

A CHINESE WEEKLY OF NEWS AND VIEWS

# Beijing Review

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## Combating Bourgeois Liberalization *Disarmament: New Development*



**GU MU ON  
FOREIGN  
FUNDS**



A second-generation giant panda bred by artificial insemination. The mother panda, Dandan, looking after her baby, Lele, born September 8, 1986, in Beijing Zoo.

*Li Shuzhong*

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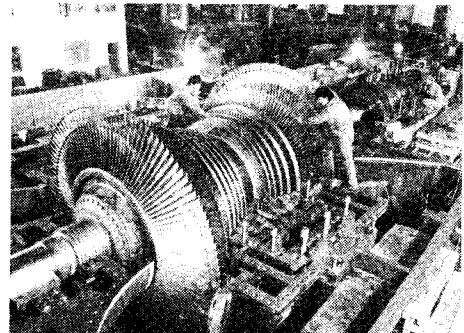
COVER: Gu Mu

Ma Juntian

## HIGHLIGHTS OF THE WEEK



P. 17



P. 6

### China Sticks to Socialism

■ Two important pieces in *Renmin Ribao* (*People's Daily*) are printed in full. They discuss the need to combat the call for "complete Westernization." This is the central theme of the current struggle against bourgeois liberalization (pp. 15-16).

Fang Lizhi, a Hefei university vice-president, has been sharply criticized as typical of this capitalist trend. He was dismissed from office alongside the president who was charged with "seriously neglecting his duty" (p. 8).

Chen Junsheng, Secretary-General of the State Council, expounds why China should follow the road of socialism (p. 4). Full text of this article, published in all major Chinese newspapers, will be printed in BR next week.

### Disarmament: Changes in the New Context

■ The international struggle centring on disarmament today has taken on some important new aspects because of the many changes that have taken place in the world in recent years, especially the changes in US and Soviet strategies. This article examines these new aspects and assesses their implications (p. 24).

### Gu Mu on the Use of Foreign Funds

■ State Councillor Gu Mu in his interview with *Beijing Review* elaborates the following points: as application of the open policy spreads from the coast to the hinterland, the number of foreign-funded enterprises has increased to over 7,000; the special economic zones are developing an export-oriented economy; implementation of regulations encouraging foreign investment has helped improve investment climate (p. 17).

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## Official Stresses the Four Principles

A senior official said on Jan. 12 China will persist in the four cardinal principles in carrying out reform and the policy of opening to the rest of the world.

In a long article in *Renmin Ribao* (People's Daily), Chen Junsheng, secretary-general of the State Council, China's highest governing body, said that reform and opening to the outside world are China's established policies and the determination to carry out the four cardinal principles is also firm and unshakable.

The principles refer to adherence to the socialist road, to the people's democratic dictatorship, to the leadership of the Communist Party of China, and to Marxism-Leninism and Mao Zedong Thought.

"Nowadays, a few people are arguing that socialism is inferior to capitalism and nothing in China is as good as in the Western countries. Therefore, China must be Westernized," Chen said.

Such an argument is nothing new, because it was advocated eight years ago, Chen said. But this time the advocates of this erroneous line have raised it under the banner of "Speeding up political restructuring" and "fighting for democracy and freedom."

China's senior leader Deng Xiaoping said in 1979 that although such people were few in number, their role should not be underestimated.

The article quoted Premier Zhao Ziyang as saying recently that two questions must be made clear to young people: first, a developing country should not be compared with developed capitalist countries; second, the crucial point is whether socialism or capitalism can save China. "These

are the main problems that should occupy the minds of young people," Chen said.

Those in favour of capitalism forget China's modern history and their views are at variance with China's actual conditions, Chen said.

A poor economic foundation, a large population and limited agricultural land are the problems that China has been tackling. Imperialism, feudalism and bureaucratic capitalism had made China a poor and backward country. Though great progress has been made in economic construction since New China was founded in 1949, China is still a developing country. It is not easy for a developing country to feed, and provide adequate education and employment for a population of 1 billion, the official said, adding that "this is not the fault of socialism."

The article said it is not scientific to compare China, which has suffered so much and just begun to prosper, with developed capitalist countries. Such a comparison can only make people lose their national pride and confidence in building China into a prosperous country.

Refuting the idea that if China takes the capitalist road it can be economically developed, Chen said the bureaucratic capitalism the then ruling Kuomintang once practised led to the collapse of the country. If New China had followed suit, it would not have won popular support nor could it have aroused the people's enthusiasm to change the chaotic situation left over by the Kuomintang.

Moreover, he said, the United States then supported Chiang Kai-shek. China would not have even survived as an independent

nation if it had not taken the socialist road.

"Therefore, socialism is the historically correct choice of the Chinese people," Chen said.

Among the more than 100 countries in the world today which have capitalist systems, only about 20 can be considered affluent and developed, while the rest are still developing countries, Chen said.

Although China's economic development now is not equal to that of some developed countries, he said, there is no social polarization in China and, except in a few areas, the people across the country are well-fed.

If China gives up socialism, he said, the developed foreign capitalist economies will occupy China's markets and destroy China's national economy, and politically China will fall under their control and lose its independence in foreign affairs.

Thanks to socialism and an economy with public ownership playing the leading role, China remains strong politically and militarily, stands independently in the world and is respected by people the world over.

In all, he said, China will neither follow the capitalist road nor copy the Soviet model nor return to the old track before 1979. The only way for China is socialism with Chinese characteristics.

"We'll learn everything from other countries which is useful for our construction," Chen said. "But the process of learning certain items of technology and management from capitalist countries must not become worship of capitalism, and lead to corruption by capitalism and the loss of national pride and confidence."

It is understandable for the people to be anxious for accelerated construction and re-

form and for more affluence, he said. But two points must be made clear. First, the four modernizations programme needs hard work. Second, reform is a complicated process which calls for substantial efforts.

Democracy is also a long-term process, he said. Without democracy, there would be no socialism or socialist modernization. But, democracy and modernization should progress step by step.

The article concludes that to ensure stability and unity in China, the leadership role of the Party must be strengthened. Without such leadership, there would be upheavals and social divisions throughout the country, he stressed.

## New Computer Giant Eyes Home Market

Beijing, the capital of China, will become the centre of the nation's growing computer industry with the establishment of the new Great Wall Computer Group Corporation.

The Great Wall group, established officially on December 17, 1986, is China's largest associated computer enterprise. It is made up of 67 factories and related institutions all located in the capital.

The group will be a fully integrated undertaking. It will deal with computer hardware and software as well as semi-conductors and integrated circuits which are the heart of computer technology. Computer engineering projects and modern communication technology are also included in its mandate.

Developing the productive use of computers, from desk-top micros to large, powerful mainframes is also the job of the new enterprise with an emphasis on fourth-generation computers. Computer-controlled switches for

industry will all come from the corporation.

It will be able to build on the great progress China achieved in the computer industry during the Sixth Five-Year Plan (1981-85). The output value of the industry increased at an average of 44 percent during this period. In 1985, China produced more than 30,000 computers. In 1986, some 50,000 were produced.

Despite these advances, the foundations of the computer industry are shaky and the technology needs modernization. The scale of computer production needs to be further expanded and resources to be concentrated for expansion. Without these conditions, China's computers will remain uncompetitive in a cut-throat world market. This new group is expected to bring China into that market.

As for the home market, China has to import almost all of its medium and large computers. Only 10 percent of the small and 40 percent of the nation's micro computers are made at home. With foreign companies chasing the lucrative Chinese computer market, there is little leeway for the domestic computer industry. Now, China's computer sector still cannot meet the needs of the country's modernization programme, and is facing the challenge brought by the new worldwide technological revolution.

The computer industry is still developing and its growth needs a critical mass of knowledge, facilities and investment. Until recently, China's computer sector was made up of diverse units, so essential personnel, financial and material resources were spread out. That is why there was little wonder its computer industry was unable to compete with the cohesive foreign firms.

