

A CHINESE WEEKLY OF NEWS AND VIEWS

Beijing Review

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Students' Concern Today



**CHEN MUHUA
ON FINANCIAL
REFORM**

SPOTLIGHT

Weifang Kites

Kite making is popular in Yangjiabu, Weifang, Shandong Province, where farmers have combined woodcut art with kitemaking. The Districive Weifang kites are now exported to more than a dozen countries and regions.

Photos by Li Jin

Yang Tongke, 85, making a centipede kite.



Butterfly kite.





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Xue Chao

HIGHLIGHTS OF THE WEEK



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Peace, Development, Hope

■ For China, 1986 was a year devoted to peace and economic achievements. Editors' notes tells how in 1987, China's economic reform will continue to emphasize invigorating enterprises and that concrete plans will be drawn up for political reform. It stresses that political stability and unity will ensure the smooth progress of these reforms (p. 4).

Wang Meng on Campus Situation

■ Minister of Culture Wang Meng told *Beijing Review* that he is optimistic about the present situation in China, which reflects some conflicting views. China will not change its policies, including policies on culture, just because of the recent student demonstrations, he says (p. 6).

Concerns of Students Today

■ A recent survey by a youth organization of the interests of today's college students shows that their major concerns are service to society, work-study activities, politics, and cultural & theoretical issues (p. 22).

Financial Reform Fares Well in China

■ In an exclusive interview with *Beijing Review*, Chen Muhua President of the People's Bank of China discusses China's financial reform, including the emphasis for 1987, the progress of co-operation between Chinese and foreign financial circles and China's foreign debt (p. 16).

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Peace, Development, Hope

by Geng Yuxin

In peace and fruitful work, China has seen 1986 pass by—the International Year of Peace and the first year of its Seventh Five-Year Plan.

As the song “let the world be filled with love” resounded around and the torch of the earth run was passed through different places and by people of different colours, we were glad to hear the strong cry for peace and disarmament and against war, aggression, the establishment of foreign missile bases at the door of one's country. We also note with concern that the threat of war is still looming, the arms race between the two superpowers is being stepped up, the invaders, bogged down in the mire of Kampuchea and Afghanistan, refuse to give up, and the war flames are still spreading in the Middle East and elsewhere.

However, there is dialogue—between North and South, East and West, the United States and the Soviet Union, China and the Soviet Union, the German Democratic Republic and the Federal Republic of Germany. Dialogue is better than confrontation, and these dialogues are expected to yield positive results, even though they have been so often hampered and interrupted.

Meanwhile, gone forever are the days when “might is right” prevailed. Through repeated trials with the forces of war, the forces of peace have gathered, grown and been steeled. This brings new hopes, courage, confidence and strength.

In the past year, China's plan to cut its armed forces by 1 million has been implemented. By now 410,000 soldiers have removed their uniforms and become

builders of China; and factory after factory has switched to making goods for civilian use. In March 1986 China declared a halt to its atmospheric nuclear tests. In December, China's two disarmament proposals were adopted by the UN General Assembly. At home, meetings and discussions, calligraphy, painting and photography exhibitions with peace as the theme, all express the Chinese people's determination to safeguard world peace.

Developing fast in a peaceful international environment and building a modern socialist country is China's long-term goal. It implies that people all over the country mobilize to eliminate the poverty, ignorance and backwardness left after 2,000-odd years of feudal rule and 100-plus years of imperialist aggression, to enable a quarter of the world population to live a prosperous, free and happy life. This, in itself, is a great contribution to world peace.

1986 was the eighth year of work towards accomplishing this task, and marked the beginning of the Seventh Five-Year Plan for economic and social development. We consider it a good beginning.

The national economy, ending in an overheated state in 1985, has developed steadily at the planned 7-8 percent growth rate. It is estimated that the output value of industry grew by 10 percent over 1985 and that of agriculture by 4 percent, national income by 7 percent. The trade deficit dropped from US\$14.9 billion in 1985 to US\$8.6 billion in Jan-Nov 1986. The average wages of urban workers went up by 14 percent and income of farmers by 7 percent. Social demand was kept under control, and the rate of price rises

fell from 8.8 percent in 1985 to 6 percent in 1986.

At the same time there has been a drop in economic results. State revenues were not satisfactory, money supply was excessive and the scale of capital construction remained too great.

The open policy and structural reforms which started eight years ago, are the driving force behind economic development and the country's modernization.

In 1986 China's open policy spread gradually from the special economic zones, the coastal cities and the economic development areas to the hinterland. The 7,300 foreign-invested enterprises under construction or already in operation have involved US\$5.9 billion in direct investment. The technologies imported are helping Chinese enterprises replace outdated equipment, upgrade products and improve efficiency. The new regulations for encouraging foreign investment promulgated by the State Council in October are being implemented in all fields. It is expected that there will be marked improvement in the investment climate this year.

Progress has been made in the economic structural reform centred on the cities. Streamlining administration, delegating power to the lower levels and separating ownership from the right of management are serving to increase the independence of state-owned enterprises. The leasing system, the contract system and the stock sharing system being tried successfully in smaller enterprises are spreading. Economic co-operation between regions and between departments is blossoming. The new employment system and the trial law of bankruptcy are being implemented, both aimed at breaking the “iron rice bowl.” In order to help raise funds, collectively owned credit co-operatives are developing nationwide, and experimenting with share flotations is under way.

He Dongchang on Student Demos

This year, the economic structural reform will continue to emphasize invigorating enterprises. The political structural reform designed to revitalize Party and government organizations has also been placed on the agenda. Because the political reform is complicated, it requires thorough study in advance, so concrete plans for reform are expected to be drawn up this year.

Political stability and unity are the pre-requisites for accelerating the four modernizations and an important factor contributing to the remarkable achievements in the last eight years. However, the influences of feudalism, of decadent bourgeois ideas and of the "cultural revolution" still dog progress. The problems as reflected in the recent demonstrations staged by some students in Shanghai and elsewhere show that to educate the younger generation to eliminate these harmful influences remains an important task.

In modern world history, the phenomenon of material wealth coupled with a spiritual vacuum is widespread. It is characterized by profit-before-everything attitude that "everybody is for oneself and god for everybody." China will fend off this kind of thinking. It will adopt every possible measure to enable the people to live a prosperous material life while enjoying a happy and meaningful cultural life.

The resolution adopted at the Sixth Plenary Session of the 12th Party Central Committee in September 1986 set the direction of building socialism with advanced ideology and culture in the course of economic construction and outlined the task of raising the morality and cultural level of the whole Chinese nation. The resolution also said unequivocally that the modernization we are working for can only be socialist modernization with Chinese characteristics. Its mottoes would be: "Common prosperity" and "I for everyone, everyone for me." ■

Only a little more than 1 percent of China's 2 million college students took part in recent demonstrations and none of them has been arrested, said He Dongchang, vice-minister of State Education Commission at a press conference on December 30 in Beijing.

What these students were concerned about, he said, was democracy and freedom, but most of them did not raise concrete demands. These students are willing to devote themselves to the country's modernization drive and hope to speed up the present restructuring of the political system, he added.

It is the aim of the Communist Party and the Chinese government to build a socialist country with a high degree of democracy which will represent the common interests and wishes of the whole Chinese people, the vice-minister said.

He pointed out that the building of democracy in China should be carried out under the leadership of the Chinese Communist Party and through proper procedures.

While the majority of the students hoped to speed up the present reforms, a small number of them have been excessive in their acts and opinions, He said, adding, this is quite understandable.

The policy of the Chinese government towards the recent happenings is to enhance ideological work among the students, the vice-minister said. All local governments, university authorities concerned and the majority of teachers have done so, He added.

At present, the government is striving to carry out a reform of the political system, he said. Our policies have been proved to be correct and have won support from the masses, he added.

However, this reform will take time due to economic, cultural and

other factors, He noted. We welcome criticism and suggestions from the people and urge them to closely supervise government work.

He cautioned that a very small number of people are trying to take advantage of student demonstrations and have committed acts which run counter to the country's Constitution.

"We must distinguish their speeches and acts from those of the students," He said.

Police in Shanghai and Nanjing have arrested several people accused of committing offences such as overturning and damaging cars. None of the arrested is a student, said the vice-minister. Chinese judicial departments are handling the cases, he added.

Another person was also arrested for taking part in demonstrations sponsored by the Beijing Teachers University. However, stated He, this accused is not a student either. He is unemployed from another part of the country. The arrested man is accused of making an anti-government speech in public, the vice-minister noted.

"It is impossible that there will be great turbulence in China, because the general situation is good and the whole people prefer stability," he said.

Chinese students and citizens may express their opinions by writing letters or asking for talks with the government at various levels rather than demonstrating. But demonstrations may also be held under "special circumstance," he said.

Demonstrations may also possibly occur in the future, the vice-minister said, adding that in a sense the demonstrations are "not a bad thing" and they may help correct the mistakes and shortcomings in the government and overcome "the serious problem of bureaucracy" in some areas, He Dongchang said. ■

Wang Meng Optimistic About Campus Situation

In a recent interview with *Beijing Review*, Wang Meng, minister of culture, commented on the concerns of Chinese youth when discussing recent student demonstrations in Shanghai and other cities.

Generally speaking, he said, most young people are good. They are very enthusiastic. They feel discontented sometimes when something they expect has not materialized. This is understandable, he said. But young people should voice their opinions through lawful and proper channels rather than resorting to practices that disrupt social life and public order, because they are harmful to the country and against the wishes of the people.

"From the perspective of development," Wang said, "I am optimistic about the situation. The current situation reflects some conflicting ideas about how people view the present reform—There are some people who are

impatient and also some who have doubts. Of course, there are also a few who wish to see chaos in China."

"The tasks of reform and construction we face now are arduous," Wang added. "We advocate a constructive and practical attitude towards them. Talking big solves no problems." In the process of reform, people have different views towards various questions, but these conflicts can be solved, he said.

Wang did not think that there is an objective basis for acute confrontations. On the whole, he said, standards of living have been rising, democracy is expanding and the general social mood is positive. China has adopted the open policy and its image is improving. He admitted that problems still exist. "But we should look at the overall trend," he added.

After the student demonstrations broke out in Shanghai,

some foreigners predicted that China would tighten up its policies, especially its policies on culture. When asked to comment, Wang said, "We will deal with each problem according to its merits, I think. Our policies will not change because of these events. In other words, we will unswervingly carry out the policy of reform, the open policy and the policy of enhancing democracy. With regard to cultural work, we will implement the principles of serving socialism and the people and of 'letting a hundred flowers blossom and a hundred schools of thought contend' as well as assuring the freedom of writing, academic discussion and criticism. Of course, all this should be carried out in an orderly manner under the leadership of the Party. We cannot afford more chaos in our country, because it would only hamper reform, the open policy and the development of democracy and the legal system, instead of promoting them."

Railway Network To Be Expanded

China's Ministry of Railways has decided to spend about 7 billion yuan, almost one-fifth of its total railroad investment for the Seventh Five-Year Plan period (1986-90), on the renovation and construction of railway lines in east China to alleviate pressure on existing railway transport in the region, whose development strongly influences the nation's economic growth.

East China's Zhejiang, Jiangsu, Jiangxi, Anhui and Fujian Provinces are the country's most economically developed areas. China's largest industrial city of Shanghai, and the cities of Fuzhou and Xiamen, have been given

special foreign trade and investment advantages by government decree. The region's annual industrial output amounts to about one-third of the country's total.

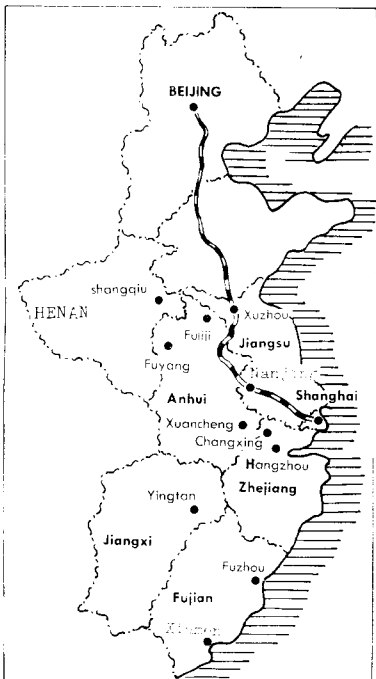
But its development has been seriously hampered by an inadequate railway system which amounts to only one-tenth of the national railroad network. Three of the country's four worst transport bottlenecks are in east China. Those bottlenecks hold up at least half the goods and materials sent to the region.

To solve the problem, the ministry plans to build 1,726 kilometres of railway lines in the region over the next four years, including 473 kilometres of new lines, 740 kilometres of double lines next to the existing ones, and

513 kilometres of electrified lines. This will call for an increase of investment in the region's railway construction by 55 percent in 1987 over the 1986 figure.

The existing Beijing-Shanghai line will be strengthened by expanding the Xuzhou marshalling yard in Jiangsu Province, constructing an overpass at the town of Fuliji in Anhui Province, and building a new station in Shanghai. This line will become the first in the country, employing diesel and electric locomotives and an electronic control system. Express trains will be able to start their journeys from Beijing in the morning and arrive in Shanghai in the evening, or the other way round.

The ministry will also open up a second north-south route to the



1987. The number of passenger and cargo trains will be increased too by 18 and 586 respectively.

The Ministry of Railways has introduced the contractual responsibility system earlier this year. Under this system, the government will no longer make investment in the railways, and the ministry will not have to turn over its profits to the state, but reinvest them for its own expansion. Under the system, the ministry will have to assume sole responsibility for its profits and losses.

During the current Seventh Five-Year Plan period, the ministry is to meet state-set standards for railway transport, production of locomotives, and construction of new railway lines. It will itself raise the money for railway construction and for the purchase of new locomotives. Capital spending on buildings and hotels by organizations under the ministry has been stopped to ensure that its limited financial resources are spent on these urgent railway construction projects. ■

Engineers Urged to Update Knowledge

China is now paying more attention to post-college education to enable university graduates to update their knowledge and skills.

Zou Shiyan, vice-minister of the State Education Commission, said at a national adult education conference held in Yantai, Shandong Province from December 1 to 5, 1986 that people should remove the concept that only those who have received little education need to be educated. China's college students who graduated before 1976, he said, should enrol in the new courses of study available, which are designed to update the knowledge of enterprise managers and technical personnel and to familiarize them with recent

developments in science and technology. New college graduates should also broaden their knowledge of their specialities, he added.

Recently the Beijing Municipal Economic Commission, together with the Beijing Municipal Scientific and Technical Association and the Central Radio and Television University, began a special course of post-college education for engineers and technicians, according to Zhang Jiaying, deputy director of the education department of the municipal economic commission.

