all Shuangqiao town's villages taking photos for the farmers there.

During his six-year service in the army, Peng was an armourer and a copy clerk. In response to the call to supplement one's military training, Peng took up

Once former serviceman, Chen Ying, took over as its director, however, the collective began making profits.

Chen studied camp management, drawing and statistics in the army and had become familiar with organization and management. He was demobilized from the army in 1982 and first went to work in a farm equipment factory.

When he discovered the predicament of the bag-weaving factory, Chen analysed the causes and made some suggestions to its authorities. Because of his constructive suggestions, he was appointed factory director in March 1984.

When Chen first took on his new post, he was confronted with a number of difficulties—outdated equipment, unqualified workers, unguaranteed raw material supply, high production costs and a lack of money for wages. Chen Ying first borrowed money for a semi-automatic

production line for processing raw materials and manufacturing products and then tested the technical level of all workers. Following the tests, he dismissed the unqualified workers and recruited skilled technicians and placed them under contract. In addition, Chen carried out a series of reforms in order to strengthen workers' training, reward technical innovations and enliven supply and marketing. The factory made a profit of 15,000 yuan in 1984 and 28,000 yuan the following year.

* * *

In Qidong County which has a population of 820,000, there are now 1,600 demobilized soldiers. These former servicemen have established 69 percent of the economic undertakings in the county and industries and collective enterprises. The number of demobilized soldiers engaged in the commercial and service industries account for about 54.6 percent of the total technical workers. These former soldiers have played an important role in developing the rural economy and in helping transform the small peasant economy.

Developing Countries Groaning Under Debt Burdens

by Shan Zhongdong

The third world debt crisis lies at the heart of north-south relations and wreaks havoc on the development of international trade and the stability of the international monetary system. If left unsolved, the problem will hinder the stability and growth of the world's economies and its politics.

I. Characteristics of Developing Countries' Debts

For the past few years, the developing countries have been buried deep under debts, which, in general, have the following characteristics:

1. The total debts have reached

astronomical proportions and the developing countries' repayment capacity has dwindled. In the 1970s, their debts amounted to no more than US\$100 billion. The figure jumped to US\$610 billion in 1980, to US\$843 billion in 1983 and up again to US\$970 billion in 1985, showing an annual growth rate of 9.7 percent.

Table I Drop in the Developing Countries' Debt Repayment Capacity

Years	1976	1977	1978	1979	1980	1981	1982	1983	1984
Debt as percentage of GNP	14.1	15.4	18.1	21.0	20.9	22.4	26.3	31.3	33.8
Debt as percentage against exports	108.9	80.0	100.2	113.1	89.8	96.8	151.0	130.8	135
Repaid debt as percentage against total debt service	14.7	11.8	13.6	18.4	16.0	17.6	20.5	19.0	19.7
Repaid debt interests as percentage of GNP	0.5	0.8	0.8	1.1	1.6	1.9	2.3	2.3	2.8
Debt outstanding and disbursed (unit: billion US dollars)	68	141	204	313	430	488	546	620	686
Debt from private source as percentage of the total borrowing	50.9	56.5	59.0	61.5	62.9	64.1	64.6	65.8	65.0

Source: The World Bank: World Development Report 1985.

The annual economic growth rate of the developing countries (3 percent to 4 percent from 1980 to 1985) lags behind the growth rate of their debts (9.7 percent). Their annual export growth rate (minus 2.7 percent from 1980 to 1985) also is well behind their annual debt growth rate. Still worse is that such important economic indicators as the ratios between debts and exports, between debts and GNP, and between debts and the repaid portions show an increasingly deteriorating trend (Table I).

2. The ranks of debtors as well as the scope of loans are expanding, and the natural resources exporting countries are as a result submerged further in debt. In 1970, 14 countries had more than US\$1 billion of debts. The number increased to 63 in 1985. In 1970 no country had debts of more than US\$10 billion. By 1985, however, 16 nations held such debts. The countries with debts of at least US\$10 billion include not only some of the low-income countries in Asia and Africa, and some of the medium-income developing countries in Latin America, but also socialist countries like Yugoslavia and some newly industrialized countries and regions like South Korea. The number of debtor countries is on the rise and the thrashing that the developing world is taking from their debts is intensifying.