The Great Wall computer group changed that situation. The group will undertake all phases of production, from scientific research through manufacture

right to after-sales service and training. This concentrated alignment will spur development and husband scarce resources by avoiding costly duplication and dispersal, because the successful computer industry can only be built where the necessary intellectual resources and modern industrial infrastructure is at hand.

The industry demands the people, the facilities and the institutions offered by a modern city. Beijing is the birthplace of the country's computer industry and is emerging as its future. It is already home for 28,000 computer professionals, one-third of the nation's total. The city, with its 77 colleges and institutions of higher learning, almost one-fifth of the national total, is China's single largest training ground for the highly skilled people essential to the computer industry.

Moreover, the capital can provide the rapid exchange of information needed for growth in high-technology industries. It is the hub of northern China's communications and the focus of international information exchange. Beijing also boasts the manufacturing expertise as it already maintains the most valuable computer output in all of China.

All these features add up to make Beijing uniquely suited to be China's computer centre, and are expected to contribute to the boom foreseen in the domestic computer industry.

The group's hardware will be produced at 10 primary factories which will share a unified development, marketing and accounting plan. Other factories will manufacture components for the corporation under contract. The ultimate goal is to turn this new computer giant into a joint-stock enterprise.

Computer enterprises outside of the capital have not been forgotten. The group plans to include the computer technology of other Chinese enterprises in

their overseas marketing efforts. The immediate challenge though is to carve much more than a niche in the domestic market.

by Wang Yanjuan

## Shanghai's Industry: Fruitful Trends in '86

The year 1986 was a profitable one for Shanghai's industry, whose output value increased, by a surprising 4 percent to reach 86.3 billion yuan (US\$23.3 billion), after forecasts of a sharp drop at the beginning of the year, when the city was shifting towards a planned commodity economy.

The figure is 3.3 billion yuan (US\$890 million) more than that of 1985, and the growth is equivalent to the total industrial output value in 1949. Economic experts in Shanghai view this achievement as marking the first important step in the transition from the old economic pattern to a new one.

The city of Shanghai, China's largest industrial centre, plays a key role in the national economy,

with its industrial output value accounting for 10 percent of that of the whole country; its revenue, 14 percent of the country's total and its earnings from export, 16 percent of that for the whole country. The Shanghai Port handles one-third as much cargo as all the other ports in China put together.

For many years, the state mandatory plan used to cover 70 percent of the city's industrial production, with the state being responsible for the supply of raw materials and marketing of its products. However, the proportion had dropped to below 20 percent after the planned commodity economy was introduced in 1986, which meant that the city was given the right to dispose of its own resources and seek the needed raw materials.

Finding it hard to adapt itself to the changed conditions, Shanghai faced a downslide in industrial production in the first two months of 1986 and people worried that the city would not be able to fulfill its quotas by the end of the year.

To make the situation better, the city government streamlined

its industrial departments, spread the new director responsibility system in its factories, practised a system which allows small and medium enterprises to be leased to individuals, and pioneered financial reform by establishing money markets through issuing shares for enterprises.

The city also sent technical groups to study in other provinces and seek greater co-operation with other parts of China. In 1986, over 3,000 Shanghai-based enterprises sought co-operation with enterprises in other provinces. In addition, the city managed to develop raw material supply bases outside Shanghai.

Thanks to these efforts, production began to pick up in the second quarter of the year and the rate of growth has witnessed steady expansion month by month.

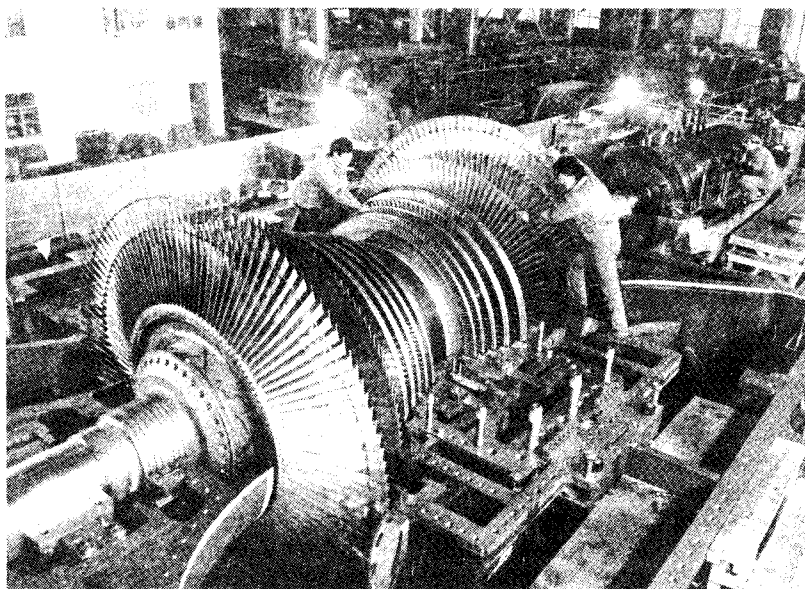
According to Yu Xiangnian, an economist in charge of the city's economic planning commission, Shanghai's gross product has reached 49 billion yuan (US\$13.2 billion), a 5 percent increase over 1985.

The output value of service industry, which accounted for a large portion of the city's gross product, amounted to 13.3 billion yuan (US\$3.2 billion), a 10 percent increase over the previous year.

The city has also made great efforts to improve its infrastructure, transportation and communications facilities. The amount of cargo handled by Shanghai port has reached a record high. "Shanghai's economic development is now being set on a more rational and healthy course," Yu said.

By the end of 1986, the city had placed 560 imported or newly introduced technical projects into operation, greatly updating the city's metallurgical, ball-bearing, television and broadcasting, electronic products, plastics, food, textile and printing industries. Meanwhile, production of low quality products, with high consumption of energy or raw

Workers in a Shanghai factory test the rotor for a 300,000-kw thermal power generator.



materials and serious pollution risks, was stopped.

However, attention still needs to be paid to other problems surrounding the city's industrial development, such as low efficiency, increased costs and poor economic management. Despite the city's 4 percent growth in industrial production, its revenues for 1986 remained the same as those of 1985.

## Memorial Meeting For General Huang

**M**ore than 3,000 people from all walks of life in Beijing attended a memorial meeting for the senior general Huang Kecheng held on January 7 in the Great Hall of the People.

General Huang, an advisor to the Central Military Commission, passed away on December 28 at the age of 84. He had dedicated his whole life to the liberation of the Chinese people and China's socialist construction.

Premier Zhao Ziyang presided over the memorial meeting which was also attended by major Party and state leaders, including Deng Xiaoping, Peng Zhen, Nie Rongzhen, Ulanhu and Wan Li.

Party and state leaders Hu Yaobang, Li Xiannian and Chen Yun went to the hospital many times to see Huang Kecheng before his death. At the ceremony, they all presented wreaths for the late general.

In his memorial speech, Yang Shangkun, vice-chairman of the Central Military Commission, spoke highly of General Huang as a loyal and veteran Communist, an outstanding leader of the Communist Party of China and the Chinese armed forces, and a great proletarian revolutionary and military commander. Yang delivered a eulogistic account of the late general's 60 years of glorious revolutionary life.

Huang Kecheng was born into a



SUN HONGXIANG

## Be Frugal With Food

Early last December, an exhibition under the title "Honour Frugality, Shame Waste!" was held in the Xiangshan Primary School in Huaibei City, Anhui Province. Holding bits of steamed bread discarded by a pupil a teacher tells the boys and girls: "If every pupil in the country throws away a piece a day, it will amount to more than ten million kg. of grain in a single year."

poor peasant family in Yongxing County, Hunan Province, in 1902. He joined the Chinese Communist Party in 1925 and took part in the 1926 North Expedition against warlords. Later, he became an outstanding commander of the Chinese Workers' and Peasants' Red Army.

During the Anti-Japanese War (1937-45) and the Liberation War (1945-49), he made great contributions to the establishment of the northern Jiangsu anti-Japanese base area and to the liberation of northern Jiangsu and northeast China.