Zhang said science and technology are developing quickly, and the knowledge many engineers and technicians acquired in university is not up to the needs of the country's economic reform. This new course, transmitted by satellite TV from November 3, is designed to equip engineers and technicians with a knowledge of modern engineering technology in common use.

The Modern Engineers' Manual mainly compiled by Mao Yisheng, China's famous bridge engineer, is the textbook for the course. The book covers modern science and technology; engineering design; managerial skills; technological economics; computer technology; energy technology; the technology of environmental protection; scientific and technological information, and the writing of scientific and technical documents.

"This special course is the first of its kind in the country to train engineers and technicians systematically and in large numbers," said Zhang. "It will help change the present situation in which engineers and technicians merely know technology, but do not know about managerial skills, accounting and other general knowledge."

According to Zhang, the commission plans to offer the

region by building a new line linking Shangqiu in Henan Province and Fuyang in Anhui, and another from Xuancheng in Anhui to Changxing in Zhejiang, and by renovating the Changxing-Hangzhou line.

At the same time, the renovation of the east-west artery to the region will be speeded up. The double-lining project of the Shanghai-Hangzhou and Zhejiang-Jiangxi railways, and the electrification of the Yingtan-Xiamen line, are planned for completion by 1990.

The ministry also plans to construct 504 kilometres of double lines, 462 kilometres of new lines and 677 kilometres of electrified lines elsewhere in the country in



LIU ZHIWEI

Hebei Province's Baoding pays great attention to the adult in-service education. Here, students from the city's film factory are carrying out a chemistry experiment.

training to all engineers and technicians in Beijing within two to three years. The first one-year course has enrolled more than 30,000, about 40 percent of the total number under the commission.

Those who pass the examination at the end of the course will be given diplomas, which will be decisive in determining professional titles for them. "So most engineers and technicians are now paying serious attention to this course and are working very hard in their studies," he added.

Li Peng, vice-premier of the State Council and minister of the State Education Commission, pointed out at the national conference on adult education that the reform of adult education should be conducted alongside reforms to the personnel, wage and employment systems.

Li also urged television and radio be used more conscientiously in education. "TV education is a flexible and effective form of adult education, especially for in-service training," Zhang Jiaying said. It could overcome the problem of the shortage of

teachers, and the difficulties of combining work with study.

More than 1,000 satellite ground stations have been set up all over the country in the six months since China began to experiment with a nationwide TV education programme in July this year.

by Wang Yanjuan

Weekly Chronicle

(December 22-28)

POLITICAL

Dec. 25

An enlarged meeting of the Chinese Communist Party Central Military Commission discloses that the People's Liberation Army has been reduced by 420,000.

Dec. 26

Xinhua reports that state security organs in Jilin Province arrests two Chinese who had been workig for South Korean spy organizations.

Dec. 28

Huang Kecheng, adviser to the

Central Military Commission, passes away in Beijing aged 84.

ECONOMIC

Dec. 22

Renmin Ribao reports that output of the Shengli Oilfield in Shandong Province will reach 40 million tons by 1989 and 50 million tons by 1990, thus catching up with Daqing Oilfield in northeast China's Heilongjiang Province, which has produced 50 million tons of oil a year for the past 10 years.

Xinhua reports that by mid-December China's output of cotton yarn had reached 20 million pieces, each weighing 181.44 kilogrammes. This makes the country the world's largest cotton yarn producer.

Three factories in Shenyang—the Shenyang Casting Plant, the Shenyang Battery Factory and the Shenyang Electrical Appliances Factory—begin open recruiting of factory directors through public bidding.

Dec. 25

China United Airline (CUA), the second national civil aviation company in China, is formally established in Beijing. It will compete with CAAC.

CULTURAL

Dec. 23

Another 18 volumes, including books on Chinese literature, physics, philosophy, world geography and religion, of the 75-volume *Encyclopaedia Sinica* have been sent to the printers and will soon be published. So far 16 volumes, including books on astronomy and foreign literature, have appeared.

Dec. 23

China downs Japan 2-0 in the finals of the Sixth Asian Women's Soccer Championship which is held in Hong Kong.



SUN XIAOZHEN

Children Try Shuttle Experiments

Wang Niangqing (left) from Lanzhou No. 14 Middle School in northwest China's Gansu Province, is to have a device he designed—to handle refuse—carried out on the US space shuttle. Tian Chunliang (2nd left) from Shenyang No. 107 Middle School in Liaoning Province, will also have his experiment—on solidification of liquid compounds—tried, as will Shi Gang (right) from the Middle School attached to Shanghai's Fudan University, whose project is on the effects of radiation on medicines.

The boys are pictured here with an American space researcher of Chinese origin.

companies throughout the country paid 473 million yuan in compensation.

FOREIGN RELATIONS

Dec. 25

Chinese leader Hu Yaobang meets Sri Lankan Communist Party leader Pieter Keunman in Beijing and expressed satisfaction at the resumption of the relations between the Communist Parties of China and Sri Lanka after a break of more than two decades.

Dec. 26

Chinese Premier Zhao Ziyang meets Democratic Kampuchean President Samdech Norodom Sihanouk and reaffirms China's resolute stand on the side of the Kampuchean people and its coalition government.

Dec. 27

Commenting on the Seventh anniversary of the Soviet invasion of Afghanistan, a Chinese foreign ministry spokesman says China will, as always, firmly support the Afghan people in their just struggle against foreign invasion and is ready to continue its efforts in promoting a just and reasonable political settlement of the question of Afghanistan.

Dec. 28

General Secretary Hu Yaobang meets with Lionel Jospin, first secretary of French Socialist Party. They are satisfied with the growth of relations between the CPC and the French Socialist Party since ties were established in February 1981.



SOCIAL

Dec. 22

China Journalists' Association issues honorary certificates to 16,000 veteran journalists.

Dec. 23

The State Council's Environmental Protection Committee approves a massive new document titled "China's Nature Protection Programme," the first systematic plan prepared by specialists to protect the country's environment and natural resources.

Dec. 26

The Ministry of Public Security, the Ministry of Foreign Affairs and the Ministry of Transport and

Communications publish detailed rules governing Chinese citizens' exits from and entries into the country.

China's security officers exposes a major case of international drug smuggling. Arrested are Yong Chang Fiakula of Thailand and Tai Man Suen and Yu Sek Fun of Hong Kong. They intended to take heroin from the "Golden Triangle" area through China and into Hong Kong via Guangzhou.

Renmin Ribao reports that more than 40 million farmers households have taken out insurance on their family property. Between January and October insurance

AFGHANISTAN

Seven-Year War Still Deadlocked

As the year 1986 drew to a close, the Soviet occupation of Afghanistan entered its eighth year. Yet there is little hope that the Soviets will withdraw soon.

The Afghanistan war remains at a stalemate in terms of both political and military settlement.

At the beginning of 1986, Moscow announced that there would be significant advances in the political settlement of the Afghanistan problem with the withdrawal of Soviet forces in the near future. However, as the year drew to its end, the Soviet statement proved to be void of any practical result.

In the two Geneva talks held last year, the Kremlin stuck to its former stance, refusing to lay out a schedule for its pullout of the Asian country. Although the Soviet Union withdrew six regiments from Afghanistan in October, these withdrawn soldiers were mostly anti-aircraft forces which are of little use in Afghanistan since the country's guerrillas do not have aircraft.

The Kremlin's peace offensive is accompanied by ever increasing military assaults in Afghanistan. Taking advantage of their superiority in the air, the Soviet forces bombarded the resistance bases heavily in the hope of cutting off the guerrillas' contact with the outside and destroying them.

Instead of launching large-scale offensives as they had done in the past, the Soviet troops concentrated on medium and small attacks on the guerrillas in 1986. Casualties on both sides were higher than in the previous year. The Soviet troops also changed their sweeping operations of the past to more precise attacks. Their military campaigns were concen-

trated along the Afghan-Pakistan border in the east and the Afghan-Iranian border to the west. Soviet-Afghan armed intrusions and terrorist practices in Pakistan grew markedly and totalled more than 600 incidents in four months. The Soviet soldiers have taken various military measures, such as setting up unpopulated zones and security defence zones around important towns, cities and military bases. Besides, the Soviets have often sent spies to infiltrate the Afghan guerrillas and to plot uprisings and murders of Afghan resistance commanders.

Despite many difficulties and shortages in provisions, the Afghan guerrillas have kept up their courage. They have re-

peatedly thwarted attacks by the Soviets, who possess superior weaponry. Now the resistance forces have improved their strategy, enriched their operational experience and obtained better weapons, most of them captured from the enemy. Since the seven major guerrilla organizations merged into the Islamic Alliance of Afghan Mujahideen (holy-war fighters) in May 1985, they have displayed closer coordination in their efforts to drive the Soviets out of the country. As a result, 80 percent of Afghanistan's rural areas remain in the hands of the resistance forces. Even the Soviet-controlled major cities and key communication lines were under constant raids and harassment by the Afghan guerrillas. During the seven-years of war, the Soviet Union has had to spend more than US\$20 billion and has suffered more than 35,000 casualties.

The Afghanistan problem is not likely to be solved in a short time. Although Moscow appears more flexible in its Afghanistan policies, their core remains unchanged. The Kremlin will not easily give up Afghanistan, which, located in the

Afghan resistance soldiers after capturing a Soviet-made tank.



strategically important Gulf region, will be helpful in Moscow's global strategy. Another reason why the Soviets have to stay in the Asian country is that the Soviet-backed Najibullah regime, which took over from Babarak Karmal in May 1986, is so feeble that it

cannot stand on its own feet.

The key to solving the Afghanistan problem lies in Moscow. Since the Soviet Union is not ready to deal with the issue, it is most likely that the stalemate will drag on. ■

by Shi Zongxin

PAKISTAN

Promoting the Democratic Process

The recent ethnic rioting in Karachi has subsided and the Pakistan government has undergone a smooth cabinet change. Steps have been taken to fulfill the Pakistan people's aspirations for democracy.

The newly sworn-in Pakistan cabinet recently held its first meeting in Rawalpindi, twin city of Islamabad, to review important national issues.

The meeting, chaired by Prime Minister Mohammad Khan Junejo, stressed social welfare and streamlining the work of various government departments, as well as measures for promoting a sense of security among the people, and ensuring their security of life and property. Junejo advised his colleagues to maintain effective contact with the public and their elected representatives with a view to solving problems of the people and carrying out the development programme without delay.

Junejo dismissed his former cabinet December 20 because he wanted a more compact, effective and efficient cabinet. The new cabinet is composed of 12 ministers and four ministers of state, less than the previous number.

The cabinet shake-up came after an ethnic rioting in Karachi. In different parts of the city rival Pashtuns and Mohajirs shot, stabbed and burned each other. The death toll from inter-communal bloodshed reached

185, and more than 300 people were wounded. Some shops and houses were destroyed.

Pakistan held general elections on February 25, 1985 and thus restored the parliamentary system. In accordance with the proposal of President Zia ul-Haq the parliament confirmed the appointment of Junejo as new prime minister. As soon as he assumed office, he stated that he would commit himself to restoring the democratic process. President Haq announced that as of December 30, 1985, martial law imposed on July 5, 1977 would be lifted, ending the state of emergency which has lasted for 20 years. The government later formally lifted the ban on all the political parties, gave them permission to resume their political activities, and granted freedom of speech to the press and the people.

However, the new government met various challenges. On April 10, 1986, Benazir Bhutto, leader of the Pakistan People's Party (PPP), the largest opposition party, returned home from exile. She was welcomed by thousands of her supporters, who shortly afterwards launched large-scale rallies

and demonstrations in various cities. This not only shook the whole country, but also aroused concern throughout the world.

The Junejo government held many meetings to study the situation and tried to work out a plan to deal with it, but it failed to halt the opposition's activities. When violent clashes erupted in mid-August 1986, the government ordered the arrest of the main leaders of the opposition parties including Miss Bhutto. Thus the formerly inactive opposition parties have become even more inactive. Their internal struggles among themselves have also reduced the effectiveness of their activities. The government released the leaders a month later, as called for in the Detention Act. The developments later proved that the Junejo government had successfully dealt with the challenge.

In the past year, the nation's overall performance was positive, as reflected in most economic indicators. The growth rate of the gross domestic product was 7.5 percent, higher than most of the developing countries in Asia. The growth of GDP per capita was 4.3 percent, higher than the comparable rate of 2.5 percent for all non-oil developing countries and 3.8 percent for similar countries in Asia.

One striking feature of the 1986 economy was a record increase in the output of cotton and wheat. Cotton rose by 19.9 percent to 7.1 million bales while wheat increased by 19 percent to 13.9 million tons.

Other positive developments during the year were a reduction in the national deficit, a modest increase in national savings, and a corresponding decline in dependence on external loans.

The government is still pursuing its five-point programme, aimed at building Pakistan into a Muslim welfare state. The government kept the programme in mind when working out the 1986-87 plan and budget.

Despite the difficulties, it is believed that in the new year the government and people of Pakis-

tan will continue to go forward along the road of democracy. ■

by Chang Qing

OPEC

New Year, New Hope for Higher Prices

OPEC has decided to further cut its oil production and return to fixed prices—a move generally hailed as helpful for stabilizing world oil prices.

The Organization of Petroleum Exporting Countries (OPEC), in its latest 10-day conference, which ended December 20, 1986, decided to pare its oil production ceiling to 15.8 million barrels a day for the first half of 1987. Also, the group agreed to use fixed prices instead of relying on market forces starting February 1 in an effort to boost world oil prices to about US\$18 a barrel, forcing output to conform with prices.

The news was scarcely a surprise to major international oil traders and oil-market watchers. At the end of 1985 the oil cartel dropped its 20-year-old official oil pricing system as part of a decision to increase production and make prices conform to output, thus regaining part of its share of the oil market. This strategy caused a huge glut in world oil market and triggered an eight-month "price war," which saw prices plummet from US\$30 a barrel at the end of 1985 to as low as US\$7 a barrel in the summer of 1986. It is reported that the collapse of oil prices cost OPEC an estimated US\$50 billion in lost revenue in 1986 and cut its income to the lowest level since 1974.

OPEC has therefore made an urgent attempt to secure its interests and to stabilize its share of the world oil market by reducing production collectively.

In August 1986 OPEC decided in an interim accord, valid for two months, to cut production from 20 million barrels a day to about 16

million barrels a day. In October it further decided to extend the agreement to the end of 1986. After the two conferences, oil prices fluctuated between US\$14 to US\$15 a barrel. But the two meetings failed to restore the system of fixed uniform oil prices and overall oil production, about 17 million barrels a day by the OPEC nations, still far exceeds demand.