Of the debtor countries, those that export natural resources (primary products and oil) are having the most difficult time (Table II). According to the International Monetary Fund, in 1985 the total debt for primary products exporting countries was 3.7 times that of the debts for manufacturing products exporting countries*. The reasons lie in the nosedive taken by the prices for primary products, the further deterioration of the trade climate,

Table II A Comparison of Debtor Nation Categories (1977-86)

	Debt/export income (%)	Debt/GNP (%)	Proportion of repaid portion to the total debt (%)
Primary products exporting countries	210.9	28.7	30.3
Manufacturing products exporting countries	61.7	17.4	10.6
Oil exporting countries	182.8	45.5	33.2
Oil importing countries	131	27.8	19.1
Countries exporting mainly manufactured products	114.3	28	19.9

Note: The percentages are the annual average from 1977 to 1986.

Source: According to International Monetary Fund's World Economic Outlook, October 1985.

the fall in the oil price and the reduction of these countries' foreign exchange reserves.

3. The proportion of commercial bank loans in the total debt is on the rise, as are short-term loans. Of the total debts of the developing countries in the 1970s, the proportion of commercial bank loans accounted for only 10 percent. The figure climbed to 60 percent in 1982. By 1984, the proportion for some Latin American countries reached 70.4 percent, while the 15 major debtor countries listed in the "Baker Initiative" received 64.3 percent of their debts from commercial banks.

At the same time, the deteriorating world economic situation and unstable economic policies in the debtor nations, together with other unfavourable factors, have made banks and other creditors increasingly cautious in granting long-term loans for which they have attached more stringent requirements. For these reasons, most debtor countries felt compelled to turn to short-term loans, which marked a 180 percent increase between 1980 and 1984 over the period from 1973 to 1979. Short-term loans to developing nations averaged US\$40 billion from 1973 to 1979. The figure shot

up to US\$112.01 billion in the 1980-1984 period. During this latter period, the amount of long- and medium-term loans increased at a monthly rate of 120 percent. Their short-term loans of US\$170 billion in 1985 had increased 17.6 percent from their 1980 level of US\$119 billion. In this period, however, the ratio of foreign exchange reserves to short-term loans dropped 51 percent, from 224 percent in 1973 to 110 percent in 1984.

The increase in the number of commercial bank loans has fundamentally changed the nature of the current world debt problem. If the debtors are forced to renege on their loan agreements, their commercial bank creditors, whose very existence is tied to loan repayments, would face the danger of going bust and endangering the entire international monetary system. Meanwhile, the increase of short-term debts adds to the debtors' burdens and augments the possibility of them abandoning their debts.

4. Both the debtors and creditors are concentrated in a small number of countries. In 1985, the world debt totalled US\$1 trillion. Of this sum, more than 50 percent was borrowed by 15 countries, 10 of which were Latin

*According to the October 1985 issue of Prospect of the World Economy, p. 100.

American. Eight of these Latin American nations borrowed US\$330 billion. Given these proportions, it is safe to say that the current world debt dilemma is a crisis for Latin America.

The creditor banks are also highly concentrated. According to the World Bank, US banks own 24.5 percent of the aggregate foreign debt of the 15 world major debtors. These banks have also provided 34.8 percent of the world's commercial bank loans. The loans from the US Citibank and the Bank of America N.T. & S. A. to Brazil in 1985 added up to the total sum of the two banks' capital. And, the amount Argentina, Brazil and Mexico borrowed from nine American commercial banks has surpassed the latter's combined total capital. If these nations were to suspend payment on their loan principal and interest for one year, the nine American banks would suffer a 33 percent decrease in their capital.