From 1925 on, he served successively as deputy chief of the General Staff of the People's Liberation Army (PLA) and director of the PLA General Logistics Department, secretary-general of the Central Military Commission, vice-minister of

National Defence, chief of the General Staff of the army, and member of the Secretariat of the Communist Party Central Committee.

General Huang's great contributions to the formulation of the national defence strategy and the principles for the country's military buildup was recalled in the eulogy. Yang Shangkun also mentioned the general's consistent efforts in working out and implementing the major regulations of the army, and his contributions to the army's modernization drive.

General Huang, it was noted, dared to speak the truth, and was unfairly criticized and punished at the Chinese Communist Party meeting held at Mt. Lushan in 1959. His frank criticisms opposing the "leftist" mispractices of the so-called "great leap forward"

and the "people's communes" were not welcome at the time. But he always maintained faith in the Party and the communist cause, even when he was persecuted in that national "nightmare" of "cultural revolution."

General Huang Kecheng's death is "a great loss to the Party, the army and the Chinese people," Yang said. "We should always learn from his lofty revolutionary spirit and fine moral character."

## Fabricated Letter Arouses Concern

About 300 African students in Beijing went to the headquarters of the African diplomatic corps on January 8 to complain about a letter attacking Sino-African friendship and demand an investigation into the matter.

A Xinhua report says that the students' protest march was sparked by an English language letter distributed to African embassies in Beijing by a so-called "Chinese students association," which has been accused of slandering African students and sowing discord between Chinese and African students.

Before the students' departure from the Beijing Languages Institute in the northwest suburbs of the city, the report says, personnel from the Chinese security and other departments concerned tried to persuade them to stay off the streets and explained to them the Beijing municipal government's regulations on demonstrations.

Some of the African students agreed that the letter must have been written by a handful of trouble makers. However, the students continued their march and walked out of the campus.

When they arrived at the headquarters of the African diplomatic corps, they aired their complaint to the head of it and asked him to convey to Chinese authorities their demand for an investigation.

On January 9 Li Shunxing, deputy director of the Foreign Affairs Office under the State Education Commission, met with nine representatives of African students studying in Beijing and talked with them in a friendly and earnest atmosphere, according to an official attending the meeting.

On behalf of the commission, Li denounced the letter saying it had slandered African students and pointed out that the letter's attempt to sow discord between Chinese and African students, and undermine friendship between China and African countries, is doomed to failure.

Meanwhile, a spokesman for the All-China Students Federation, an organization in charge of the country's student affairs, made a statement on January 7 saying that the letter "viciously attacks Sino-African friendship."

The student representatives attending the meeting with education commission officials expressed their thanks for the attitude taken by the commission and their willingness to co-operate in an effort to trace the writers of the letter.

Li assured them that China guarantees the security of its citizens as well as all foreigners, including foreign students in the country. All the foreigners in China should abide by Chinese laws, decrees and regulations, Li said, adding that foreign students should also abide by the regulations of the schools where they study.

He said that they can raise their concerns through normal channels if they meet with difficulties or problems. Problems will be solved in the spirit of friendly co-operation and in the light of Chinese laws and regulations.

He said that it was not proper for some African students to walk out of class in defiance of persuasions. "Instead of helping solve the problem, the protest march disturbed order at the schools and public places," Li said.

## Government Changes University Leaders

Professor Teng Teng was appointed new president of the Chinese University of Science and Technology and dean of the university's graduate school in Hefei, Anhui Province, according to a decision of the Chinese Communist Party Central Committee and the State Council.

The decision was announced on January 12 at the university by Zhou Guangzhao, member of the CPC Central Committee and vice-president of the Chinese Academy of Sciences.

Professor Teng, 56, is an engineering chemist and served as a vice-president of Qinghua University and vice-minister of the State Science and Technology Commission.

Zhou Guangzhao also announced that Peng Peiyun, vice-minister of the State Education Commission, would be the Party committee secretary of the Chinese University of Science and Technology, according to a decision by the Party group of the Chinese Academy of Sciences, approved by the Party Central Committee.

At the same time, it was announced that Guan Weiyan was removed from his posts as the president of the university, deputy secretary of the university Party committee and dean of the university graduate school. Fang Lizhi was removed from his post as vice-president of the university.

Guan and Fang are to be assigned as research fellows at the Institute of Physics of the Chinese Academy of Sciences and the Beijing Observatory respectively, according to the decision.

On the reorganization of the leading body of the university, Zhou Guangzhao said that over a considerable period of time, Fang Lizhi made many erroneous bourgeois liberalist statements and deviated from the four



cardinal principles (socialist road, people's democratic dictatorship, Party's leadership and Marxism-Leninism and Mao Zedong Thought). Fang's idea of running his school free from the Party's leadership and in contravention of the socialist road had an extremely bad influence on the university as fully illustrated in the recent student unrest there.

As the leading administrator of the university, Guan Weiyan seriously neglected his duty with the result that the ideological and political work in the school was weakened.

Li Guixian, secretary of the Anhui provincial Party committee, said at the meeting that his committee fully supports the decision of the Party Central Committee and State Council.

He said, "Fang Lizhi advocated bourgeois liberalization, defamed the Party's leadership and Party officials, negated the achievements of the Party over the past decades, and slandered the socialist system. He also sowed discord among Party members and the intellectuals, especially the young intellectuals.

"What Fang has done runs counter to the fundamental interests of the Party and the people and the trend of history. It is intolerable," Li said.

"Guan Weiyan committed a serious mistake by turning a deaf ear to the words and deeds in favour of bourgeois liberalization," he added.

The great majority of the faculty and staff of the university disagreed with the erroneous words and deeds of Fang Lizhi. Many rejected and opposed his ideas, the secretary said.

"Some comrades made erroneous remarks under Fang's influence, but have since realized their mistakes. That's well and fine. Some time should be given the few comrades who fail to see their mistakes, but they must observe discipline," he said. ■

## Weekly Chronicle

(Jan. 5-11)

### POLITICAL

Jan. 6

CPC Central Committee Political Member Hu Qiaomu tells a meeting marking the first anniversary of the bimonthly *Heroes of the Chinese Nation* that selflessness is a moral standard the Chinese people endorsed for ages and it is wrong to negate it.

Jan. 9

The fourth session of the Fifth Central Committee of the China Democratic League unanimously elected Fei Xiaotong central committee chairman and Chu Tunan honorary chairman of the league.

Jan. 11

Security organs in Fujian and Sichuan Provinces smashed a Kuomintang spy ring on the mainland and five people were arrested on charges of collecting military information and conducting other sabotaging activities for Taiwan.

### ECONOMIC

Jan. 7

The national conference on metallurgical production reveals that China's gold output has expanded at an annual rate of 10 percent over the last six years. The country has 33 counties or cities that can each produce 10,000 ounces of gold a year.

Jan. 9

*Jingji Ribao* (Economic Daily) reports that China earned US\$2.2 billion in foreign exchange from exporting machinery and electronics products last year, 30 percent more than in 1985.

Jan. 11

The CPC and the State Council promulgate three sets of new regulations to promote the system of factory directors assuming full responsibility for production and management.

### CULTURAL

Jan. 7

Xinhua reports that Chinese medical specialists have made remarkable achievements in preventing and treating cancer of the large intestine by developing a technique of transplanting anal tissue.

Jan. 8

A feasibility report about China's first energy data bank passes state examination in Beijing.

### SOCIAL

Jan. 5

*Renmin Ribao* reports that 239 consumers' organizations above the county level have been established in China.

Jan. 6

*Renmin Ribao* says Deng Yingchao, chairman of the Chinese People's Political Consultative Conference and widow of the late Premier Zhou, has donated 20,000 yuan from the premier's royalties to a middle school in Yanan.

### FOREIGN RELATIONS

Jan. 7

A Chinese Foreign Ministry spokesman says at the weekly news briefing that Chinese frontier guards have repulsed the recent provocations by Vietnamese troops along the Sino-Vietnamese border and the "battle achievements" announced by the Vietnamese side were sheer boasting aiming at deceiving the Vietnamese people and the world opinion.