Common concern for their interests sent delegates from the 13 members of OPEC to Geneva to work out a solution. As Algerian Oil Minister Belkacem Nabi said, "Our objective in this meeting was to put an end to this disastrous price war, which only destroys things." Although some thorny obstacles, such as the distribution of production quotas among the members—especially between Iraq and Iran, which have been at war for more than six years—stood in the way of agreement, the meeting finally reached an accord through the joint efforts of all members, in particular Iran and Saudi Arabia. Iraq was permitted not to join the collective cut in production, but analysts noted that since Iraq's production capacity is being hampered by the war with Iran, the total production limits will not be affected adversely. Besides, Iraq is likely to join the agreement when the price of oil rises high enough.

Immediately after the agreement, free market oil prices rose to

US\$18 a barrel in London. In Tokyo, the North Sea benchmark crude Brent Blend was being offered at US\$18 a barrel, the highest level since February 1986. OPEC oil experts are cautiously optimistic about the prospects for oil prices. They believe that the target of US\$18 a barrel can be maintained for a long time if the agreement to cut production is adhered to by all OPEC members. Besides, Western economies may still grow this year, although at a slower pace. This means oil consumption might increase. Also, oil production by non-OPEC oil producers has begun to fall.

However, there are some clouds threatening the success of OPEC's current strategy. The most important factor that could prevent OPEC from keeping oil prices up is that the major industrial countries in the West stored large amounts of oil during the price slump. A recent *Wall Street Journal* report says that oil reserves of the 24 member countries of the Organization of Economic Co-operation and Development may be as high as 5.6 billion barrels, 400 million barrels above the normal level.

In addition, no end to the six-year-old Iran-Iraq war is in sight. This may prove to be a threat to OPEC's internal unity because there has been dissension at the past several meetings over the distribution of production quotas between the two countries. In December, Iraq was again exempted from the agreement and allowed to produce as much oil as it wants. This too may cause complaints among other members and prevent the agreement from being strictly adhered to.

But, as the latest developments show, the production cut agreement has already yielded positive results. As the Algerian oil minister put it, "Now we are building something...The train has been put on the right track."

by She Duandi

More Practical Stage for 'Eureka'

Discussions at the Stockholm Ministerial meeting have pushed European co-operation in one high-tech development stage further.

We have finished the work of setting up. Now we have begun the practical work period, which will require much more effort. So said Swedish Industry Minister Thage Peterson at the fourth ministerial meeting of the Eureka programme. When 39 ministers and members from 19 European nations and the European Commission met in Stockholm on December 16, 1986. Established in 1985, it aims at revitalizing the West European technology by promoting co-operative high-tech projects and developing competitive new consumer goods. Among the results of this meeting were:

(1) Adoption of 37 new projects including information, telecommunications, robots, laser technology and new materials.

(2) Discussion of how to open markets. The meeting considered it necessary to remove trade barriers on high-tech products among European countries in order to create a vigorous international European market and thus increase the competitiveness of the European high-tech industry. The meeting asked all the member nations to develop measures for achieving this and to deliver reports at the next meeting.

(3) Discussion of sources of financing for Eureka projects. This is considered the most critical problem affecting the programme. The meeting called on the member states, the European Commission and private businesses to invest more in the programme's high-tech projects and agreed to

Federal Germany's suggestion about setting up a financial roundtable conference to attract more private capital.

(4) A demand that the European Economic Community and the organizations under the European Free Trade Association speed up efforts to unify standards and types of products.

In recent years, the West European countries have been steadily following the path of unity and self-reliance, strengthening themselves through unity. "European consciousness" among the member states has been growing steadily. The disputes between the heads of the United States and the Soviet Union on the "Star Wars" programme and strategic nuclear weapons at last October's summit in Iceland have helped convince those European countries which were still hesitant about co-operation in science and technology. They have realized that if development does not happen in these fields, their economies will be affected and they may be manipulated by others in politics and defences.

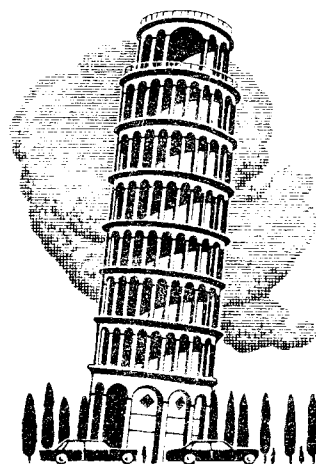
The West European countries have learnt that there is no way a single country can survive by itself in the international high-tech competition, which will decide their future. They are now faced with the choice between co-operation and divisiveness. The former will lead to progress and the latter to decline. In his opening speech, Swedish Prime Minister Ingvar Carlsson said that the European countries have the

necessary natural resources, as well as qualified scientists and technicians and financial resources. But only by pooling all these can Europe compete with the US and Japan in high technology.

In the last six months of 1986, the member states have been publicizing the Eureka programme among the businesses in their nations. At the beginning some businesses were worried that the Eureka programme would be only a project on paper, but its progress during the year has made them see the programme's implications for profits, for increasing productive forces and competitiveness, and for increasing employment rates. The Eureka programme has an especially strong appeal to medium and small enterprises, and now even some enterprises outside Europe hope to join in some of its projects.

The emergence of the Eureka programme shows that it accords with the interests of the European countries. It can be predicted that the Eureka programme will exert an important influence on both the future of Europe and the world's political prospects.

by Gu Yaoming

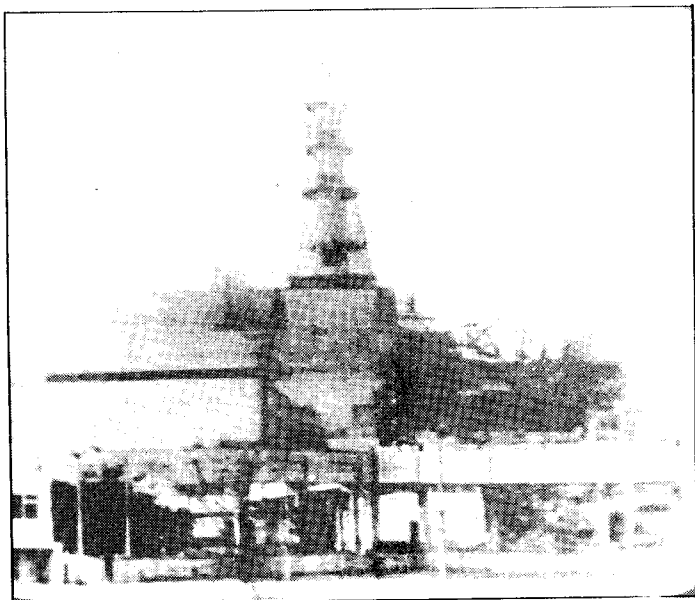




1. On January 28 the US space shuttle Challenger exploded, killing the crew of seven.



2. On February 25 former Philippine President Ferdinand Marcos was ousted, and Corazon Aquino assumed power.



5. On April 24 the No. 4 Reactor of The Soviet Chernobyl nuclear power station exploded—the worst accident ever in the peaceful use of nuclear energy.

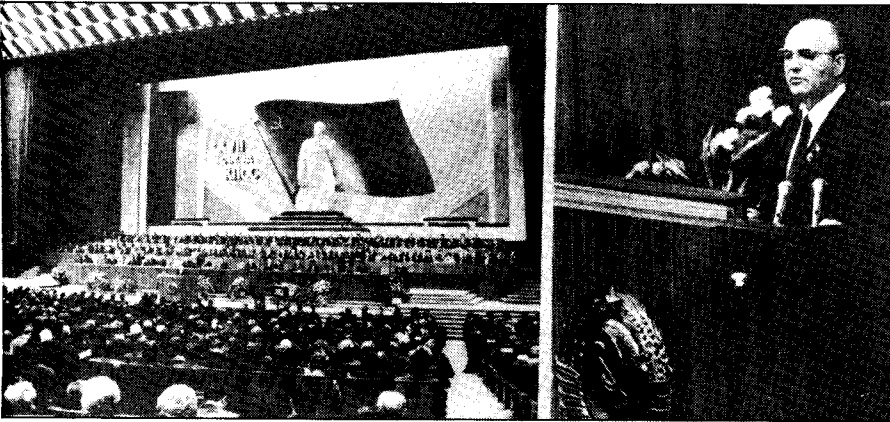


6. On September 28 the Sixth Plenary Session of the 12th Central Committee of the Communist Party of China adopted a Resolution on Guiding Principles for Building a Socialist Society With Advanced Culture and Ideology.



9. The war against Viet Nam in Kampuchea has intensified and the field of battle has moved deep into Kampuchea. The Coalition Government of Democratic Kampuchea has put forward an eight-point proposal for a political solution to the Kampuchean issue.

Top Ten World News Events of 1986



3. February 25-March 6 the 27th Congress of the Communist Party of the Soviet Union (CPSU) was held in Moscow; during the meeting a resolution on economic reform was passed and Mikhail Gorbachev was reelected General Secretary of the CPSU.



4. On April 15 the US carried out a nighttime raid on the Libyan capital of Tripoli and the city of Bengasi.



7. October 10-12 US President Ronald Reagan and Soviet leader Mikhail Gorbachev met in Reykjavik, the capital of Iceland.

8. Following the release of US hostages in Beirut in November, the scandal of the US weapons for hostages deal came to light.



10. Struggles against apartheid in South Africa have become more intense in 1986. Shown here are South African black workers protesting.



Financial Reforms Fare Well in China

In a talk with our correspondent Zhang Zeyu, Chen Muhua, state councillor and president of the People's Bank of China, explains China's financial reforms.

Chen said that in recent years, China's financial system had undergone a series of reforms. They include:

1) Perfecting the financial system. Efforts have been made to revive or establish certain financial institutions, including the Agricultural Bank, the Bank of China, the China Industrial and Commercial Bank, the People's Construction Bank of China, the Communications Bank and the People's Insurance Company of China. Various kinds of trust and investment companies have been founded, urban credit co-operatives have been developed and attention has been paid to reviving the democratic, flexible character of rural credit co-operatives. As a result, a socialist financial system, with the central bank (the People's Bank of China) at its head, has begun to take shape.

2) Expanding the bank's business scope. Bank loans used to be issued only as circulating funds. Now they are being extended to fund technological transformation and capital construction. Financial and insurance businesses, credit facilities and channels for circulating funds have been expanded.

3) The old credit fund management system in which the state monopolized revenues and expenditures and the whole nation ate from the same "big pot" has begun to be reformed. State funds are now separated from the state plan, bank deposits are linked to loans, and the distribution of funds between the central bank and the various specialized banks has been changed to take the form of lending and borrowing. The



Chen Muhua

MA JUNTIAN

management of foreign exchange has been tightened up, allowing enterprises to retain some of their foreign currency earnings. Flexible policies on credit, interest rates and the rate of foreign exchange have been introduced.

4) Expanding contacts with international financial organizations. Foreign banks are now allowed to establish representative offices in China. Foreign-funded banks, overseas Chinese-funded banks and banks funded jointly by Chinese and foreign financial organizations have been established in the special economic zones. In addition, Chinese financial organizations have issued bonds on the international money market, borrowed money from counterparts abroad and developed international insurance.

5) Reforming the bank's internal management. Efforts have been made to advance the receiving and transmission of economic and financial information and theoretical studies. The bonus system and the system of allowing enterprises to retain their post-tax profits have been applied to financial organizations.

6) In 1986, 12 cities and Guangdong Province launched pilot projects to reform the

financial system. They opened money markets, initiated capital lending among banks, drew up plans for an overall reform of the financial system, and worked to set the directions for the reform.

With the growth of the national economy as a whole and the increase in state revenues, these reforms have greatly increased the amount of credit handled by the bank. By the end of 1985, the amount of credit funds collected by the bank had topped 560 billion yuan, 4.4 times the 1978 figure, while the money lent out on credit totalled 660 billion yuan, 4.5 times the 1978 amount. In 1986, the various banks issued 700 billion yuan in credit. The bank has become the state's main channel for collecting and distribution funds.

The reforms of the financial system in the last few years has contributed greatly to the economic structural reforms. In line with the state's policy decisions on economic development gross social demand has been controlled while funds have been raised and distributed to meet the needs of economic development as well as help invigorate the micro-economy.

In general, banking measures for regulating the macro-economy and invigorating the micro-economy need further refinement. New requirements in this regard will emerge as the economy continues to develop and undergo further reform.

Stress of Financial Reforms in 1987

In the financial structural reforms for 1987, emphasis will be on opening up and developing the money market, diversifying credit facilities, expanding channels for capital circulation and raising

more funds to support the ongoing economic development. In the meantime, efforts will be made to learn from pilot cities' experience in financial reform to guide reforms elsewhere. In addition, it is necessary to explore ways of operating banks as enterprises.

Stocks and Bonds

In some places, stocks and bonds have been issued on a trial basis to raise funds. As the economic reform proceeds, enterprises receive greater decision-making power and more income, and non-budgeted capital increases greatly. Under these circumstances, it will be impossible to meet requirements simply by relying on a few specialized banks to raise funds through indirect capital lending. Raising funds directly through the issue of stocks and bonds by banks and enterprises helps mobilize more social funds, increase responsibility in the use of money, improve economic results from the utilization of funds and provide better conditions for the development of the money market. We lack experience in this field and so need constantly to learn through

experience to improve our method.

At present, raising funds from society is still in its initial stages; stocks and bonds issued by enterprises are, in some cases, not bonds and stocks in the real sense; financial management in some enterprises is not up to par. We need to continue to improve and regularize the raising of funds from society. We are formulating regulations for bonds and establishing credit assessment organizations to oversee enterprises which issue them. The central bank needs to strengthen its management, include the approved issue of stocks and bonds within the credit scale of the whole society and strive to promote the formation of a stock market.

World-Wide Co-operation In Financial Field

Developing international financial co-operation is an important component of China's open policy. In the last few years, China's foreign financial relationships have developed smoothly and its co-operation with international financial circles has recorded many new advances.