Such a high concentration of debtors and creditors has had a destabilizing influence on the international monetary system. If one or two debtor nations refused or could not repay their principal and interest, the American banking system would suffer considerable problems. It would not be long before the international monetary system involved would be affected by the US losses, touching off a global financial crisis.

5. The large amount needed for annual repayments calls for huge subsidies. With the increase of short-term debts, which require servicing within one year, the debtors are burdened with mounting bills due by the year end. The amount of short-term debts averaged US\$120 billion in the last few years, and was US\$170 billion in 1985. And the annual average amount of interest due to the long and medium-term loans is US\$20 billion. In addition, the period for principal repayment is becoming shorter. According to the International Monetary Fund, the

repayment period on loans to developing countries dropped from an average 21 years to 17 years, while the repayment period of countries with medium level incomes has shortened from an average of 17 years to 12 years. Thus the amount due to be repayed each year by the developing nation debtors is mounting. This increase is made more difficult by the countries' drops in foreign exchange reserves. According to the World Bank, the average annual repayment sum now stands at about US\$120 billion and reached as high as US\$145 billion in 1985. Statistics show that the current foreign exchange reserves of the debtors are sufficient only for four months' payment for imports, leaving not a penny for debt repayment. Hard pressed to repay their old debt, these nations have no alternative but to borrow again.

II. Causes of the Debt Crisis

The causes behind the debt crisis are many, complicated, and both external and internal to the developing world.

External causes. (1) The debt crisis is the result of outdated international economic order, under which the developed countries, through their financial and technological supremacy, has exploited the developing nations with an irrational international division of labour. The developed countries dumped loans and capital into the developing world, seeking large sums of interest. The unequal trade terms the developed countries secured from the developing nations also cut into the export income of the debtor nations, further emasculating their ability to service their debts. During a crisis, the creditors resorted to protectionism and, at the same time, raised interest rates and forced the debtors to repay their debts. (2) The rises in oil price in the past also dealt telling blows

to the debtors for, as a result their import expenses also climbed, necessitating more borrowing. (3) Interest rates have also risen, making it more difficult for the debtors to pay off their loans. It is believed that for each 1 percentage point increase in the interest rate, the indebted nations have to pay US\$4-5 billion more in interest. (4) The West's growing protectionism has led to dramatic cuts in developing nations' exports, which strains these countries' foreign exchange reserves and further saps their repayment abilities. (5) The influx of huge amounts of petrodollars in the 1970s also had a negative effect on the debtor nations because, during that decade, by making use of the "surplus capital" deposited by the OPEC countries in the banks of the United States and other major creditor nations, the Western countries flooded the developing countries with huge amounts of loans.

It should be pointed out that the above four factors are not the causes of the serious debt problem, since they only accelerated the tempo of the debt accumulation, thereby touching off the eruption of the crisis. They alone did not cause the debt crisis. For example, if the oil price hikes were to be one of the major causes, how could the debt crisis in Venezuela, Mexico and other oil exporters be explained? Blessed with huge amounts of petrodollars, these nations are also among the world's major debtors.

The world's debt crisis is in essence caused by the inability of the indebted developing countries to repay their loans. In other words, the crisis is caused by their protracted dependence on the developed countries for loans, their unequal position in the international division of labour, the economic troubles haunting the Western countries and the effect these troubles have in the international monetary and financial arenas.

Internal Causes. Apart from the

developed world's past and present exploitation and control of the developing countries, the debtor nations' flawed development strategies, foreign debt management and foreign economic and trade policies, and poorly co-ordinated domestic and foreign policies are the internal causes behind their debt dilemma.