Jan. 10

Chinese Premier Zhao Ziyang meets with Ugandan Foreign Minister Ibrahim Mukiibi in Beijing.

USA

## Economic Growth Slows Down

*After five years of expansion, the US economy still has room to grow. But trade deficits and other factors may slow expansion to a snail's pace.*

Since 1982, the US economy has experienced an expansion fueled by the drop in interest rates and the fall of oil prices. It will no doubt maintain its momentum through 1987, but the twin deficits—in the national budget and in trade—may prevent it from booming.

Because this growth has been durable and recession-free, there is still room for it to continue. Historically, upswings in the US business cycle have not normally lasted as long as this one because when they develop too rapidly, they often build up constraints that restrict further expansion.

For example, in a shorter-lived expansion, plants usually operate at very high capacity. However, in recent months, rates of production have been averaging slightly less than 80 percent, compared with nearly 90 percent during the very long expansion of 1961-69. Labour costs tend to rise in an expanding economy, but also keep climbing long after the expansion slows down or ends. In the past five years, however, the labour-cost barometer has shown little change and in fact is at a slightly lower reading now than when the last recession ended in the late 1970s. This is similar to such labour-cost control in the first half of the 1961-69 expansion, the longest US economic upturn ever.

At the end of 1986, the Reagan administration estimated that the economy would grow at an annual rate of 3.2 percent in 1987 and ruled out the possibility of recession. Though this prediction may sound a bit rosy, it is based primarily on an expected reduction in the trade deficit, which

both government officials and private economists believe will drop by some US\$40 billion from 1986's estimated US\$170 billion due to the substantial depreciation of the US dollar in the past 20 months.

During the past six years, the American dollar was so strong that it made foreign goods cheap in the United States and US exports too expensive in other countries. The resulting trade gap has been a heavy drag on growth. According to the Baker Plan put forward by Treasury Secretary James Baker, the value of the dollar has declined 38 percent against the Japanese yen and 42 percent against the West German deutsche mark since its peak in spring, 1985, and will continue to fall by 10 percent against the world's major currencies in 1987.

It is estimated that economic growth in 1987 will continue to be fueled by falling interest rates, which the government will try to reduce further, at least during the first half of the year. Also, as a major consumer and importer of oil, the United States hopes to continue to benefit from a plunge in oil prices that occurred in early 1986. Though the Organization of Petroleum Exporting Countries (OPEC) agreed at the end of 1986 to push up crude prices from US\$15 per barrel to US\$18 per barrel, Washington believes that the cartel's efforts will not succeed.

However, there are other obstacles to the growth of the US economy which make 1987's outlook not as bright as might be wished.

Irwin L. Kellner, chief econo-

mist at the Manufacturers Hanover Trust Company, said that consumer buying, business investment and government spending, the three mainstays of economic growth, were tapering off and would grow very little during the year.

US consumer spending, which accounts for about two-thirds of the country's gross national product, grew at an average of about 6 percent during the first nine months of 1986. This was due largely to cut-rate financing of automobile sales. The US Commerce Department said consumer credit stood at US\$577 billion at the end of last August, or an annual growth rate of more than 10 percent. In 1987, Americans, burdened by installment debt are expected to tighten their purse-strings.

Business spending, another key economic spur, is expected to remain flat in 1987 because the current low rates of operation of factories and mines give businesses no reason to invest in expanding their facilities.

In addition, the new federal tax reforms which go into effect this January will have an adverse effect on business spending, at least in the initial years, because they phase out many credits for capital investments in plant and equipment and lessen the United States' attractiveness as a site for business and manufacturing. So in spite of the administrations' intention of spurring the sluggish economy by giving consumers more money to spend, shifting the tax burden from individuals to corporations will have a negative impact on some businesses in the near future.

Some Western economists have pointed out that the huge US trade deficit remains the heaviest burden on the US economy and will persist for years. They said that despite the dollar's decline, foreign companies were not rushing to raise prices, but were trying to hold onto the share of US market they gained during the

years of the strong dollar. In addition to bringing the dollar into line even further, the United States should increase industrial productivity and competitiveness. But this will take time.

The economic growth of US trade partners should be taken into consideration when efforts are made to reduce the trade imbalance. Japan and West Germany both enjoy huge trade surpluses with the United States, but some Western economists are

predicting that Western Europe, which absorbs 23 percent of US exports, is heading for another lackluster year, as are Canada and Japan, which purchase 22 and 11 percent of US exports respectively. The US trade deficit is also linked to the third world's debt crisis, because their level of debt has choked their ability to buy the goods and products they desperately need.

Along with the trade deficit is the domestic deficit, which came

to US\$220.7 billion in fiscal year 1986. According to the Gramm-Rudman deficit-reduction act, the federal government must reduce its budget deficit to zero by fiscal year 1991. Economists estimate that the deficit for fiscal year 1987 which ends in October, will probably ease to US\$190 billion. But shrinkage in the government's purchasing power will contribute to the slowdown in the pace of US economic growth. ■

by Jiang Wandt

## JAPAN

### Defence Budget Stirs Controversy

*The Japanese government has recently decided to allocate 1.004 percent of its GNP for military spending in fiscal 1987 — a budget slightly surpassing the 1 percent ceiling set in 1976.*

of the Soviet Union in Asia and the Pacific, the United States is reluctant or, more accurately, unable to contain the spread of Soviet Union influence and protect Japan alone. The Japa-

**A**t the very end of last year, the Japanese government decided to abandon its limits on defence spending of 1 percent of GNP by allocating 3,517 billion yen (about US\$22 billion) for military expenditures for fiscal 1987, which begins April 1. The budget plan, approved at a cabinet meeting on December 30, is a 5.2 percent increase over the current fiscal year and, more importantly, it is 1.004 percent of Japan's GNP.

The one-percent-of-GNP ceiling on defence spending was set by the Takeo Miki cabinet in December 1976 to ease concern in Asia that Japan might re-emerge as a military power, and it has since been one of Japan's key defence policies.

Analysts have noted that there are many reasons behind the Japanese government's decision. Diplomatically, Japan has been under pressure in recent years from its Western allies, especially the United States, to shoulder more of Asia's defence burden. With the growing military buildup



On November 30, 1986, on a beach in Fukushima County, Japan, a group of young people let go a balloon inscribed with their names and wishes for peace, hoping it would sail across the Pacific to the United States. This event took place on the same spot from where Japan flew balloon bombs to raid America during World War II.

nese, on the other hand, have built their country in the past three decades into the second most powerful economic giant next to the United States.

The United States and the European Community also pressed Japan to spur domestic demand and help reduce its massive trade surplus, which is expected to surpass US\$80 billion for 1986.

Domestically, there has been a conservative trend in Japan that the country should rebuild its military forces and become a strong power again. In addition, a number of Japanese feel a sense of insecurity in the face of an increasingly tense international situation in a nuclear age. They doubt whether the US protection umbrella will be sufficient in the event of a new world war.

The issue is delicate. The decision may well be considered as a test case for further action since the original limit of 1 percent was surpassed by only 0.004 percent.

The response has been predictable. The decision drew immediate criticism from major opposition parties. Takako Doi, chairman of the Japan Socialist Party, said she would introduce a resolution in parliament calling for a vote of no-confidence in the Nakasone administration. Once defence spending goes up above the 1 percent ceiling, she said, there's no way to keep it from climbing higher. The Democratic Socialist Party said it would press for measures to strengthen civilian control of the military, while the Japanese Communist Party called the step "an unpardonable act." Other opposition parties also released statements, charging that the government is trying to build up the country's military might in violation of the constitution's call for maintenance of peace.

The prime minister, in defence of his policy, said in a New Year's Day press conference that the new budget was aimed at improving Japan's self-defence capabilities,

because the old restriction was out of keeping with the times.

Financial and industrial circles are divided on the decision. The defence-related industries appreciate the action because the budget could stimulate their production, which has been hit heavily by the sharp rise of the yen against the US dollar. Others are worried that the step might jeopardize the government's goal of rebuilding finance.