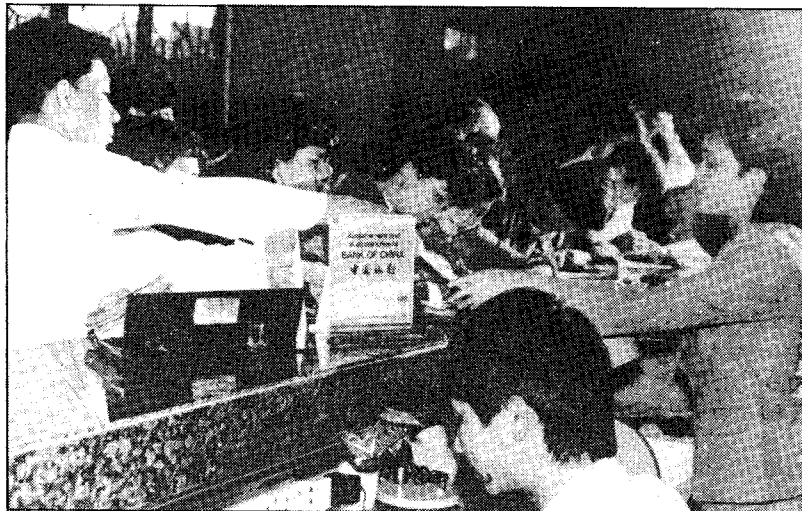
These mainly include the following:

(1) In the spring of 1980, China's representation in the IMF and the World Bank was restored. Since then, China has borrowed considerable sums from the two organizations and entered into extensive co-operation with them in aid projects, personnel training, and financial and economic study. It has also joined the Bank for International Settlement. In May 1985 China formally joined the African Banking Group (including the African Development Bank and the African Development Fund). In March 1986 China became a full member of the Asian Bank. At the same time, we also pay attention to co-operation with North American financial circles.

(2) Actively expanding contacts and co-operation between governments of China and other countries and between financial circles. In recent years China has enacted and promulgated more than 50 foreign economic laws and regulations, signed agreements on protecting foreign investment with 18 countries including one with Belgium and Luxemburg, and drawn up agreements with 14 countries on avoiding double taxation. The People's Bank of China has increased its business contacts with central banks of many countries throughout the world. China has also developed co-operation with many foreign commercial banks and financial institutions. As a state institution specializing in foreign exchange transactions, the Bank of China has established business relations with 1,235 banks in 152 countries and regions. In the last six years, 73 major banks in 23 countries and regions have opened up over 150 representative offices in China. In the last two years, the People's Bank of China has allowed some foreign capital-investment banks to start branches in the special economic zones and branches of the four foreign-funded banks already in Shanghai to expand their banking activities.

The Bank of China, Jiangmen Branch in Guangdong Province, has started a Reminbi credit card service.

PAN JIAMIN



In November 1986 the People's Bank of China and the New York Stock Exchange co-sponsored a Sino-American financial symposium in Beijing. The Chinese bank has also held conferences and symposia with the IMF and other international organizations.

(3) Introducing foreign capital and advanced technology through diversified channels. The last few years saw the Bank of China establish more agencies both at home and abroad to expand business. The China International Trust and Investment Corporation (CITIC), which was established in 1979, and other such companies which have been set up in various localities in the last few years have all made great strides in introducing foreign capital, expanding economic and technological co-operation with foreign countries, and starting international consultation services. The People's Insurance Company of China which handles more than 80 kinds of foreign insurance businesses in China has set up 30 branches abroad. From 1982 to July 1986 China issued public bonds on foreign financial markets on 20 occasions and raised 280 billion Japanese yen, 300 million DM, US\$500 million and HK\$700 million, all added up to a total of US\$2.24 billion.

(4) Supporting joint ventures. By the end of 1985 the Bank of China had provided guarantees for a total of US\$5 billion for its domestic customers to use in foreign trade and overseas borrowing. By April 1986 the Bank of China had joined with foreign banks or enterprises from 13 countries and regions in forming 143 joint ventures involving the participation of Chinese enterprises. A few specialized banks in China have also rendered strong support in the development of the 7,000 enterprises with foreign investment set up in the last few years, by providing them with huge sums of foreign exchange and loans in Renminbi.

In 1987 we'll continue to follow



China's first stock exchange opened on August 5, 1986 in Shenyang. ZHANG XIAOLONG

the open policy and reform our financial system with a view to furthering development of financial co-operation with foreign countries.

Foreign Debt and Repayment Capability

By the end of September 1986 China owed foreign countries US\$6.872 billion. During the Seventh Five-Year Plan period (1986-90) China will take advantage of the favourable conditions on the international financial market to try to borrow more than it did during the Sixth Five-Year Plan period in order to speed up its socialist construction. Today China enjoys social stability; its policies are set and won't change in the future. It is richly endowed with natural resources and its industrial and agricultural production is developing at amazing speed. At present, exports account for only a small share of China's GNP, and there is ample room for China to expand its export-oriented lines of production. In contracting foreign loans, China maintains the principle of equality and mutual benefit; uses foreign loans effectively; and seriously considers repayment ability from the outset each time. Foreign

lenders can rest assured that China is capable of repaying all the loans it will seek during the Seventh Five-Year Plan period.

China's Foreign Exchange Reserves

The People's Bank of China publishes figures on China's foreign exchange reserves and foreign debt in *China's Finance*, a quarterly. By the end of September 1986 China's foreign exchange reserves amounted to US\$10.37 billion, which is more than enough to pay for three months' imports. This means China is financially sound. In 1987, efforts will be made to tap the potentials of export trade and production. Meanwhile, we'll further implement the policy of encouraging exports and restricting imports, continue to reform China's foreign trade structure and strive to earn more foreign exchange through exports. China's invisible trade income has been increasing all along. We'll have more foreign exchange reserves in the future.

Impact of Readjustment Of RMB Exchange Rate

Generally speaking, downward readjustment of the Renminbi

CHINESE MODERN MURALS



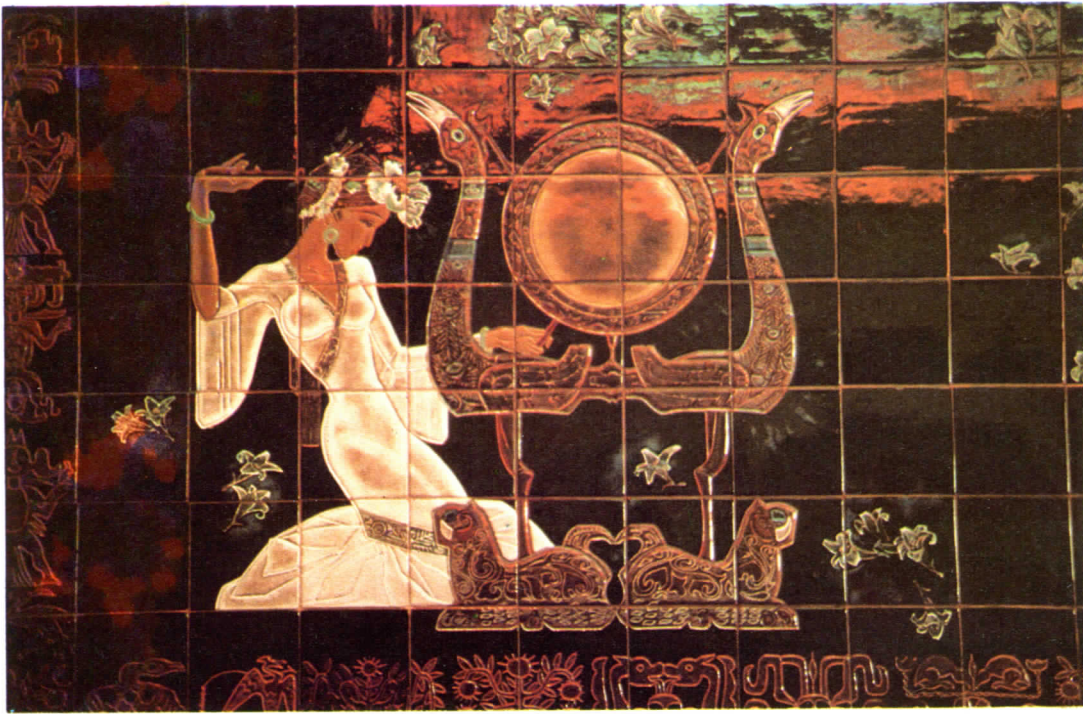
Science and Culture.

Mao Jie



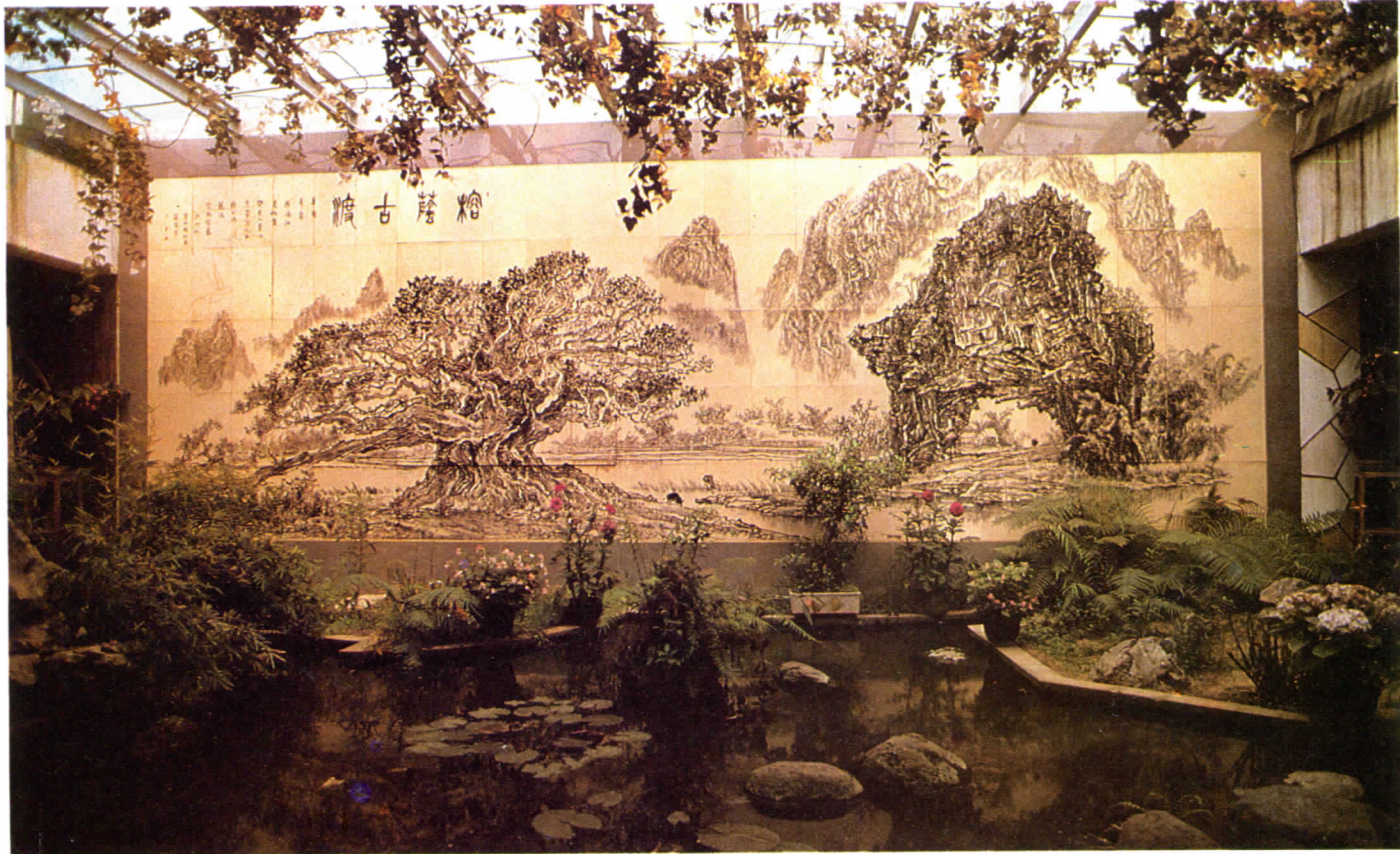
Spring Is Here.

Yan Shangde



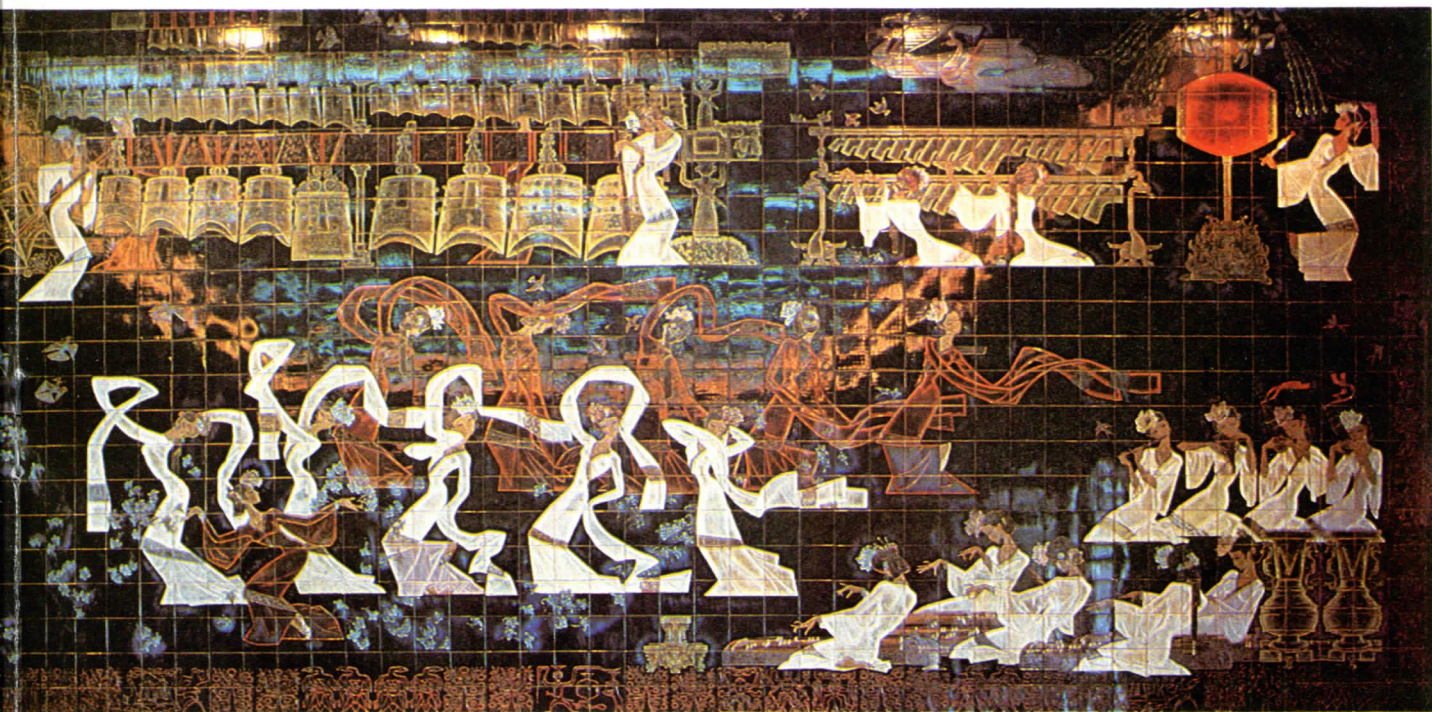
Bell Music and Dancing (detail).