1) A lack of unified management and overall control over foreign debt became prominent in the 1970s when Western banks were eager to invest their petrodollars and other surplus funds. Mistakenly believing this to be a good opportunity, many debtor nations imported foreign funds without restraint during this period, thereby boosting their foreign debts considerably. The problem was later compounded by their governments' failure to control and manage their foreign debts. Latin America's foreign debt has increased from billions of US dollars in the 1970s to hundreds of billions of US dollars today. Though borrowing large sums of foreign funds, the debtor nations have failed to draw up a comprehensive and scientific foreign debt repayment timetable that takes into consideration and synchronizes the amount of their debt, the investment they have absorbed, the interest due for payment and the time limit for repayment, their foreign exchange reserves, construction projects, exports, the foreign exchange to be earned by foreign-funded projects, and the growth rate and target for their macro-economies. As a result, they end up with many "loopholes" and have to incur new debts to pay their old ones. The deadlines for various debts seem to come "suddenly" and at the same time, imposing serious threats to these countries' financial stability. The lack of systematic control over one's debt has been, therefore, an important reason for the debt crisis.

2) Inappropriate use of foreign loans has led to low economic efficiency and low foreign cur-

rency incomes. Foreign loans have also been frequently used to satisfy unreasonable consumption. Because the debtor nations' economic efficiency is often not compatible with the terms of the loans provided by Western creditors, when the borrowed money is used on their own projects it is hard to form productive forces and display economic efficiency, for no rational profit rate can be achieved according to the loan stipulations. However, these nations continue to borrow money from abroad for these low-efficiency projects. Brazil, for instance, used US\$3.5 billion in the 1970s to build three nuclear power stations, which up to now, however, have not yet begun generating electricity. In general, the debtor nations' average repayment period for their long- and medium-term loans is shorter than the fund retrieval period for their projects, which has weakened their ability to pay their debts and increased their foreign debt burden. Moreover, it is not only that the turnover of foreign debt used in projects is low, but there is also a considerable part of the foreign debt that has not been used in importing capital goods, making it impossible for the debtor nations to boost their productivity. Many debtor nations have imported excessive amounts of durable consumer goods and luxuries to pursue unrealistic consumer targets. For example, from 1970 to 1978, Chile's TV imports went up 74 times and cosmetics and perfume 65 times. These purchases have seriously sliced into these nations' investment rates and repayment abilities and causes their foreign debts to skyrocket.

3) The debtor nations' inappropriate development strategies, which provide for unrealistic growth rates and blind engagements in large projects irrespective of their financial, material and labour conditions have contributed to excessive government

expenditures and soaring foreign debts. In drawing up their development plans, most of the debtor nations aimed too high and pursued high-speed growth and excessively large-scale projects. For instance, Brazil's investment in large projects from the mid-1970s to the early 1980s topped US\$52 billion, which, far exceeding its ability, compelled it to borrow huge sums from abroad. In the early 1970s, Brazil's foreign debt was in the realm of billions of US dollars. Now, however, its debt has jumped to more than US\$100 billion. These projects, which are characterized by huge investments and long building cycles, are barely productive and have exacerbated the nation's foreign debt.

Because the debtor nations' military expenditures have also been inordinately high, they have had to supplement them with borrowed funds. Argentina once used huge amounts of its foreign loans for arms and military equipment imports, and in 1978, it spent US\$10 billion alone on importing military equipment.

In addition, the debtor nations' failures to formulate export-oriented industrial policies and the failure of their import substitution guideline have adversely affected their repayment abilities.

4) The debtor nations' domestic policies (monetary policies in particular) do not accord with their foreign debt policies. These nations' foreign debt policies are an integral part of their overall economic policies. The non-conformity of the two has resulted in the lack of control over these nations' foreign debts and has, consequently, increased their burden. Many debtor nations have not formulated workable monetary and credit policies, which has caused financial profiteering and monetary inflation, a situation which aggravated foreign debt accumulation. In the 1970s, various financial organizations emerged in the debtor nations. While these

organizations borrowed money everywhere for profit, their governments failed to direct these funds to the productive departments of the national economy, which eventually led to credit inflation.