Southeast Asian countries, which were occupied by Japan in World War II, are generally uneasy at Japan's decision. The

United States and Western Europe, however, welcomed the decision.

The Chinese government has expressed its concern about the Japanese military spending increase. A spokesman said on January 2 that "there has to be a limit to the growth of Japanese defence forces, which should not exceed its defence needs and make its neighbours feel uneasy. For reasons known to all, Asian countries have all along been very sensitive to the Japanese government building up its military strength."

by Hua Xin

## TURKEY

### New Year — New Challenges

*In the new year Turkey has to deal with new challenges in its relations with the West and other diplomatic fronts.*

**D**espite the progress made in 1986, Turkey, an Islamic country bordering on Europe and a key member of the North Atlantic Treaty Organization (NATO), still faces some challenges in its ties with the West in 1987.

The new year, labelled by the Ankara press as the "year of Europe" for Turkey, may prove to be a momentous one in the country's relations with Europe. Turkish Prime Minister Turgut Ozal declared at a press conference on December 13 that his country would apply for full membership of the European Economic Community (EEC) in 1987.

Last year witnessed the normalization of relations between Turkey and the EEC, which was formally sealed at a special ministerial session of the Turkey-EEC association council in Brussels on September 16, 1986. This was the first such meeting

since the 1980 military take-over in Turkey, and the occasion marked a milestone in Turkey's road towards integration with Europe.

However, the crucial question is whether 1987 will see a European decision entirely favouring Turkey's bid to join the EEC. Up to now, the Europeans have tended to dismiss Turkey's aspirations in this regard as far-fetched and, therefore, not worthy of urgent attention. They may still believe that time is not ripe for Turkey to become an EEC member.

Furthermore, the Turks will face a more difficult situation if the Social Democrats in West Germany and the British Labourites, who have strongly criticized the Ozal administration's record concerning the establishment of a democracy and the defence of human rights, win the upcoming general elections in their countries and come to power.

A general election will be held in West Germany later this month, and several signs indicate that there may be a general election in Britain this year.

In addition to the cool response from West European nations, the opposition from Greece is the major obstacle to Turkey's entry into the community. Turkish-Greek relations have been tense over periodic frictions on many foreign policy issues including the issue of Cyprus. The bloodshed along their border late last December plunged their relations to a low ebb and dashed hopes of any rapprochement. Thus the prospects for Turkey's relations with the EEC are still uncertain this year.

At the end of 1986 Turkey and the United States agreed to extend their defence and economic co-operation agreement (DECA) for another five years, ending several rounds of negotiations over the terms of the accord. The agreement, first signed in March 1980, allows US armed forces to use Turkey's 12 military bases in return for US aid.

Hard days, however, may be ahead for Turkish-US relations in 1987. The American Democrats have assumed control of both the Senate and the House of Representatives, and are expected to be tough in their stand on the Turkish question. There is the possibility that the US Congress will vote against the extra military grants to Turkey promised by the Reagan administration last year.

Besides its preoccupation with relations with the West, Turkey remains deeply concerned over the turmoil-ridden Middle East this year.

The Ozal administration has been striving to keep Turkey out of the quarrels and convulsions besetting its neighbours, but as the flashpoint switches from one area to another, it becomes more and more difficult for Turkey to remain a spectator.

Turkey's immediate concern is the oil pipeline in Iraq, which transports millions of tons of crude oil annually to Turkey. If Iran's forces endanger the oil installations there, the Turkish government will face a painful dilemma: To what extent should it intervene to protect its oil interests in Iraq?

The consequences of the Gulf war on the Turkish economy, including Iran's and Iraq's inability to pay for their imports from Turkey, have helped rein-

force the Ozal administration's conviction that its economic destiny should not be decided by the Middle East.

Pushed by this conviction, the Turks, while furthering their co-operation with the West, are also trying to maintain economic co-operation with the Soviet Union and other East European countries. The construction of a fifth pipeline to carry Soviet natural gas to Turkey will be completed this year.

by Hua Youzhong

## CHAD-LIBYA

### Hope of Unity Appears in War

*Chad's domestic conflict has ended, at least temporarily, while government forces and rebel soldiers fight shoulder to shoulder against Libya.*

Since November 12, 1986, Libya has started large-scale attacks on its former allies, Chadian rebel Goukouni Oueddei's forces, using tanks, bombers and even rocket guns. But it has met with severe defeats. On January 2, Chadian government forces recaptured the north-eastern oasis of Fada from the Libyans. The regaining of Fada and Zouar, a north-eastern town captured earlier by Libya, has demonstrated that Chadian government forces have crossed the red line—the 16th parallel demarcation line between territory held by the French-backed N'djamena government and that occupied by the rebel transitional government of National Union (GUNT) and its former Libyan allies. Chad's government soldiers have joined hands with those loyal to Goukouni to fight against Libya.

Since Chad's President Hissene Habre took office in June 1982, he has effectively implemented a series of reconciliation policies to help end domestic conflicts. In contrast, Goukouni, the leader of

the Libya-backed Chadian rebel coalition—GUNT, has been losing ground both militarily and politically, with the coalition internally divided. Realizing that it was difficult to gain power by relying on Libya's support, Goukouni was beginning to drift apart from Tripoli. Ties between GUNT and the Libyan government deteriorated when Goukouni announced last October that he would like to hold unconditional negotiations with the Habre government in a bid to settle Chad's domestic problems.

The split between Goukouni and Tripoli has not only made Libya lose one of its excuses for grabbing the northern part of Chad, but has also thrown it into a more difficult situation, since it now has to cope with both Habre's government forces and Goukouni's National Forces. On December 28, Libyan troops bombed and took over Zouar which had been occupied by Goukouni's forces. Chadian government forces then moved north to reinforce the Goukouni defence

against Libya's attacks. The combined Chadian forces have now successfully opened two fronts in northern Chad.

These recent changes also suggest advancement in Chad's national reconciliation process. In early 1985, about 3,000 guerrilla soldiers in southern Chad joined Chad's government forces; then, several influential rebel organizations signed accords with Habre, and following the union of Goukouni and Habre, Chad's National Revolutionary Movement and three other rebel forces have decided to enter negotiations with the Chadian government.

France has been taking a

cautious attitude towards Tripoli since Libyan soldiers crossed Chad's 16th parallel demarcation line on January 2. In response to the Libyan raid on the town of Arada, the French government said it would take "appropriate measures," which might be "a limited retaliation." On January 7, French air force jets knocked out Libyan radar installations at Ouadi Doum air base, north of Chad's 16th parallel, in retaliation for Libya's recent raid on the village of Fada in southern Chad. According to French newspapers, although the French government wants to punish the Libyans, it will try to avoid military involvement with Tripoli. ■

by Liu Shangyang

## ARGENTINA

### Implement an Independent Foreign Policy

*After gearing-up for changes in 1986, Argentina's diversified and independent foreign policy plans are now being implemented.*

**D**uring the last year, Argentina improved its foreign relations with other countries by strengthening traditional ties with its neighbours, and by looking for ways to make contact with countries that either have different social systems or are on different economic development levels from its own. The guiding principles of Argentina's foreign policy are now diversification and independence.

Since restoring constitutional rule at home, Argentina has made its relations with other Latin American countries a top foreign policy priority. In July and December of last year, the presidents of Argentina, Brazil and Uruguay met in Buenos Aires and Brasilia to discuss possible agreements aimed at promoting Latin American integration. As a result of the meetings, Argentina and Brazil signed an accord which

potentially lays a foundation for establishing a Latin American common market.

Along with its efforts to realize Latin American integration, the Argentine government has been knocking at the doors of those countries which had little to do with it in the past. In July 1986, Argentina's President Raul Alfonsin made a goodwill tour of six countries in Asia, Africa, Europe and Oceania. As an active member of the non-aligned movement (NAM) in Latin America, Argentina sent a delegation last September headed by President Alfonsin to the NAM summit in Harare, Zimbabwe. In October, President Alfonsin went to the Soviet Union and Cuba, being the first of Argentina's presidents ever to visit the two socialist countries.