Tang Xiaohe and Cheng Li (f.)



A Banyan by a River.

Zhang Ding



Bell Music and Dancing.



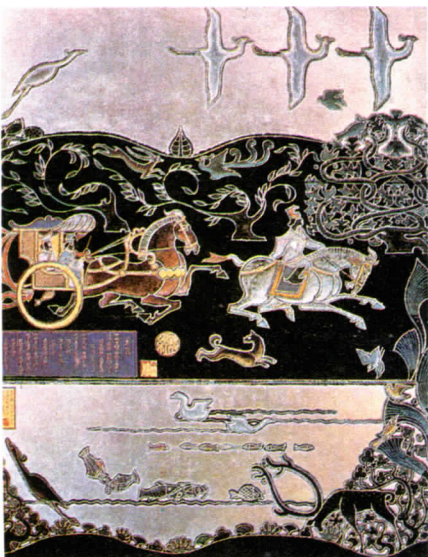
Hunting.

Li Huaji

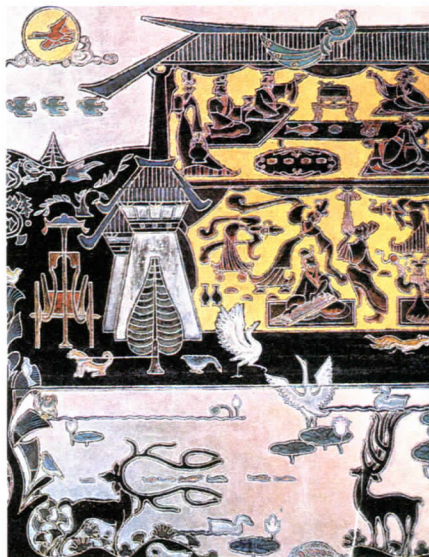


"The Cowherd and the Girl Weaver" (a legend).

Nanjing Arts Research Institute



Celebrations in Ancient China.



Wang Wenbin

exchange rate will serve to encourage exports and, to a certain extent, restrict imports. After the July, 1986 readjustment, as the foreign exchange rates had been raised, foreign exchange earners have increased Renminbi income converted from foreign exchange. This is good for cutting deficits resulting from the export of goods which are excessively priced in terms of Renminbi, as was the case before. It also helped export-oriented producers to reap greater profits and restrict export of commodities that will cause loss. Chinese commodities become more competitive on the international market.

With regard to imports, as the downward readjustment of the Renminbi exchange rate meant higher cost of the imported means of production, parts and compo-

nents, Chinese enterprises will turn to home-made substitutes and China would refrain from importing more consumer goods. This is obviously a boon for developing the national economy.

In addition, the downward readjustment of the Renminbi exchange rate promoted export of labour service and the introduction of foreign capital.

Foreign Exchange Certificates

The government has decided to rescind the foreign exchange certificate and this has been reported in the Chinese press. As the work involves many complicated factors, it would take some time to work out feasible methods for its elimination.

To promote the development of China's foreign economic and financial relationships and meet the need of China's open foreign policy, the Bank of China has in the last few years set up branches in Hong Kong, Macao, Singapore, London, Luxemburg, New York, Sidney, Paris, Tokyo and Manchester. They may have different emphasis in their business scope, but all function as commercial banks, taking on business including current accounts, savings deposits, loans to industrial and commercial enterprises, bills and securities. With the sustained development of China's foreign economic relations and trade, the Bank of China will set up more branches abroad to expand its international financial activities. In 1987 it plans to set up a representative office in Frankfurt. ■

FACTS AND FIGURES

China's Economic Development in 1986

Starting with this first issue of 1987, every other week we will publish "Facts and figures," the latest statistics from the State Statistical Bureau.

by the State Statistical Bureau

In 1986, China's economy moved away from the "overheated" growth it experienced in 1985 and embarked on a road of steady development. Imbalances between general social supply and demand began to ease, although some instabilities continued.

Progress

1. General Social Supply Increased Steadily

The target of raising the country's economic growth rate

Note: Figures for total industrial output value and total agricultural output value are calculated in terms of current prices; the rate of growth over the previous year is calculated on comparable prices.

by 7 to 8 percent was met. Total industrial output value, not including rural output, for 1986 is expected to reach 980 billion yuan, up 8.7 percent over 1985. If the output value produced by rural industry is included, the figure will be 1,100 billion yuan, 10 percent more than in 1985.

Industrial production in 1986 was characterized by 1) small increases in the first four months and steady growth since May; 2) co-ordinated development of light and heavy industries (the total output value of light industry was 455 billion yuan, up 9.5 percent over 1985, and that for heavy industry, about 525 billion yuan, up 8 percent over 1985); and 3)

changes in the relative proportions of various goods: production of energy resources, raw materials and other marketable goods increased quickly while production of some slow-selling goods shrank. The latter shows the increasing role played by market mechanism.

It is estimated that total rural social output value for 1986 will be 10 percent greater than in 1985. Of this, total output value of rural industry, building trade, transportation and commerce is expected to rise 18 percent; total output value of agriculture is expected to exceed 370 billion yuan, 4 percent more than in 1985.

The 1986 harvest of grains and cereals was 390 million tons, 10 million tons more than in 1985. The year also witnessed increases and decreases in some major cash crops. Cotton output was 3.47 million tons, 670,000 tons less than in 1985; rapeseed output was 5.81 million tons, 200,000 tons more than the previous year. Sesame, peanut and sugar-bearing crops declined slightly, while flue-cured tobacco, bluish dogbane and jute crops plummeted due to decreases in areas planted. Afforestation improved and the output of major forest products increased. Livestock breeding continued to grow. The year saw 4 to 11 percent increases in production of pork, beef, mutton, milk and wool. Livestock and sheep in stock increased, while the number of pigs in stock remained the same as the year before. Increases were also registered in fishery, and the output of aquatic products was about 8 million tons, 10 percent more than in 1985.

The total volume of retail sales for 1986 is expected to reach 495 billion yuan, up 15 percent from 1985. The sales of foodstuffs such as meat, fowl, eggs, aquatic products, vegetables and other non-staple foods jumped 7 to 25 percent. Price rises for some commodities in the second and third quarters kindled buying sprees in some localities. But, because supplies of non-staple food remained adequate in most cities, no major disturbances appeared on the market.

Stylish clothing, woollen fabrics and other high- and medium-grade textiles sold well in 1986, while the sales of ordinary clothing slackened. Luxury durable consumer goods continued to enjoy a ready market.

Government measures to encourage exports raised the volume of goods purchased by foreign trade departments in 1986 by more than 40 percent compared to 1985.

2. Overgrowth of General Social Demand Curbed

Total investment in fixed assets for state-owned enterprises in 1986 is expected to reach 194 billion yuan, 15 percent more than in 1985. This figure is much lower than the 1985 growth rate of 41.8 percent. If price increases are taken into account, the growth rate almost matches state revenue. Investment in capital construction is expected to reach 116 billion yuan, 8 percent more than in 1985, and much lower than 1985's rate of 44.6 percent. Investment made in retooling and renovating existing enterprises increased 33 percent over 1985, reaching 60 billion yuan.

Growth of consumption fund is expected to be slightly lower than in 1985. Urban workers' wages are expected to total 163 billion yuan. This is an average of 1,310 yuan per person, 14 percent more than in 1985. Per-capita average annual income for farmers is expected to reach 425 yuan, up 7 percent from the previous year. Purchasing power of collective units came under stricter control in 1986: total purchases are expected to reach 46.2 billion yuan, up 12.7 percent over 1985 and much lower than 1985's growth rate of 26.3 percent.

By the end of November 1986, urban and rural bank savings had increased by 55.6 billion yuan, 19.1 billion yuan more than at the same time in 1985.

Last year also saw a slowdown in price increases of retail goods. Overall price increases for 1986 are expected to be less than 6 percent, compared to 8.8 percent in 1985.

Foreign trade deficits dropped. Chinese customs authorities said 1986's import-export trade deficit was expected to drop from US\$14.9 billion in 1985 to about US\$11 billion.

Problems

1. Revenue From Industrial and Commercial Enterprises Declined

From January to November 1986, the production costs of comparable products of state-owned industrial enterprises rose by 6 percent compared to the corresponding period of 1985. Profits and taxes delivered to the state dropped by 0.3 percent. There was no marked improvement in product quality. Also in the first 11 months of 1986, circulation costs of state-owned commercial enterprises rose by 4.6 percent, cycle period for working capital slowed by 5.5 days and profits dropped by 54.4 percent.

There are many factors which contributed to these poor economic returns. They include state increase in tax, interest and depreciation rates, imposition of new taxes, pay and subsidy increases for workers and staff, fluctuations in the Renminbi exchange rate, and price hikes in raw materials. All these factors have resulted in a draining of income out of the enterprises. In some cases, income went into the hands of individuals. These problems are also believed to be results of imbalance during the first few months of 1985 such as redundant and misguided construction projects, shortages of working capital, and dislocations in production, supply and marketing. These combined to prevent enterprises from making full use of their productive capability. In addition, the drop of enterprises' economic returns in 1986 was also the result of a slowed down growth of the national economy, compared with the overheated economy of much of 1985. The 1985 factors included extra benefits from the excessively rapid development of the economy, and high tax payments and profits derived from importing huge amounts of foreign raw materials and components.

2. Budget Deficit

The national economy grew steadily in 1986, but more and more enterprises fell behind in delivering tax payments and

profits to the state while increasing their expenditures. These have affected state revenues. Given the fact that high expenditures, rooted in 1985's excessively rapid economic growth rate, still linger, China's budget will be in the red for 1986.

3. Balance Between Import and Export

China's import payments exceeded export revenues in both 1984 and 1985. This resulted in a sharp drop in foreign exchange reserves. This unfavourable situation grew worse in 1986. Between January and November 1986, according to Chinese customs authorities, the deficit in ordinary trade (not including free economic aid; financial grants; imports and exports from Sino-foreign joint ventures, co-operative and wholly foreign-owned enterprises; processing and assembling with foreign supplied materials; and compensation trade) amounted to US\$8.6 billion. This gap must be made up through non-trade income (US\$350 million), as well as Bank of China loans, imported foreign capital, and state reserves of foreign exchange and gold. This situation will impede China's progress in its foreign economic relations and trade.

4. Over-Building and Shortage of Capital

In 1986, China's investment in fixed assets is expected to reach about 300 billion yuan. It is estimated that capital construction and renovation projects of state-owned enterprises already underway at the end of 1986 will require 840 billion yuan. Based on levels of investment in 1986, even if not one new project goes into construction in the next two years, it will take two more years for all these ongoing projects to be completed. The construction of too many projects that are too expensive, combined with shortages of capital and materials, have prolonged the construction cycle.

5. Imbalances in Supply and Demand

As incomes have increased, national consumption patterns have changed in both quality and quantity. However, China's failure to change production processes and the mix of items produced has meant that many products in great domestic demand turned out to be in short supply and while other less-desired products sold poorly. This has affected the continuous expansion of production and created difficulties for consumers.

Prospects for 1987

China's industrial production growth in 1987 is likely to stay at 1986 levels. Multi-level reforms will help strengthen management of industrial enterprises, adapt their production to market demand and mobilize their workers' enthusiasm for production.

The year 1986 will see improved supplies of energy and raw materials, and more loans of working capital. While increased market demand will continue to stimulate production, industrial production will also benefit from 1986 efforts to modernize enter-

prises and to improve the structure of production as well as the completion of a number of construction projects.

The rural economy will continue to improve. Grain output will increase and the state will implement preferential measures designed to encourage farmers to produce more grain. These measures include contracting out production quotas and guaranteeing supplies of chemical fertilizers and diesel fuel, paying in advance and raising grain prices in some localities. Because cotton farmers have been given better prices for cotton sold to the state, cotton production will increase. There will also be sustained development of animal husbandry, fishery and other diversified rural industries. However, price increases for feed will cut into farmers' incomes and will lead to a drop in production of pork and eggs.

Brisk as it will be in 1987, the domestic market will also fluctuate. Reforms in the structure of foreign trade and preferential state policies on export trade will further expand China's exports.

The scope of investment in fixed assets will continue to be curbed in 1987, and the orientation of investment will see further improvement. ■

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Concerns of Today's Students

by Wang Jingsheng and Our Correspondent Wu Naitao

A recent survey of the interests of today's university students shows that their major concerns are politics, service to society, work-study activities, cultural and theoretical issues.

Growing Interest in Politics

The concerns expressed by 14,000 students at Beijing University are not whether China should open to the world and introduce reforms—that is taken for granted—but how these goals are to be achieved. At a 1985 forum the students offered thoughtful opinions. One said, "The main achievement in rural reforms has been the correction of past mistakes. But this does not mean we have found the best ways to use rural resources. In this sense rural reform has just begun." Another criticized the dual-pricing system in which prices for quota materials are set by the state and prices for amounts above the quota are set by the market. "It is necessary to move to a unified price as quickly as possible," he said. "Otherwise, it will be impossible for enterprises to compete with each other equally and rationally." The students showed they were concerned about the progress of the reform and not happy just to stand on the sidelines.

In the past two years, students from many of Beijing's campuses have gone to the State Structural Reform Committee and other commissions for topics to study and research and it is getting more and more popular for students to spend their summer vacations on investigations and writing reports. The students' work and proposals have been given attention by the

departments concerned. Some studies have been implemented. Xu Zhichao, a third year student in the finance department of China People's University in Beijing, won a prize from the State Structural Reform Committee for a paper on finance, taxes and wage system reform in Ningbo city.