In addition, the debtor nations' failure to compose an efficient foreign exchange management policy also led to an inadvertent drain on their foreign currencies. In the 1970s, many debtor nations' foreign currencies were invested by home investors transferred to foreign countries through the investment in enterprises and fixed assets and purchase of foreign shares and bonds, all of which conducted the funds back to the creditors. The funds of the Latin American countries currently flowing back to the United States top US\$10 billion a year.

The developed nations' exploitation and control of the debtor nations and the prolonged dominance of the outdated international economic order are the causes for the deterioration of the developing countries' debt problem. But the serious faults in the policies pursued by the debtor nations themselves are also profound reasons for their financial woes.

To summarize, the debt problem of the developing countries is

still very serious. Moreover, because unfavourable factors exist both inside and outside these countries, it is unlikely this situation will change fundamentally in the near future; it may even deteriorate. The World Bank's high and low forecasts of the developing countries' debt prospects indicate that the developing countries' debt burden is unlikely to be lifted before 1990 (Table III). According to the World Bank, the amount of foreign debt and interest the developing countries are required to pay in the next four years is around US\$110 billion a

year, and the total amount of debt will remain at around US\$1,000 billion a year. There is, therefore, no reason for optimism about the debts and economic situations of the developing countries in 1986 and even beyond. The debt problem remains a "time bomb" suppressing the economic development of the developing countries, delaying improvements in North-South relations and threatening the stability of international finance. The world economy as a whole continues to harbour its international debt crisis.

Table III

Forecasts for Developing Countries' Debt

	1984	1990	
		High	Low
Interest on medium-and long-term debt (unit: billion US dollars)	593	449	763
Debt outstanding and disbursed as percentage of GNP	33.8	24.7	27.8
Debt service as percentage of exports	133.4	98.2	133.1

Source: The World Bank: World Development Report 1985.

(Continued from p. 14)

bania has improved its relations with other countries in the past year. As a result, the Greek government, for example, finally decided last August to terminate the "state of war" with Albania, which had existed for 40 years. The two countries officially opened their border checkpoints to resume cultural, trade and tourist contacts.

A 40-kilometre railway from Shkoder, in northern Albania, to the Yugoslav city of Titograd, was completed last October. As Albania's first rail link with an international railway, it will play

an important role in the country's foreign economic and trade activities.

A 70-member delegation from the French Ministry for External Relations, the largest ever to take part in Franco-Albanian exchanges, visited Tirana last September to discuss trade, economic and cultural co-operation.

In October 1985, Albanian Foreign Trade Minister Shane Korbeci paid a visit to Italy and signed a protocol to increase trade between the two countries.

Albania and Switzerland signed an agreement last month to start air travel between Tirana and Zurich. This will be the second

airline linking Albania with a Western country. The first, from Tirana to Athens, was inaugurated in 1978.

Albanian trade with Bulgaria, Czechoslovakia, Hungary, Poland and Democratic Germany has also increased.

Despite the increase in trade and diplomatic relations, however, Tirana's basic foreign policy remains unchanged. Alia has repeatedly declared that he will "firmly and consistently" follow the policy charted by Enver Hoxha. He has also stressed that his country will never have any relationship with the United States or the Soviet Union.

by Wang Xianju

Trade Restrictions on China Eased

The European Economic Community has recently added three Chinese items on its free import list — porcelain tile, non-ceramic utensils and glassware. At the same time the EEC has agreed that some Chinese products can enter freely into a few EEC member states, and to increase import quotas on a few other articles.

These new measures were announced at the first meeting of the Joint Committee of the Agreement on Trade and Economic Co-operation Between China and the EEC held in Beijing last month. The new measures undoubtedly will benefit bilateral trade. The ease on China's export-oriented products will soon go into effect.

The EEC is a very important trade partner to China. Bilateral trade in 1985 hit a record high of US\$7.43 billion, 34 percent higher than that of 1984.

Investment made in China by EEC member states have continued to increase annually. The 1979-1984 aggregate total reached US\$900 million. In 1985, the technological contracts signed between China and EEC members were worth 50 percent more than those of the previous year. The bilateral co-operation covers energy, aviation, transport, ship-building, the auto industry, light industry, textiles, food processing and agriculture in a variety of forms — co-operative production, joint investment, co-operative management, compensatory trade, joint bidding and labour co-operation.