Supported by much of the international community, Argent-

ina insists on its sovereignty over the disputed Malvinas (Falkland Islands), while seeking ways to settle the conflict with Great Britain through negotiation. As a member of the Lima Group, Alfonsin's administration supports Contadoran efforts to mediate between conflicting parties in Central America and realize peace in the region.

Guided by the principle that different countries should "co-exist" and show "tolerance" towards one another, Argentina is trying its best to develop worldwide economic partnerships, even with countries that may have different social systems or political points of views from its own. With mounting economic problems, including large foreign debts and plummeting prices for its exports, Argentina wants to explore new markets for its goods, while attracting more foreign capital to develop its economy.

Being a Latin American, Western country, Argentina has been trying to maintain traditional friendly ties with the United States. However, the development of foreign relations between Argentina and the Soviet Union in 1986 prompted US Secretary of State George Shultz to comment that every country should act with caution when dealing with the Soviet Union.

In July last year, Argentina and the Soviet Union signed an agreement by which Soviet fishing boats would be allowed to operate in Argentina's economic zone in the South Atlantic. In response to this move the British government unilaterally announced a 150-mile (240 kilometers) fishing limit around the disputed Malvinas (Falkland Islands).

President Alfonsin stated last October that instead of seeking to position itself between world power centers, his government should carry out a foreign policy in favour of Argentina's economic development.

by Ju Qingdong

# Resolutely Combating Bourgeois Liberalization

Renmin Ribao Editorial

The student demonstrations that hit some Chinese cities recently have subsided. In China today, there exists no ideological or material basis for great turmoil. The line, guiding principles and policies of the Party and government are correct and enjoy the support of the public. The Party Central Committee is united. The Chinese people long for social stability and the "four modernizations" and dislike turmoil. The 10-year "cultural revolution," which caused so much turmoil in the country, took place because it was erroneously launched by the leadership and made use of by counter-revolutionary cliques. Now the situation is different. There exists no basis for the recurrence of great turmoil in the country. This estimate is doubtless correct.

There is nothing terrifying about students taking to the street. So far as its nature is concerned, however, it is a serious matter. It is the inevitable outcome of the weakness of some comrades in fighting the spread of bourgeois liberalization over the last few years. It is a good thing in that it confirms the need to abide by the four cardinal principles and fight against bourgeois liberalization. (The four cardinal principles are adherence to the socialist road, the people's democratic dictatorship, the leadership of the Communist Party, and Marxism-Leninism and Mao Zedong thought. — *Ed.*)

In 1979, at a meeting on the Party's theoretical work, Comrade Deng Xiaoping proposed adhering to the four cardinal principles. While calling for continued criticism of the ultra-left ideas spread by Lin Biao and the gang of four, Deng emphasized the importance of criticizing the right-deviationist ideas which have doubts about and oppose the four cardinal principles. He pointed out then that a handful of people were

spreading these ideas to confront the four cardinal principles, and that some people within the Communist Party had failed to realize the dangers and had even given direct or indirect support to these ideas. In 1981, in his *Concerning Problems on the Ideological Front*, Comrade Deng Xiaoping criticized ideological weakness, saying that "these people want to abandon the road of socialism, break away from Party leadership and promote bourgeois liberalization." In the last few years, we have done much work in the ideological field and achieved some success. But we failed to be clear-cut in our opposition to bourgeois liberalization. This created conditions for its growth and dissemination. There is a serious lesson for us.

What is bourgeois liberalization? The Resolution on the Guiding Principles for Building a Socialist Society With an Advanced Culture and Ideology adopted at the Sixth Plenary Session of the 12th Party Central Committee clearly states that bourgeois liberalization is an idea negating the socialist system in favour of capitalism. The resolution also asserts that it is totally against the people's interests and the historical trend, and is therefore firmly opposed by the masses.

Today, there are a few people who advocate bourgeois liberalization and propose to shift all the capitalist baggage to China. When we talk about economic structural reform, they want to take the capitalist road; and when we talk about political structural reform, they want to copy capitalist practices. In fact, they intend to lead China's current policies in the direction of capitalism.

Some of our comrades detest "left" thinking. They have sharp eyes to see through it and dare to fight it resolutely. This is understandable and should be appreciated, since "left" mistakes

brought grave disasters to our Party and people. But these comrades turn a blind eye to bourgeois liberalization. Now it is time for them to sober up. Bourgeois liberalization is really a tendency which poisons our youth, is harmful to socialist stability and unity, disrupts our reform and open policy, and impedes the progress of our modernization drive. How can we ignore it?

To oppose bourgeois liberalization with a clear stand does not contradict our adherence to reform and the open policy. Instead, it is an indispensable condition for continuing our reform and the open policy. If the tendency to bourgeois liberalization is allowed to spread unchecked, our reform and open policy will definitely be distorted and even suffer serious setbacks. Just as our New Year Message said: "Adherence to the four cardinal principles is the basic guarantee for making the reform and open policy a success," and "to adhere to the four cardinal principles, we should resolutely oppose bourgeois liberalization."

In combating bourgeois liberalization we should have a clear stand and be resolute, and the methods should not be simplistic. To solve the problem correctly, it is important to strengthen the Party's leadership over ideology, theory, literature and art, and education. Party committees at all levels should attach great importance to the question and put it on their agenda. Among those in our ideological and theoretical contingent's there should be a unified understanding of the Party Central Committee's guidelines and policies. Only in this way can we correctly guide our youth, secure lasting political stability and unity, and expedite the progress of our socialist modernization drive.

(January 6, 1987)

# 'Complete Westernization' Negates Socialism

by Renmin Ribao Commentator

As China entered the latter half of the 1980s its people, under the leadership of the Communist Party of China, made universally acknowledged achievements in their efforts to turn China into a modern socialist country. Yet at such a time some people went so far as once again to raise the slogan "complete Westernization."

What is "complete Westernization?" In the words of its advocate it "includes learning from Western science, technology, culture, politics, ideology, ethics and all other things," and "it involves our political structure and ownership system. All these questions can be considered." He explains himself by claiming that "In terms of the socialist system what we have done over the past three decades is a failure."

These words send us a clear signal: This "complete Westernization" simply means negating totally the socialist system and practising capitalism in China lock, stock and barrel. Does one want to know what bourgeois liberalization is? Here is a typical example.

The socialist road chosen by the Chinese people has undergone the test of two historical stages and has proved to be the only correct choice. In the former historical stage, or the period of democratic revolution before Marxist socialist theory was introduced into China, there were indeed many people with lofty ideals who had tried to seek the truth for China's salvation from the Western capitalist world. But they never succeeded and always ended up in failure. Comrade Mao Zedong gave a vivid description of this historical period in his article *On the People's Democratic Dictatorship*. The victory of the new democratic revolution led by the Communist Party of China in 1949, in fact, marked the defeat of

the attempt to build a bourgeois republic in China and proved that China could only take the socialist road.

The second stage is the 37 years since the founding of the People's Republic. In this stage, our road has been by no means smooth. But nobody can deny the fact that China's prosperity and social stability, the development of its national economy, the improvement in the quality of life of the 1 billion Chinese people, and the enhancement of China's international standing have all been achieved under the socialist system and the leadership of the Communist Party of China.

Now that the socialist system has struck its roots deep in the land of China, proposing "complete Westernization" will lead astray those young people who do not know the history of modern China. No Chinese who respects history and facts and cherishes national pride will agree with the propositions of "complete Westernization."

It is true that our Party has made mistakes during the socialist period. But this does not help the proponents of "complete Westernization." It is known to all that it is our Party which corrected its own mistakes and, after having learnt its lessons, decided to conduct reform and open the country to the world. That it has done so successfully has been acknowledged the world over. All this testifies to the truth of the statement that the socialist system conforms with the reality of China and is full of vitality. "Complete Westernization," therefore, means turning back the wheel of history.