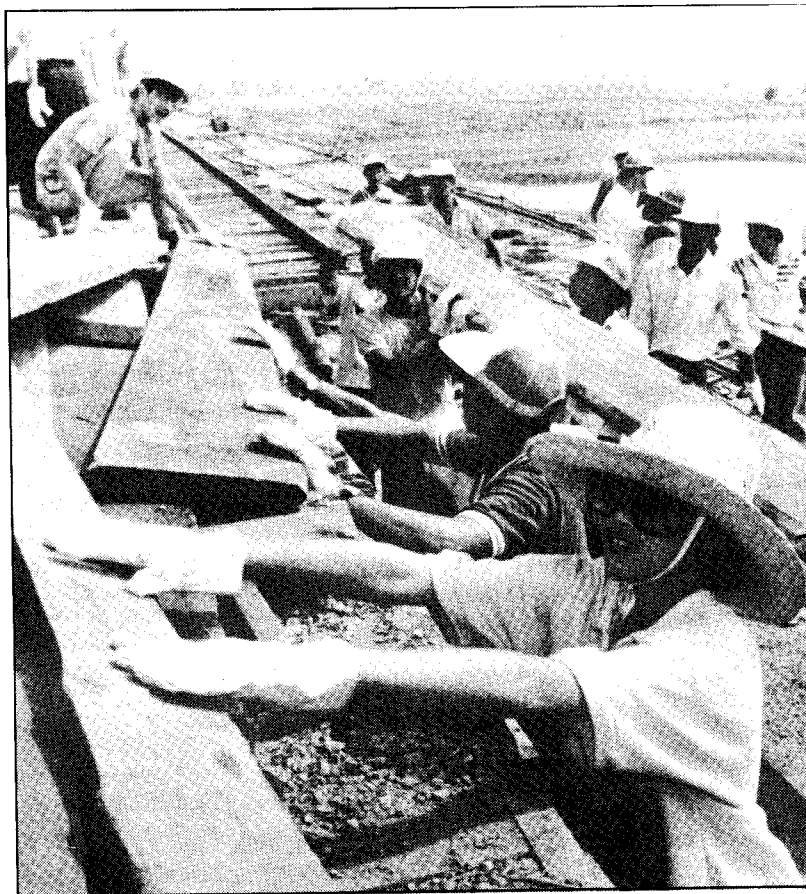
Recently some cities saw their students take to the streets demanding more democracy and freedom, and improvements in their campus services.

Concerning the student demonstrations, many public figures and workers said that such demonstrations conform to the constitution and that the overwhelming majority of students cared about the reforms and were seeking to speed up socialist democratization. Such enthusiasm exhibited by students were understandable, they said.

However, they also pointed out that the students lacked a full understanding of the reform and

More than 140 university students from Guangdong and Hunan provinces join builders of the Huanghe River Bridge in Zhengzhou in the summer.

WU JIADI



the problems facing it. The growing need for trained people for instance, had led universities to increase their enrolment, which put a lot of pressure on campus facilities such as inadequate student dorms and lowering canteen services. Solving these problems is a process that is up to the local government and the university authorities. Extreme action was not necessary.

Committee of the Communist Youth League showed that the percentage of university students who applied for Party membership increased from 18 percent in 1984 to 33 percent in 1986. The figure rose to 50 percent among students in their last years of school.

There are a lot of study groups for Party history. At Harbin University of Industry which has a

Students at the Henan Agricultural University study from seed expert Shen Tianming (middle).

WU JIADU



Some students have also been criticized for not being clear about the use of democratic rights and for trying to do as they wished. The demonstrators in Shanghai and other cities blocked traffic, disrupted production and upset social order. Some were incited to break into government buildings.

Their action is being seen as besmirching the honour of this socialist country. *Renmin Ribao* (People's Daily), organ of the Party, called on the students in an editorial on December 23, to value China's political stability and unity and be vigilant against the bad elements who were seeking to stir up trouble.

A survey of campuses in southern China by the Central

"cradle Marxist-Leninist society" for studying basic Marxist-Leninist thought and the Party's history, about 80 percent of the group's 110 members have applied to join the Party.

In the spring of 1986 the Hubei Provincial Statistical Bureau and *Guangming Ribao* surveyed 3,027 students at 15 campuses in the Wuhan area. About 30 percent of the students said they believed communism could be realized in China, 20 percent said only experience and time would tell and 42 percent said communism would be hard to achieve or was too idealistic a goal. Only 8 percent refused to express an opinion. About 7.4 percent of the students were already Party members and

48 percent said they had already applied or were about to apply for membership, 20 percent said they were not yet ready or had no interest in joining. Another 5 percent said they did not want to be Party members, and 19 percent had not yet decided. Six years ago, a non-Party member who was running for deputy to the district people's congress won long applause when he made a speech at a students' gathering saying he could represent the people as well as a Party member. Today, the situation is different and the Party is looked upon more favourably.

Obviously, students who decide to join the Communist Party do so with varying motives. Almost all the top student posts on Chinese campuses are occupied by Party members or students who have applied for membership. Student Party members may also get better jobs after they graduate.

However, most students want to join because they believe the Party's image has changed for the better in the past few years and that the reform led by the Party is moving ahead vigorously. One student wrote in his application paper, "I doubted for a long time whether the Party conforms to the needs of the times. After I saw the great changes that have happened in my hometown and heard the people there praising Comrade Deng Xiaoping and the reforms, I have realized the strength of our Party and the prospects for our country. This is the biggest attraction of the Party."

Service to Society

Today's university students often say they want to do something for the good of society.

So many students take part in social service in their spare time. They usually do this in one of two ways: either by applying the knowledge they have gained by carrying out research at the grass-roots level and writing papers on the results or by disseminating

their knowledge in consultations or lectures about various problems.

In the past year, thousands of students from campuses in Beijing offered their skills and talents to factories, rural areas, shops, government organizations and schools. For example, law students at Beijing University held a law week in November 1986, to improve public knowledge of law and legal concepts. Reporters present said they were impressed by the students' concern for the prospects of the country. Similarly, in Shanghai, students from the East China Institute of Political Science and Law held a class on elementary law, established a legal consultation centre and went to factories and villages to publicize knowledge of the law.

One of the most welcome services provided by students is advice on policy matters. A campaign by the organizational department of the Shanghai Party Committee to come up with proposals for reforms in organizational and personnel work selected many papers from students. Some papers received awards. Topics included theories and policies about occupying concurrent posts, and reforms of the organizational, personnel and economic structures and their relationship.

University students have volunteered for think-tank sessions for scientific and technological development and have contributed greatly to improvements in economic results and productivity. Two years ago, students from Shanghai Agricultural College set up a mail box for requests for advice on farming science and technology. They recently offered a three-month course on raising long-hair rabbits, but for the convenience of the 50 scattered rabbit raising households, they mailed them teaching materials instead of having classes.

A 1985 competition for innovation sponsored by the Commu-

nist Youth League of the colleges and universities in Heilongjiang Province received more than 100 scientific research results. Some students have applied for patents while other inventions have been used in production. Song Yushuang, a postgraduate in the forestry department of the Northeast China Forestry University, studied an infectious disease which was attacking Korean pines in northeast China. He developed a treatment that had an 83 percent success rate. His method has now been used in a large area. Li Rongbin, a student in the managerial engineering department of the Qiqihar College of Light Industry, developed a solution to the problem of news print tearing. Her achievement, too, has been used in production.

Work-Study Programmes

The popularity of work-study programme in China's universities has been growing since 1984. Work-study programmes here are slightly different from those in other nations, which offer a variety of ways for students to work their way through school. On Chinese campuses, the schools give students concrete instruction and try consciously to connect the programme with reforms in the higher education system. The programme is also conceived as a second classroom which aims to train students in an all-round way—morally, intellectually and physically.

Many students take an enthusiastic role in the programme, which includes both physical and mental labour. The students' dining hall at Shenzhen University, in Guangdong Province, which handles 3,000 dinners a day is an example. It employs only 12 professionals, and 130 work-study students who wash dishes, wait on students, purchase food, develop menus and handle accounting. Its service, food and management are considered the best of all the

public restaurants in Shenzhen. Moreover, the school's Shiyuan Bank was the only financial institution run by students which is granted the status of a legal person. The director and bank tellers are all students.

Beijing's well-known Qinghua University has established the "Scientific and Technical Development and Work-Study Service Centre" which offers 10 services, including tutoring, household appliance repair, labour services, translation services, drafting, and electronic circuit welding. More than 10,000 undergraduate and graduate students are members of the service centre.

When the work-study centre was opened in Shanghai in 1984, more than 15,000 students registered in the first 10 days. Almost all the other campuses in the city founded similar organizations, which now offer more than 100 services.

Cultural, Ideological Reform

As China's reforms begin expanding from the economy to the realm of politics, more sensitive students have begun looking into ideology, values and cultural life. They argue that the success of China's reforms must be measured by more than increases in per-capita income and gross national product (GNP). Modernization will also depend on whether China develops new concepts and cultural systems. For this reason, students have been examining traditional Chinese culture from a critical viewpoint and trying to arrive at a new understanding of the conventional views and Western ideological trends. These issues have been subjects of heated discussion in academic societies, dormitories and salons on the campuses.

University students often express dissatisfaction with classes on Marxist theory. Fudan University students, for instance, ap-

pealed to their school not to bring superstition and dogmatism into such classes. Instead, they said, the school should take Marxism as an open ideological system. At Beijing University, Marxist theory is a compulsory subject and political theory is an elective. One course, a survey of contemporary Western thoughts, includes topics like Marxism in the West, Sartre and Existentialism, the theory and practice of modern Western economics, and Freud's views on literature and art, and has been widely acclaimed by the students. One student who was studying sociology and law said, "Rest assured that we won't blindly worship Western philosophers or their ideas. Some are thought-provoking, some are absurd.

Some we can assimilate, others we have to throw away. In studying them all we want is to learn more new things and to analyse and compare them with the realities in China, to find a suitable road for us to follow."

In May 1986, Shanghai sponsored the first seminar on urban cultural development. Graduate students at Fudan University joined in the discussion and presented more than 40 reports, including "Economic Reforms and Cultural Changes," "Historical Survey of the Conflicts Between Chinese and Western Cultures and Mutual Assimilation," "The Press in Shanghai and Its Strategy of Development," and "Study of the Cultural

Quality of Shanghai Citizens." Their reports were recognized by the Shanghai Municipal Party Committee and the municipal government. The students said the seminar gave them a chance to express their views and to offer suggestions to the local government.

The definition "thinking generation" is far from enough to describe today's university students. Enthusiastic, sensitive but still immature, lacking an understanding of the overall picture and sometimes unrealistic in their expectations, they often tend to underestimate the complexity and difficulties of the reforms and become impatient with the mistakes that have been made. ■

Student Societies Boom on Campus

by Our Correspondent Wu Naitao

As a sign of the times university student societies have been flourishing across the country. They provide wider contacts with the society as well as arenas for the study and discussion of questions of common interest.

Student societies came into existence in New China's universities and colleges in the 1950s. During the "cultural revolution" (1966-76), however, they were disbanded. The Mao Zedong Thought Propaganda Teams were the only "student societies" active in those pell-mell years. Soon after China awoke from its nightmare in the late 70s, the winds of change were sweeping across the whole nation, creating an ideological and political climate advantageous for a successful revival of university student societies.

A recent survey shows that student societies number some 370

in 24 universities and colleges in the capital city, Beijing. In Heilongjiang Province in north-east China, students of 37 universities and colleges there organized 780 societies of various kinds, with a combined membership reaching 69 percent of the provincial student population. In the southern provinces which are culturally more developed, even more students are believed to have become involved in societies.

Students follow their own interests in joining a society. Generally speaking, the groups are recreational, hobby-oriented or academic, and include theatrical performance groups, dancing groups, calligraphy associations, photographer teams, poetry clubs, Chinese chess associations, fine arts groups, legal study societies, international studies societies and science associations.

Beijing University was among the first to revive student group activities. It has some 50 student societies with a total membership of 4,000 (two-fifths of the student population). During a recent visit there I saw a billboard in front of the student cafeteria, carrying such notices as: "The Travellers' Society is organizing a bicycle trip...", "The Spring-Autumn Society is to hold a large-scale discussion on the Reform Movement of 1898," and "The Movie Fans are to organize a get-together with visiting members of the Hong Kong Film Research Centre."

At the Beijing Teachers' University, students have formed the Association of Student Societies, with 24 branches, over two-thirds of which are academic and include some 1,500 members representing one quarter of the

students of the academic departments.

All the student societies in a university are managed by the members themselves. However, they have to sign up with the University Communist Youth League Committee. Some of the societies set high membership requirements while others just register with the societies. The leaders are selected by the members themselves. Each year, the Communist Youth League Committee of a university provides financial aid amounting to 1,000-20,000 yuan to societies, some of which also raise money themselves by offering consultancy and other social services. The member students map out their own programmes, while some clubs invite specialists or scholars to serve as advisers.

Now student societies have entered a period of steady development. They enrich the campus life of the students by providing fun and knowledge.

Programmes: Knowledge and Information

In China today, knowledge and information have become increasingly important. Every day there is something new. University students are beginning to feel dissatisfied with the amount of knowledge and information they get from classroom lectures. Many societies therefore organize all sorts of lecture programmes.

The lecturers invited are often specialists in a certain field. Take for example the "management science lectures" in 12 instalments organized by the Association of Student Societies of the Beijing Teachers' University. All the lecturers invited are noted professors or scholars from the State Science Commission, the Chinese Academy of Sciences, the Chinese Academy of Social Sciences,

Beijing University, Qinghua University and the College of Economics. In Beijing University, students working for their master's or doctoral degrees are also invited to speak. The most popular lecture programmes were given by Prof. Li Yining, a noted Chinese economist. I attended his lecture "Keynesianism and China's Economics." One thousand or so listeners packed the hall, some of them coming an hour early to get a better seat.

Lectures on topics like photography, calligraphy and schools of vocal music are also very popular.

Students have found many of the lectures directly benefit their studies. A case in point is that of a student in the Shanghai Building Materials Industrial Institute. He received the highest marks in the entrance examinations, but was not studying well because he didn't know how to make good use of the library. After a series of lectures on "How to Use the Library" and "Methods of Locating Books and Materials,"

he began to get better results in his study.

Discussion Meetings

Discussion meetings are popularly referred to by students as a kind of "salon" where one can speak freely. At a meeting, attended mainly by members of the sponsoring society, one person may first give a brief talk, which raises questions for the rest to discuss. Non-member students or teachers are also invited to speak, and members or counterparts from other universities and institutes may attend with a view to strengthening ideological and academic exchanges.

Topics of a "salon" entitled "Education and Society" which I attended in the Beijing Teachers' University include: differences in intelligence between men and women; kindergarten education; the relationship between educational aims, principles and policies; and education and culture. During discussions, some students raised objections to current educational principles.

Shanghai's Fudan University students preparing an exhibition on student movement.

WANG ZIJIN



The discussion on "Changes of Social Concept" held at Beijing University boasted the largest participation. It was attended by representatives from the Beijing Teachers' University, the Chinese People's University, the Beijing Aeronautical Engineering Institute and 10 other universities and colleges in Beijing. People spoke freely at the meeting. The democratic discussion has aroused great interest at the Ministry of Education and the Chinese Academy of Social Sciences.