To facilitate investment from European firms, the Chinese government has signed investment protection agreements with West Germany, France, the Nether-

lands, Belgium-Luxembourg, Denmark and Italy; and agreements on excluding dual taxation with some of the countries.

China and the EEC have good relations. However, because of the drastic increase in the member states' export to China and the restrictions on imports from China, the bilateral trade situation has been unfavourable to China. China's 1985 export to EEC countries was equivalent to US\$2.19 billion, a 2.3 percent increase over 1984, while EEC export rose by a whopping 54.5 percent during the same period.

According to the latest reports, China has already used its 1986 quotas of most-favoured EEC import tax on three of its chemical products, which are now liable to pay regular taxes again.

European limitations placed on China's export quantity and other obstacles are incompatible with friendly relations with China.

China has much to do before it can expand its export to the EEC member states — market investigation, alterations on its export commodity structure, and upgrading the quality of its products. However, it needs EEC support. The easing off of EEC import restrictions is imperative. To help provide favourable conditions for increased exports from China, the EEC should consider China a developing country and proceed from China's recent reforms of its economic system to relax its control on imports and change the rules and regulations.

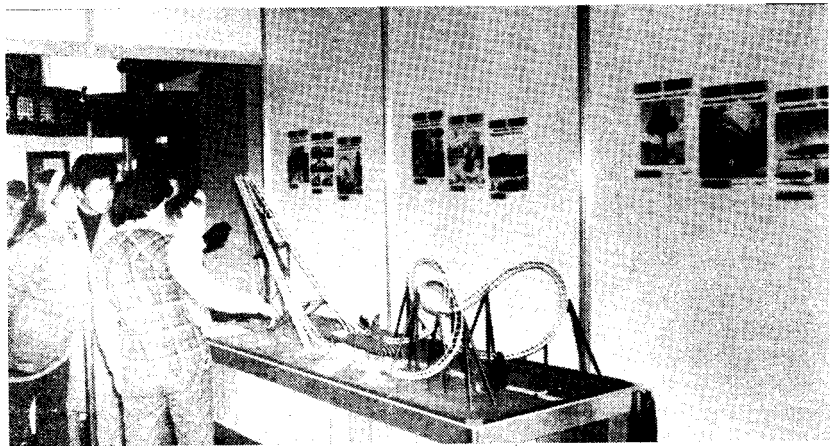
China will adhere to the policy of increasing the proportion of its trade with Western Europe. It is willing to increase its take of EEC imports, as long as it is able to boost its rate of export to EEC countries.

by Jin Mao

Amusement Gears On Show

The International Recreation and Educational Technology Exposition was held in Beijing at the end of March, with 60

companies from a dozen countries including Great Britain, the Federal Republic of Germany, Japan, the United States, France, Italy and Hong Kong taking part. Among the more than 100 exhibits were amusement instruments and combination gymnastic apparatus.



The First Jeweller's Venture

The joint venture Hong-Hung Arts and Crafts Micro-Carving Co. Ltd. has earned 1.17 million yuan (about US\$400,000) since its inauguration last August. Its products have been sold to Japan, the United States, the Federal Republic of Germany, France and in Southeast Asia.

Owned by the Hongshan Foreign Trade Corp., in Wuhan of Hubei Province, and the Wai Hung Trading Co. of Hong Kong, the company deals in pearls, ivory, human hair, jade and agate sculptured with Chinese poems and paintings in traditional micro-carving style.

King Wah Wong, president of the Wai Hung company, said he was satisfied with the venture and was ready to reinvest the profits to be gained in the next two years into the venture. The two partners have reached an agreement to an extension project of the jewel processing shop and the micro-carving studio. A mounting studio for paintings and calligraphy will be added. The 1986 output value is estimated at 10 million yuan.

by Han Baocheng

China-Austria Tunneling Machine

Ten AM50 tunneling machines, produced jointly by China's Huainan Coal-Mining Machinery Plant and Austria's Voest-Alpine AG Co., passed examination and were turned over to Chinese coal mines on March 2.