Some people worry that criticizing "complete Westernization" will have an adverse impact on the implementation of China's open policy. We think this will not be the case, because opening to the

outside world and "complete Westernization" are two different things. The Resolution of the Central Committee of the Communist Party of China on the Guiding Principles for Building a Socialist Society With an Advanced Culture and Ideology says: Opening to the outside world is an unwavering state policy. We should master the advanced science and technology of other countries, including those of the developed capitalist countries. We should adopt, test and develop their economic and administrative management expertise where it is applicable to China and learn from what is good in their cultures. But we should discard, says the resolution, the capitalist ideology and social system which safeguard exploitation and oppression as well as all its evil and corrupt aspects. "Complete Westernization" runs counter to this basic principle of China's open policy. Criticizing it, therefore, will only help the correct implementation of the open policy.

What road should China take? "Complete Westernization," i.e. the capitalist road, or the road of socialism with Chinese characteristics? The overwhelming majority of the Chinese people prefer the latter and have no doubt about it. The 10-year turmoil of "cultural revolution" when the gang of four held sway, has not shaken the confidence of our Party members and the masses in the Party and socialism. The experience of the eight years since the Third Session of the 11th Party Central Committee has shown with ever greater clarity the superiority of the socialist system. The Party and entire Chinese people are confident in the future of our socialist country. We completely reject the theory of "complete Westernization."

(January 12, 1987)



# Significant Advances for the Open Policy

**Gu Mu, state councillor and head of the Foreign Funds Management Group under the State Council; speaks to our correspondent Zhang Zeyu.**

**Question: Can you provide us with an overview of the progress of China's open policy and the influx of foreign investment?**

**Answer:** In the end of 1978, China devised its open policy and began to invite foreign investment in 1980. In the years since, China's open areas have spread from special economic zones to the open coastal cities, from the economic development areas in east China to the hinterland in the west.

**Special economic zones.** The development there is fast on the whole. Look at Shenzhen. Its annual industrial output value has reached more than 3 billion yuan, but six or seven years ago it was only a small town and the output then was only 50-60 million yuan. This sort of growth is very rare, and has been described as "explosive."

In 1985, while affirming Shenzhen's achievements, we also pointed out that it must not solely pursue speed and capital construction. We also stressed that Shenzhen should make sure that more of its products enter the international markets and more up-to-date technologies are imported. It should also push forward economic structural reform and set an example and precedent.

Following this guideline, the four special economic zones have since 1985 straightened things out in every field of work, concentrating their efforts on production, quality, efficiency and developing an outward-oriented economy. In 1986, Shenzhen cancelled more than 70 construction projects which yielded poor economic results, were technically unsophisticated or were not urgently needed. Meanwhile, it scored



Gu Mu.

MA JUNTIAN

remarkable achievements in its efforts to boost productivity and increase exports. That same year, Shenzhen's industrial output exceeded 3.4 billion yuan, up 27 percent over 1985; It is gratifying to see that the proportion of its industrial production which went to exports rose from 32 percent in 1985 to 45 percent last year. Direct foreign investment reached US\$360 million, doubling that of 1985.

In the spring of 1986, Shenzhen cut a number of construction teams. While the country tightened its control on economic activities and enterprises' purchasing power, and cracked down on profiteering, speculation, in Shenzhen reduced, but so did sales, so some foreign newspapers asserted that "Shenzhen's market was in a slump." In fact, this was a normal stage in a developing economy. Since May, Shenzhen's sales volume has risen again. It is estimated that the retail sales volume in 1986 was 2.65 billion yuan, a little more than in 1985.

For a period of time, some foreign newspapers were saying that special economic zones were failing. This was of course groundless. We have greater confidence than before in the development prospects of Shenzhen.

**Coastal open cities.** Since the spring of 1984, 14 coastal cities have implemented the open policy and succeeded in bringing in foreign investment and advanced technology. By the end of October last year, direct foreign investment used in China (not counting loans) totalled US\$5.9 billion; and 7,300 foreign-funded enterprises were decided upon. One-third have begun operations and 80 percent of them are in the coastal areas.

The economic results are good and foreign exchange balances out in the foreign-funded enterprises in the coastal cities, especially Dalian, Guangzhou, Qingdao, Shanghai and Tianjin. The average profit rate on the foreign investment in the 64 foreign-funded enterprises in Tianjin reached 19 percent; the profit rate of the industrial enterprises alone was 24 percent.

Shanghai has more than 50 foreign-funded enterprises which have begun operations. Over 40 of them have achieved a basic foreign exchange balance. The rest have taken to buying from the domestic market instead of importing from abroad, thus helping their foreign exchange balance.

The technical level of foreign-funded projects is as yet not very advanced. But we have imported some projects which are up to the level of the late 1970s or early 1980s, and we are prepared to import more. On the whole, China's technical ability falls some

20-30 years behind the advanced international level. In order to accelerate the four modernizations, we not only must depend on ourselves to research and spread new techniques, but have to introduce advanced, useful technologies from abroad.

According to preliminary statistics, the 14 coastal open cities have brought in more than 4,000 technically advanced projects. By

updating a number of key enterprises, Tianjin has been able to get about one hundred quality products into the international market. After the improvement, the proportion of export from the Nantong textile industry is now 65 percent of the city's production.

#### **Economic development areas.**

In early 1985, the Changjiang River and Zhujiang River deltas and the triangular area in

southern Fujian Province were declared economic development areas. In the last two years, they have had great successes in exporting their products. According to latest statistics, more than 300 larger farm and side-line production bases have been established there. In 1985, the number of product-types offered for export by these bases increased by 20 percent in 1985 over 1984 and the first half of 1986 saw an increase of 40 percent over the corresponding period of 1985.

**At the radio cassette player assembly line of the Sanyo Electrical Machinery Co. Ltd.**

YANG SHAOMING



**Hinterland.** The policy of opening the coastal areas accelerates the economic development in the hinterland which in turn is able to open wider to the outside world. We can back the coast with the vast, rich hinterland. As the coastal areas raise their technical level through importing, learning from and assimilating advanced foreign technologies, they are now in a better position to spread their improved technique to the hinterland. The open policy is China's basic state policy, and has to be implemented by the coastal areas as well as by the hinterland. The only difference lies in which level is to implement this policy.

In recent years, most of the inland provinces and autonomous regions have succeeded in bringing in foreign funds. They should, on the basis of their local conditions and external possibilities, continue to open to the outside world in a down-to-earth manner. Processing the local raw materials on the spot is more profitable than transporting them to the coastal areas for processing. All foreign businessmen who are interested in investing in this type of enterprises in the hinterland are welcomed and, with approval from the Chinese government, will also enjoy preferential treatment.

**Q: What is the relationship between the open policy and building an advanced socialist culture?**

**A:** We have said that opening the



LIU SHILIN

This assembly room in the Chongqing Engine Plant and Chongqing Oil Pump, equipped with American advanced technology produced 1,948 diesel engines last year.

door will bring in fresh air, but of course, flies and mosquitoes will also fly in. The influence of decadent bourgeois ideas must be taken seriously. In the special economic zones where socialism exists side by side with capitalist practices, it is all the more necessary for them to adhere to the four cardinal principles—adherence to the Party leadership, socialist road, Marxism, Leninism and Mao Zedong Thought and the democratic people's dictatorship. They should strengthen building an advanced socialist culture

there.

In special economic zones people show a stronger sense of enterprise and pay more attention to punctuality, efficiency and economic performance; and young people are studying technology and foreign languages in their spare time. Criminality is no more widespread there than in the hinterland. So long as they stand on guard and strengthen management, they can reject capitalist filth and assimilate the best from the outside world and develop it in practice.

**Q: Foreign businessmen have complained about the investment climate in China. Why?**

**A:** In the first half of 1986, although China absorbed more direct foreign investment than in the same period in 1985, the number of enterprises contracted was fewer than at the same time in 1985. And foreign businessmen have complained about the investment climate. In my opinion, the main problems are as follows: First, problems do exist in the investment climate in China. Although airports, telecommunications and other infrastructures have been somewhat improved in the past few years, they require further work. As a matter of fact, foreign businessmen generally show an understanding of such problems. What they complained about most is our poor management, inefficiency, bureaucracy and decision-making problems.