Student Magazines

Various student societies spend most of their money on publishing magazines. However, as their source of funds is limited, the publications can only come out irregularly and in small numbers. This is why they are often quickly bought out on the campus.

Student magazines cover a wide range of interests as one can imagine from their titles: "Knowledge Hunting," "Heaven-Earth-People," "Future Economists" and "Morality-Ideals-Life." All the articles are contributed by the students themselves. They cover creative writings, translated works, academic papers, comments on political events and investigative reporting. A common trait of these magazines, all edited by the students themselves, is their freshness.

Student magazines are not only welcomed by the students but influential in society. The articles are often republished outside the campus. For example, 60 percent of the articles carried in "Study," a magazine on historical subjects published by the Study Society of Beijing University, have been reprinted by other publications.

'Second Classroom'

In China enrollment in a university or college is highly competitive. Even when a student has passed the entrance examinations, he may not be allowed to choose the major he is interested in

because of his comparatively low score. However, he can still join a society which has something to do with his special interest, to further his study and bring out his talent. Quite a few students are doing this and some graduates have been given jobs in which they use what they learnt in a society. These student groups therefore are often called "the second classroom."

It is widely acknowledged in China that students majoring in engineering often can't apply what they have learnt in practical work. Engineering clubs have been formed with this in mind. At Qinghua University which is among China's top polytechnical institutes, the Student Association for Science and Technology, established some four years ago, has 19 branches specializing in automation, chemical engineering, electronics, instruments and other fields. Every year in April during the University Day celebrations they hold exhibitions to show the latest developments. Last year more than 400 items by

students of the third and fourth year were on view.

The student scientific associations in southern universities and colleges are also active. The group in Zhejiang University has developed a clinical instrument of high value which has passed the provincial quality examination.

Military Science Societies

There are only two student military science societies in China today, one at Nanjing University and the other at Beijing University. Both of them were organized in the last two years. They invite army officers and teachers of military science to give lectures, and conduct study tours in local military camps.

As China moves ahead with the reforms and opens wider to the outside world, student societies are bound to thrive on all the new scientific developments, new ideas and new opportunities. ■

Shanghai's Jiaotong University orchestra.

WANG ZIJIN



What Marxism Means: One Student's View

Shi Ling entered Peking Union Medical College in 1983. In this article, she explains what she thinks of Marxism, analyzes the notion that Marxism is in crisis, and offers her own ideas on the future of capitalism and socialism.

by Shi Ling

Marxism" is a word I must have come across more than a thousand times. When I was a child, I knew I was living in a socialist country and enjoying the superiority of the socialist system. Our ultimate goal, I knew, was communism.

In the past, many young people like myself worshipped Marxism blindly. We thought we didn't need to worry whether we understood it or not as long as we had a comfortable life in our socialist country.

When China flung open its doors to the world, we discovered how big, colourful and complicated the world was. For me, everything was new. My curiosity and surprise set me to thinking and comparing.

I got confused. Modern Western life as it appears on TV is amazing—space shuttles, computers and robots, not to mention highly efficient business management, high wages and social welfare programmes.

When I turned my gaze back to the socialist countries, I saw that things were not so satisfactory. In China, the disastrous effects of the "cultural revolution" have lingered, some of the East European countries suffered economic troubles and political chaos, Soviet troops have occupied Afghanistan, and the Vietnamese have invaded Kampuchea.

All this made me wonder: What is capitalism anyway? And what's wrong with socialism? Has Marxist theory run into a crisis? Is it really out of date?

For a long time, I was at a loss. In particular, I found it hard to

believe our great Chairman Mao had made such monumental mistakes. But I could not escape, and should not try to avoid, facing

“Marxism is powerful and there is hope for socialism. The changes in China and the world as well demonstrate its vitality and the significance of using it to solve problems.”

reality. I became determined to straighten out my confused thinking, and to seek an objective, correct understanding. I studied historical materialism and the basics of Marxism.

Marx failed to foresee many changes which have taken place in the capitalist countries, such as changes in class structure, increases in workers' pay, social welfare programmes which moderate the worker-capitalist contradiction, and the whole gamut of measures that have been taken to promote production. Capitalism has demonstrated flexibility. But this does not negate Marxist laws of social development. Instead, it further substantiates the theory that the relations of production must suit the development of the productive forces.

As a phase in societal development, capitalism superseded feudalism and promoted the development of productive forces. However, it is a system built on exploitation and has insoluble

contradictions which will become more widespread and intense as capitalism develops. Structural reforms will fail to alleviate these contradictions and the system itself will have to undergo a fundamental change.

Many young people today are beginning to reconsider their ideas about socialism. It is true that the contemporary international movement has suffered many setbacks. The relations between many socialist countries and their communist parties have remained strained. Many socialist countries fail to handle the relationship between the party and the government properly and as a result, the government leadership is replaced by party control. Furthermore, socialist countries seem to ignore the achievements of capitalist civilization; the national economies and living standards in socialist countries have not improved as quickly as had been expected. They remain far behind the developed countries.

As people's aspirations were thrown into sharp relief by what they saw in the world outside, some people lost confidence in the socialist system.

Dogmatism has tended to dominate many socialist countries right from the very beginning. People then attempted to mechanically apply the general principles Marx had envisioned for a socialist society without considering the concrete situation in their own countries. Later, the "one centre, one road, one model" principle which emerged in the

(Continued on Page 34.)

Party Leadership Essential to Political Reform

"RENMIN RIBAO"

(People's Daily)

Political reform is an issue of national concern and back in 1980 Deng Xiaoping made an important speech on the restructuring of the leadership of the Party and state and this speech is the guideline document for the reform.

Over the years China has carried out concrete studies and adopted some practical measures for the political reform, because the fundamental economic reform should be accompanied by corresponding political restructuring.

Since the beginning of this year, Deng Xiaoping has pointed out on a number of occasions that the aim of political reform is to invigorate Party and state organs, bring into play the initiative of grass-roots units and the people, overcome bureaucracy and raise work efficiency. All this shows that it is precisely the Communist Party, the leading political Party in China, that has advanced the idea for political reform and implemented it step by step.

Political reform is a very complicated matter, involving the sorting out and setting right of various relationships, and covering a wide range of aspects, whereas it itself is restricted by social economic, cultural and other factors. Therefore, a long process is needed to build up a socialist political structure that is highly democratic, efficient and with a complete legal system, and this cannot be realized overnight.

Political reform needs both firm and prudent measures and should

be carried out under leadership, and in a steady and orderly manner. It requires a scientific attitude, down-to-earth work, investigations and study, accumulation of experience, and the pooling of the people's wisdom. It cannot be achieved hastily. As everyone is concerned about the affairs of the state, they are welcome to offer their good opinions and suggestions through normal democratic channels, and the Party and government welcome this.

Achieving a high-degree democracy is China's objective. The Party has paid dearly while leading the people of the whole country in decades of struggles for the purpose.

For a period after the founding of New China, political democracy was neglected or even abandoned because of mishaps or errors in the Party's guidelines. During the "cultural revolution" of 1966-76, a handful of careerists and conspirators, under the so-called "thorough democracy" and in the name of "revolution," deceived and incited people, firstly young students, to take irresponsible actions and make groundless changes by "airing their views freely, holding great debates and resorting to big-character posters." History shows that during the period of socialist construction, such "thorough democracy" is by no means democratic. It can only lead to anarchism, and the consequence will be that a small number of people can do whatever they like in defiance of the law, while the democratic rights of the majority are trampled upon with their personal freedom vanishes.

Such "thorough democracy" once brought to the state and

people unprecedented turmoil and calamity, and those who suffered the most were precisely the younger generation.

It is believed that all people, the young students included, who are concerned with political reform, will never allow such historical tragedy to repeat itself under any slogan, however beautiful it may be. If some people miscalculate the situation, try to stir up people to undertake "thorough democracy" in a bid to break away from Party leadership and deviate from the orientation of socialism, obstruct the progress of the reform and disturb production and construction, they will never succeed in their scheme, but have to eat their own bitter fruit.

Political reform is a process of self-perfection for the socialist system and it must be conducted under the leadership of the Party. Since the Third Plenary Session of the 11th Party Central Committee in 1978, the Party Central Committee has repeatedly stressed democracy and strived to make it systematic and firmly rooted in the whole legal system. It has done a lot in this regard by relying on the people all over the country.

Though China is still faced with many problems and difficulties, solid progress will surely be made in political reform as in economic reform, so long as the Party's principles and measures are implemented.



International Efforts in Aviation

The Chinese potential in aviation is attracting many foreign businesses. Companies from a dozen countries including the United States, Britain, France, the Federal Republic of Germany, Italy, Canada, Japan and Singapore have held talks on producing or trading in aeroplanes. A few have already signed contracts and begun co-operative production of planes.

McDonnell Douglas of the United States is the first company to co-operate with China in producing aeroplanes for Chinese international flights. The company signed a contract with China's Shanghai Aviation Industry Company in April 1985 to provide parts and technology for assembling 25 MD-82 aeroplanes in six years beginning in 1986. The MD-82 aeroplanes will have a flying certificate from the US Federal Aviation Administration. The company will also help the

Shanghai company set up a simulated flight centre for training pilots and help China improve satellite launching rockets and develop computer software.

Zhang Zhenzhong, president of the China branch of the US company, said China had a huge aeroplane market and it was impossible for any one company to dominate it. Early co-operation will lay a strong foundation for future development in trade. McDonnell Douglas was soon followed by the US Boeing and Europe's Airbus Industrie.

Companies from Sweden, Britain, Brazil, the United States, Canada, France and the Federal Republic of Germany have had talks on jointly producing planes for the Chinese domestic market. The MBB company of the Federal Republic of Germany has concluded a contract on studying the feasibility of co-operative production of the MPC-75 medium- and

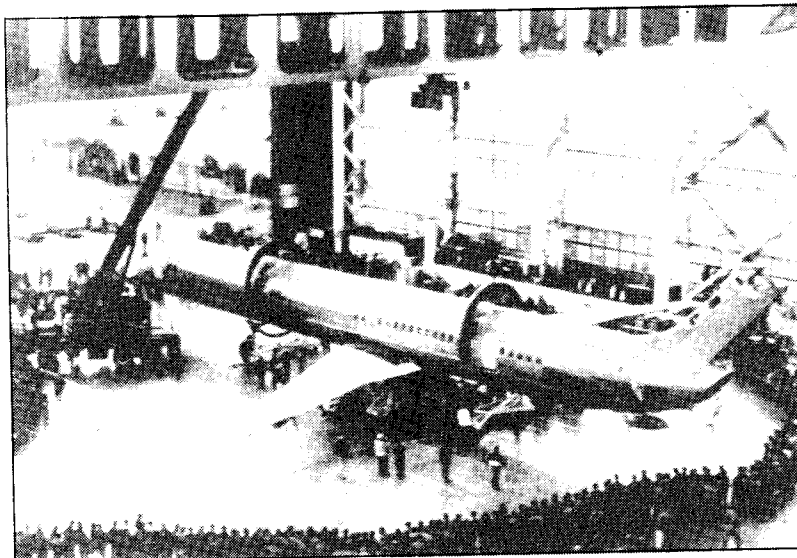
short-haul passenger planes. At present the British Rolls-Royce Ltd., the US General Electric and the Pratt & Whitney of Canada have agreed to co-operate with China in producing plane engines. Not long ago, the Italian Aircraft Company signed a contract with China for updating the electronics of the *Qiang-5* planes.

China has also held initial talks with companies from Japan, Singapore, Britain, the United States and Hong Kong on co-operation in selling China-made *Yun-12* planes. Already, China has exported six *Yun-12* planes to Sri Lanka. China will display the plane in Japan in May 1987. The plane, designed and produced according to the stipulations of the US Federal Aviation Administration, has received a flying certificate from the General Administration of Civil Aviation of China. To expand its exports, China is endeavouring to get flying certificates from the United States, Britain and Canada.

Wang Ang, vice-minister of Aviation Industry, said, China's aviation market is good. In the last few years the number of non-military passengers has grown by an average 10 percent a year and this is expected to continue in the coming years. Before the next century China will give priority to producing passenger planes. China is looking to co-operate with any company which has advanced technology, high efficiency and is willing to offer very good terms and help China quickly improve the design, technology and marketing of its planes. ■

The wings of this MD-82 passenger plane, the first of its kind in Sino-US co-operation, were fixed on November 28, 1986 at the Shanghai Aircraft Manufacturing Plant. The plane is expected to have a test flight in the summer 1987.

ZHANG PING



Loan for Coal Production

New progress has been reported in putting into use the first loan from the World Bank for the Changcun Coal Mine in Shanxi Province. Through international

bidding. China purchased at the end of 1986 the second batch of machines. This included three hydraulic drill jumbos, three side dump loaders, two high-pressure auxiliary fans, one 120-ton hydraulically operated crane and a safety working platform used in coal pits for US\$1.8 million from Finland, Britain, the Federal Republic of Germany and Japan.

The first batch of equipment, valued at US\$2.6 million, has already arrived in China.

The contract for granting the US\$124 million loan was signed in May 1985. Its interest rate is 8.5 percent and it should be repaid over 20 years. The coal mine is expected to go to operation in 1990 and will have a production capacity of 4 million tons of coal a year.

Bids will be issued soon for purchasing the third batch of machines including main shaft equipment, preparation equipment, coal pit transport facilities and boom-type road heading machines.

China's rich coal resources interest the World Bank. China and the World Bank are studying the feasibility of the Tangshan Coal Mine in Hebei Province and the Yanzhou Coal Mine in Shandong Province and discussing the re-equipment of old coal mines.

by Yao Jianguo

Native Exports Hit Record

The China National Native Produce and Animal By-Products Import and Export Corporation exported a record amount in 1986: US\$3 billion worth of its goods.

An official from the corporation attributed the success to the development of farm, sideline and local products which have increased the products' supply following the agricultural reforms.

International demand has also increased since the Western economy began to pick up.

At present China is the biggest exporter of 20 kinds of products including green tea, firecrackers, fireworks, honey, raw lacquer, gum resin, hog bristles, rabbit fur, goats wool, goats skin plates, feathers and wool blankets.

The quality of these products has been improved in the last few years and many products have won prizes at international fairs and conferences. In September 1986 Guangdong's "Swan" feather-padded women's overcoats and blue boy's jackets and Shanghai's "Peony" sheep skin men's jackets were awarded gold medals at the Leipzig fair held in the German Democratic Republic. 14 kinds of Chinese tea also won prizes at international food contests last year.