A medium-size tunneler, the AM50 will improve work safety and efficiency while reducing the labour force.

Since China imported 34 such machines in 1982 their performance has proved satisfactory. In early 1984, talks were held



ZHENG JUNYUAN

Workers of the jeweller's joint venture assemble jade incense burners in the Wuhan factory.

between the China National Coal Import and Export Corp., the China National Technical Import Corp. and the Austrian Voest-Alpine AG Co. on the transfer of the AM50 production technology. A contract was signed on September 1, 1984 which stipulated that the Austrian side would provide the main parts of the hardware and the Chinese side would manufacture the less technical equipment. The machines are to be assembled in China and China will be required to produce all the AM50 parts by 1989. The contract also states that the Austrian company provides production technology to China and trains Chinese personnel.

by Li Qiong

An Islamic Investment Corp.

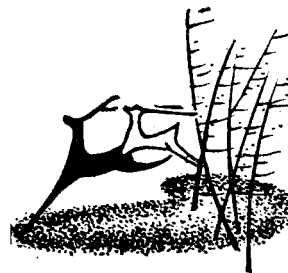
The Islamic International Investment Corp., a joint venture of China's Ningxia International Trust and Investment Corp. and the Egyptian-Saudia Arabian Faisal Islamic Bank, will begin business in China towards the end of the year.

The registered capital is US\$40 million. The Chinese firm owns 50 percent of the shares, each with a face value of US\$100.

IIC shall accept deposits from abroad, issue stocks and bonds in foreign countries, and provide capital, information and consultation to regions inhabited by China's Islamic national minorities—Hui, Uygur, Kazak, Uzbek, Kergez, Tajik, Tartar, Dongxiang, Sala and Baoan, as well as act as guarantor to contracts signed with foreign firms.

In all its financial activities, IIC will not charge or pay interests, besides sharing bonuses from profits. Free economic aid will be given to poor Muslim areas.

by Sun Ping



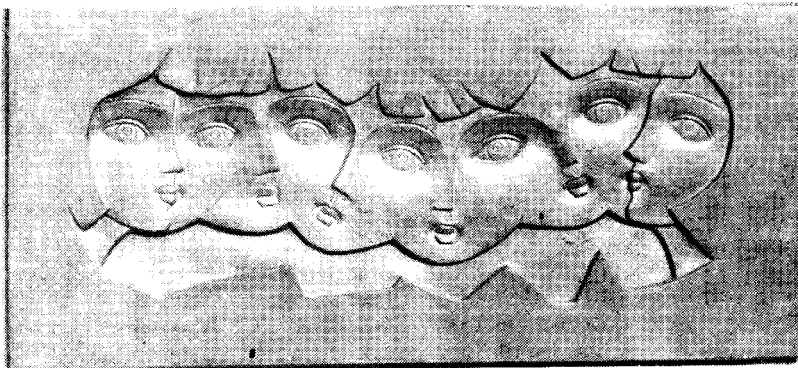


Sculpture Park Brings Magic to Beijing

As we drove along a wide boulevard lined with trees and flowers in the western outskirts of Beijing, a strange, low building caught our attention. The building, which was in the shape of a dinosaur, was a gas station. The "dinosaur's" long body served as the station's work room and its

sculptures have the garden's thick and tall evergreens as backdrop. In other places ponds also serve as sculptures' location.

Near the garden's southern gate stands a four-metre rock in the shape of a *karst* cave. Atop the entrance to the "cave" is the



"Stars."

YANG LIMING

outstretched head and neck the parking space where the cars stopped to be refilled. The combination of an ancient mammal with petroleum might suggest that oil was as old as the dinosaur.