China has a great potential in its exports of native and animal by-products as its current exports in this field account for only 4 percent of the world's US\$80 billion total of this kind of import.

by Han Baocheng

Trade News in Brief

At a nonferrous metals exhibition which closed in early December in Essen, the Federal Republic of Germany, China concluded US\$100 million worth of businesses, half for importing and half for exporting nonferrous metals. China also held talks on technological co-operation through compensatory trade, absorbing foreign investment and leasing, and signed some initial contracts.

The China National Silk Import and Export Corp. opened officially on January 1, 1987. The corporation trades in silk products, co-ordinates the prices of silk garments and other silk

products and applies for licences for silk exports.

China has co-operated with foreign companies in exploiting offshore oil resources for seven years now. It has signed 34 contracts with 43 companies from 12 countries, organized 13 joint ventures with 12 companies from five countries and established land production bases in Tianjin's Tanggu, Shanghai, Shenzhen's Chiwan and Guangdong's Zhanjiang. Its foreign partners have opened 40 offices and branches in Beijing, Bohai, Guangzhou and Shenzhen. By the end of 1986 the number of foreign experts and their family members working in this field in China had topped 820.

China exported US\$3.75 billion worth of cereals, vegetable oils and foodstuffs in 1986, 13.7 percent more than 1985. Exports of aquatic products, wines, confectionery, meat, eggs, fruit and vegetables were particularly high. Exports to the Soviet Union, East European countries and Japan continued to increase, and exports to Hong Kong and Macao went up by 20 percent compared with 1985. Exports to these places accounted for 77 percent of the total.

A new Beijing International Cinema Exchange Centre, featuring a modern theatre equipped with China's first 70-mm screen and stereo facilities, will be built in the Chinese capital in 1987.

Located at Zuojiashuang in eastern Beijing, the centre will also include a 300-room guest-house, Chinese and Western restaurant, banquet hall, cafe, gymnasium, beauty parlour, bar, bazaar and an underground parking garage.

The Chinese mainland has exported to Hong Kong six tons of ginseng extract, a tonic drink produced in Heilongjiang Province.

China has invested 1.5 million yuan (US\$405,000) to produce the tonic on a large scale.

Modern Chinese Mural Paintings

The tradition of mural painting in China dates back to the Eastern Zhou Dynasty, which began in the 8th century BC. Murals dating back to the first century BC can still be seen today in graves in Hebei and Shaanxi provinces. Mural painting reached its pinnacle during the Tang Dynasty (618-907 AD). Dunhuang Grottoes are the best surviving examples.

In the 1950s experts and professors from the Central Academy of Fine Arts and the Central Academy of Applied Arts not only painted murals in several of Beijing's large buildings but also set up mural studios and offered an academic major in mural painting and construction in their schools. However, murals were one of the many art forms that suffered from the "Leftist" political ideology which culminated during the "cultural revolution." Many of the studios were closed and the only pursuit in this field rested on the theoretical study of decorative than artistic mural painting.

At the end of 1978, conditions in the country began to improve and the two academies re-established their mural painting majors.

In 1979, a group of murals put up in Capital Airport in Beijing under the guidance of Professor Zhang Ting triggered off hectic response from home and abroad because of some almost nude figures in the painting—the first time nude art shown in the public in China.

Since 1978, hundreds of new murals have been painted in many parts of the country and the art form has won wide acceptance. More and more buildings are being adorned with murals because they give buildings more

stature. Today, mural painting is part of the curriculum at many art schools and a new generation of mural artists is arising up in China. A national mural research committee has been established.

China's policy of opening to the world in recent years has also influenced the development of mural painting because the policy has encouraged tourism, which has in turn encouraged construction of new hotels, many enhanced with murals. Murals are also being painted in theatres, on park walls, and in schools, train stations, sports stadiums and memorial buildings.

The centrepages of this issue depict some examples of contemporary mural painting.

Bell Music and Dance is a glazed pottery mural in Wuhan's Donghu Hotel. Though the scene includes many figures, Tang Xiaohe and Cheng Li balanced the heavy, antique background with the airy grace of the young women dancers and musicians. The mural brings the 2,400-year-old tradition of chime music and dance alive for today's audience.

A Banyan by a River was painted for the Rongcheng Hotel in the scenic tourist spot of Guilin. Zhang Ting, a well-known muralist, used techniques derived from traditional Chinese painting—burnt-black ink—to render Guilin's landscape. The imitation marble mural communicates Zhang's passionate love for the natural beauty of the region.

Hunting, by Li Huaji, was also painted for a hotel. It blends Western painting techniques with those used in the Dunhuang Grottoes murals to depict a hunting scene among China's minority people.

Science and Culture was painted on pottery tiles for a children's

cultural palace in Wuxi, Jiangsu Province. Created by Mao Jie under the guidance of Professor Yuan Yunfu, it uses flat planes and gorgeous colours to draw the viewers' eye.

Celebrations in Ancient China is a large, 9 by 3.5 metre mural by Wang Wenbin. It is in Qufu's Queli Hotel, located in Shandong Province. Qufu was home of Confucius (551 BC-479 BC), China's greatest ancient philosopher and educator. Wang took his theme from the classic *Book of Songs* and divided the mural into three parts—guests on their way to the feast, the feast, and being seen off after the feast. The light brushwork and free presentation expresses the painter's imagination.

Spring Is Here is a mural on porcelain by Yan Shangde. It is the outside wall of the China Philatelic Corporation in Beijing. The painter creates rhythm and movement in the scene by showing cranes and other birds flying over the first greenery of spring.

China's murals have made great Progress in the past few years, but much remains to be done. Some artists are still inexperienced, too many pieces are shallow in contents, and the art of combining murals with modern architecture is still in an early stage. ■

by Li Deli

Chinese Singer Wins Prizes in Britain

At the third Grimsby International Competition for Singers held in England in October, Cao Qun, a Chinese baritone from the Beijing Song and Dance Ensemble, took both the first prize and the Alec Redshaw Memorial

Award. Three of British leading music schools, the Royal College of Music, the Guildhall School of Music and Drama, and the Royal Academy of Music, all offered him scholarships to study with them as a post-graduate.

The only participant from Asia to reach the finals, Cao eclipsed over 80 competitors from nearly 20 countries with his singing of arias from Haydn's operas including the *Nelson Mass*, and of the Chinese song *The River Flows to the East*. This was the first time a Chinese singer had won a prize at Grimsby.

Born into an ordinary family, Cao attributed his success to his high school music teacher, Huang Sugu, who taught him to "love music" a dozen or so years ago. Cao went to the Hubei Academy of Art to study vocal music, and then became a baritone with the Beijing Song and Dance Ensemble. He was the winner of the Nie Er and Xian Xinghai Competition in Beijing in 1985.

Cao is said to have spent nearly six months doing nothing but prepare for the Grimsby competition. The biggest barrier he had to overcome was that of language, since all the contestants had to sing in English, French, German or Italian. He solved this problem mostly on his own, although he learnt some Latin from a clergyman.

Cao has chosen to continue his studies at the Royal Academy of Music, starting next September, and hopes to be able to do his bit to popularize Western classical music in China when he returns home. ■

Secrets of Ancient Mirror Revealed

Chinese scientists have found the answer to why 2,000-year-old bronze mirrors unearthed in China do not tarnish.

Many of the mirrors are believed to date from the Han Dynasty (206 BC-220 AD) and the

Tang Dynasty (618-907). They are as bright today as when they were made, and show the minutest details of the objects reflected. Scientists at home and abroad have been trying for decades to find out the cause of this unusual phenomenon and the process by which the mirrors were manufactured.

Three years of research by scientists at the Shanghai Materials Research Institute and the Shanghai Museum have revealed that there is a tin-rich coating on the surface of these ancient mirrors which, after oxidation, produces a transparent layer of tin dioxide, which is corrosion resistant. The layer of tin dioxide, if in good condition, can keep a buried mirror tarnish-free for thousands of years.

Replicas of the ancient mirrors which have been made using this knowledge look almost identical to the originals.

This discovery can be used today for metal protection and surface decoration technology. ■

Cao Qun in concert.

QIN XUZHI



In response to readers' requests, we are initiating this regular column of information about upcoming events in China and Chinese-sponsored events abroad.

We invite readers to submit listings of future events. Listings should include dates, locations, basic information about content, and individuals or agencies to contact for more details. Mail listings to "Beijing Review" Editorial Department, 24 Baiwanzhuang Road, Beijing, China.

Business and Trade

Jan. 10-17, Shanghai. National Down Garments and Products Trade Fair, sponsored by China National Native Produce and Animal By-Products Import and Export Corp.

Jan. 12-16, Beijing. 1987 China

Fur Garment Fair, Beijing Exhibition Hall.

Jan. 13-19, Shanghai. International Exhibition on Shipping Equipment for Goods and Materials. Participants include United States, Canada, Western European countries, Japan, Hong Kong.

Jan. 13-18, Beijing. International Eyeglasses Manufacturing Machinery and Testing Equipment Exhibition. Participants include United States, Canada, Japan, Western European countries, Hong Kong.

Jan. 16-21, Los Angeles, California, USA. Jiangmen City (Guangdong Province) will sponsor a conference on foreign economic relations and trade and an exhibit of local products.

Jan. 18-22, Fuzhou (Fujian Province). A large-scale conference on foreign investment with

300 to 500 clients from all over the world. Investments in more than 100 items will be solicited.

Feb. 18-23, Shanghai. Second International Machinery Exhibition. Participants include United States, Canada, Western European countries, Japan, Hong Kong.

Feb. 19-28, Beijing. 1987 Foreign Economic Relations and Trade Talks, Beijing Exhibition Hall. Business people and trade groups from all over the world are invited to meet with their Chinese counterparts to discuss import and export business and other forms of economic co-operation.

Through January and February, Harbin (Heilongjiang Province). Annual Ice Lantern Festival. Lantern gardens and ice sculptures, including sculptures by both Chinese and foreign teams, skiing, singing and dancing performances.

What Marxism Means

(Continued from Page 28.)

international communist movement was followed by blind worship of doctrines, of resolutions of the Communist International, of the Soviet model, even individual leaders, and the adoption of the closed-door policy. All this hindered the development of Marxism. The notion that "Marxism is in a crisis" is in effect a kind of punishment for this dogmatic attitude.

Now some of the socialist countries have begun to face these problems and have introduced reforms. Since China adopted the policies of opening to the world and enlivening the domestic economy, the overall economic structural reform has meant great progress in both the rural and urban areas. Preparations for

political reform are also under way.

According to Marxist theory, truth is knowledge that is consistent with objective reality. The corollary is that if reality changes, knowledge must change. Marxism was born more than a century ago, but it has never stopped developing. It constantly absorbs new ideas while eliminating outdated ones.

The study of historical materialism has helped me realize that the practical situation must always be taken into consideration when trying to solve a problem. Inflexible doctrines must be discarded. We should be objective and practical when we study capitalist development, the problems of socialism or challenges to Marxism. What is rational in the ideologies of the West must be critically assimilated, what is bad, eliminated.

In the past few decades, the study of Marxism has persisted

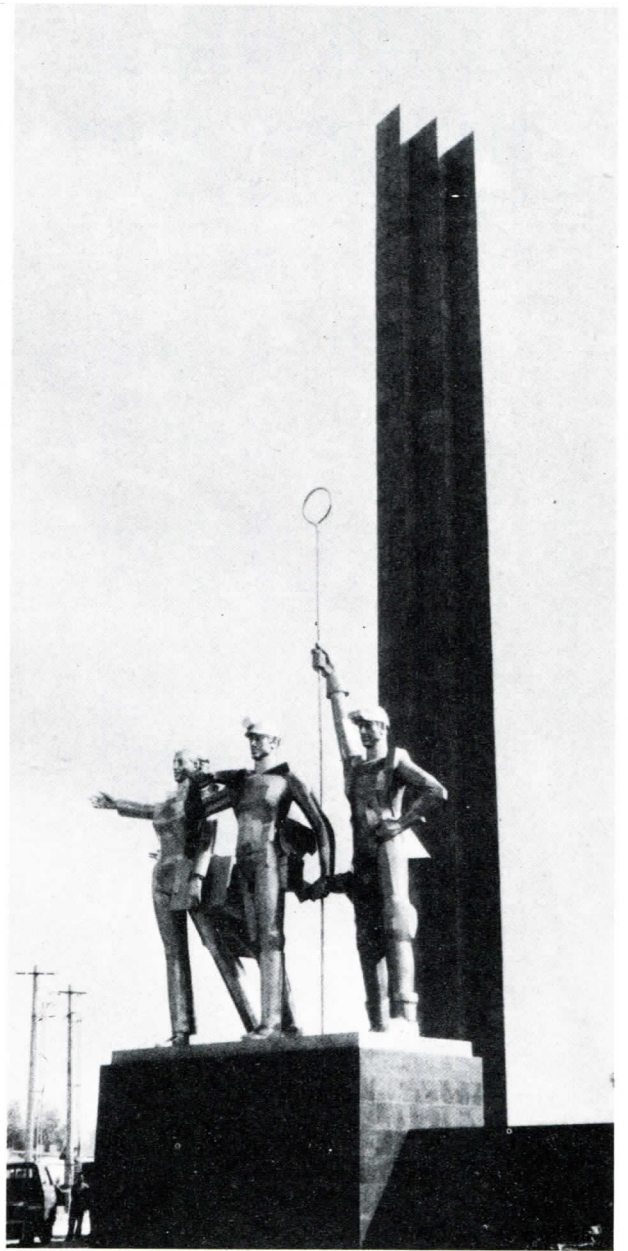
unabated in advanced capitalist society. The fact that it has been studied and debated shows that it is a live subject close to people's needs. Marxism is not exhausted yet. Without any doubt, it is a science and has been injected with many new ideas during its development. The changes in China and the world demonstrate its vitality, as well as the significance of using Marxist principles and methods to solve problems. You are not a Marxist if you don't stick to the standpoint of practice, development and creativity.

In short, Marxism is powerful and there is hope for socialism.

How glad I am that I have come to understand this. Of course, we are confronted with many new problems and tough challenges. Only if we adhere to Marxism, apply the principle of "seeking truth from facts" and constantly learn from our experiences, can we build a strong socialist China. ■

ART PAGE

**New Sculpture
in Urban Areas**



A sculpture in Taiyuan, Shanxi Province, symbolizing the flourishing modernization drive.

A sculpture in Geleshan Martyrs Mausoleum in Congqing, Sichuan Province, in memory of the revolutionaries killed by Kuomintang reactionaries in 1949.

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