This gas station was the first stop on our trip to the Shijingshan Sculpture Park.

The park, which opened to public last September, is only a small area of three hectares. The garden architects, however, have made the best use of the limited space by combining traditional symmetrical arrangements with more contemporary style of randomly situating buildings and paths within the area.

The sculptures in the garden are scattered among the sunny and shady areas. In the sunny area the sculptures stand comfortably on the lawn or amid colourful flowerbeds. But on the shady side, the

sculpture *Mother and Son*, showing the two looking at each other with deep affection.

In the southwestern section is a quiet lake that reflects the sun's golden light. A sculpture of a water buffalo, with only its back above the water, carries on his back a young cowboy who has a newly caught fish in his hand. The piece is called *Homecoming*.

In the sunny sculpture area, many visitors are attracted by the statue of a tall, thin man who stands in deep concentration as he performs his *qigong* exercises on the lawn. The vibrancy of the piece leaves viewers feeling as though they can feel the man's breathing.

The sculpture relief piece *Stars* is among the park's younger visitors' favourites. In the relief, one at first glance sees several lovely faces of little girls. But when one comes closer, however, one

finds there are innumerable faces in the pattern, as innumerable as there are stars in the sky.

The *Garden of Early Spring*, situated in the southeastern part of the park, is a garden within a garden. Aside from the rare trees and flowers found there, the garden also has a story-telling room and a music hall well-situated amid its serene surrounding. A dry 400-year-old cypress tree is specially preserved there. The trunk, which is durable yet smooth, and its branches look like another carved object and blend so naturally with the garden that this natural sculptural piece evokes "Ahs" of surprise from visitors.

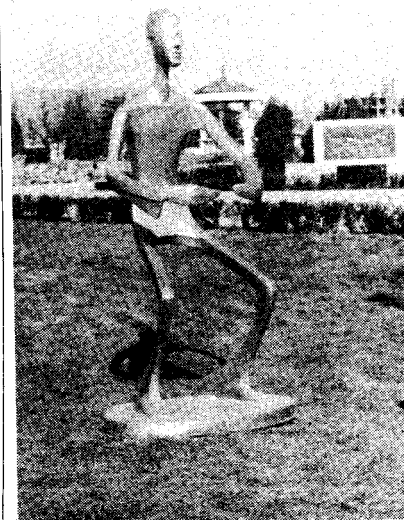
At the entrance of the garden is the international award-winning sculpture, *A Hard-Working Ox*. With a rough outline, the sturdy ox, the symbol of diligence, seems to be calmly lowering its head in the middle of a task.

When complete, the garden will house 50 statues. So far, however, only 20 have been erected.

by Hong Lanxing and Yang Liming

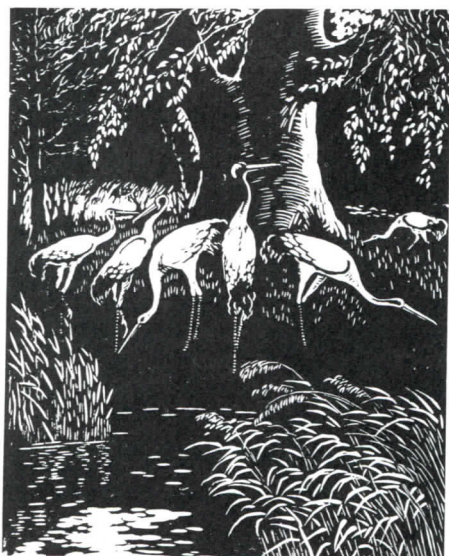
"Qigong," (deep-breathing exercises).

YANG LIMING





Illustrations from a Mongolian epic.



Cranes.

Woodcuts by Buhechaolu

Buhechaolu, born in the Inner Mongolian Autonomous Region in 1928, is an art editor for the newspaper the *Inner mongolian Daily*. The life and landscape of the northern region are often the subject of Buhechaolu's engravings, all of which show a strong regional influence.



Deer.

ART PAGE



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