Second, there are many defects in China's management system. Foreign traders complain they need dozens of seals for one contract. There are many departments responsible for their enterprises, and no one can solve their problems. This hampers foreign investment, and the domestic economy as well. It is time that something was done.

Third, the Chinese legal system fails us. Since 1979, we have done a lot of work on foreign economic legislation. The Standing Committee of the National People's Congress and the State Council have promulgated more than 50 laws and regulations concerning foreign economic relations which, the foreign businessmen agree, are clear, although in need of further improvement.

But such phenomena as not following the law or regarding one's words as the law has prevailed in some places. Also some departments charge foreign-funded enterprises at random. Such phenomena seriously tarnish China's reputation and must be checked.

There are two basic reasons for these problems: Firstly, we do not know enough about the outside world; specifically the basics of international economic relations, and foreign investment. Neither do we properly comprehend China's policies, nor the psychology of foreign businessmen. Regarding the work of opening to the outside world, Deng Xiaoping has said, "On the whole, we lack knowledge. No knowledge, no ability. No ability, no courage. It is impossible to quicken development if these problems are not solved."

Secondly, we do not really realize the significance of the long-term basic state policy of opening to the world. Many people have no sense of urgency, and do not realize China now has a good opportunity to attract foreign investment and introduce advanced technology. So instructing managers on current policies becomes a pressing need.

**Q: How has the situation changed since October 11, 1986 when the State Council issued its Regulations on Encouraging of Foreign Investment? (for full**

**text, see "Beijing Review" Vol. 29, No. 43)**

**A:** This document, worked out on the basis of an initial summary of our experience in the utilization of foreign funds in the last few years and in reference to some foreign methods, is in many respects more advanced than some of our previous regulations.

First, it stipulates in more explicit terms that foreign-funded enterprises have full autonomy in production and management. This means that foreign-funded enterprises may, within the framework allowed by China's law and in accordance with the contracts signed, independently plan their production, raise and use funds, purchase raw materials, market their products and employ or dismiss employees. Also, they may manage their enterprises by adopting advanced international methods without being restricted by China's current economic structure.

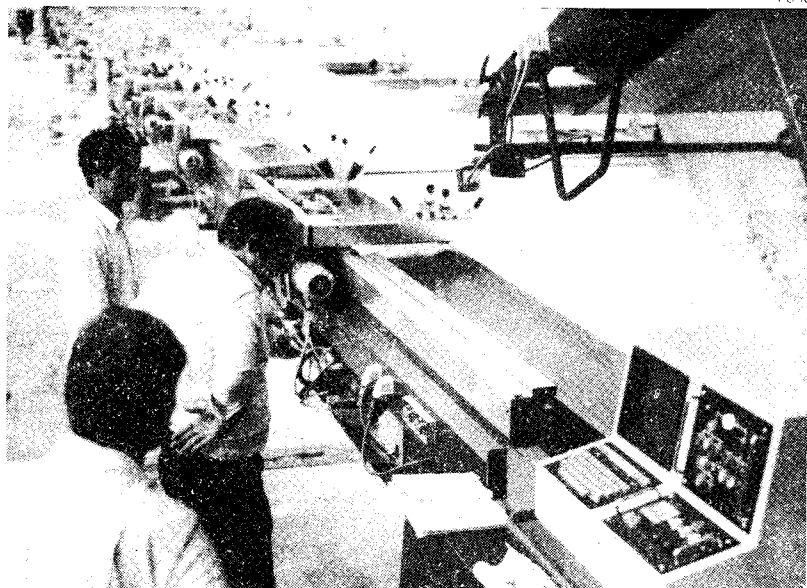
Second, it guarantees that foreign-funded enterprises, especially the export-oriented and technically advanced enterprises, can profit from their work. The

"22-article-regulations" explicitly say that foreign-funded enterprises' production plans be included in China's state plan, and that the supply of water, electricity, raw materials and telecommunications services should be charged for at the same rate as that local state-owned enterprises pay. The document stipulates clearly that preferential terms for foreign-funded enterprises include reduced labour service charges, reduced charges for land use, reduction or exemptions in enterprise income tax and in tax on the remittance of profits. We shall help foreign-funded enterprises keep their foreign exchange balance in order. Through comprehensive compensation, allowing foreign currency exchanges between enterprises, and mortgage loans in foreign exchange. Products of technically advanced enterprises may be partly sold in some Chinese markets and import substitution may be introduced. The state will subsidize part of their foreign exchange.

Third, the regulations call for raising work efficiency. The usual methods at present are regular joint work conferences held under the personal guidance of governors, deputy governors, mayors and deputy mayors and with the participation of the departments concerned, to discuss and deal with matters concerning foreign-funded enterprises, and make decisions on the spot. Tianjin, Shanghai, Guangzhou and Fuzhou have applied this method and seen good results. In cities where foreign-funded enterprises are concentrated, a service company and a unified authoritative organization may be set up to handle foreign investment affairs.

The regulations have been welcomed by foreign businessmen. They have said the decision demonstrates the confidence of the Chinese government, and is an advance in China's open foreign policy. But they have also said they still have to wait and see

**China's first LHM5V type screen printing machine co-produced by Zhengzhou Textile Machinery Plant and a Swiss company.**



whether these regulations can be fully implemented. We have decided that they should be in use by the end of the first quarter of 1987.

**Q: Why do you only provide the export-oriented and advanced-technology enterprises with special treatment?**

**A:** China is a developing socialist country. For a long time to come,

China will be short of foreign currency. We depend wholly on exports to seek an import-export balance. China is rich in natural resources and has a large potential market. Its economy is rapidly developing. However, exports and foreign currency income are limited. Foreign-funded enterprises also need foreign currency, they cannot earn this if their

products are all sold on the Chinese market, and this is bound to increase China's difficulties in balancing out its foreign exchange account. Technically advanced enterprises will help improve China's technology.

This explains why we place more stress on export-oriented and advanced technology enterprises. ■

## FACTS AND FIGURES

# Development of Economic Sectors

(1980-85)

by the State Statistical Bureau

In the last eight years, in particular during the Sixth Five-Year Plan period (1981-85), the Chinese government made efforts to promote the collective and private economies and to develop Sino-foreign joint ventures. This has allowed a healthy economic pattern to develop where various sectors made progress with the state sector in the lead (see Table I). Since 1980 both urban collective and private enterprises have grown.

**Agriculture:** Collective agriculture (including households farm-

ing under the contract responsibility system) is predominant, taking up 97 percent of China's farmland, agricultural output value and output of major farm and sideline products. The state makes up 3 percent.

By the end of 1985, 0.3 percent of the farming households had formed various kinds of integrated economic units (490,000 in number). They employ 4.2 million people or 1.13 percent of the rural labour force; over 70 percent of them work in industry and construction (see Table II).

### Rural collective enterprises.

These businesses are developing at a particularly fast rate.

The development of enterprises has enabled industry, building and commerce to employ local farmers who have quit farming work, and diversified the rural economy. In 1985, of the rural enterprise workers (11.2 percent of rural labourers), 67 percent were engaged in industry, 19 percent in building, 6.1 percent in farming and sideline production, 2.8 percent in transport and 5.1 percent in other trades. The

Table I. Numbers of People Working in Different Economic Sectors

|   | Number (0,000) |        |               | Increase (%)   |                         | Proportions (%) |       |               |
|---|----------------|--------|---------------|----------------|-------------------------|-----------------|-------|---------------|
|   | 1980           | 1985   | Jan-June 1986 | 1985 over 1980 | Jan-June 1986 over 1980 | 1980            | 1985  | Jan-June 1986 |
| Urban factory workers                   | 10,525         | 12,808 | 12,853        | 21.7           | 22.1                    | 100.0           | 100.0 | 100.0         |
| Workers in state-owned factories        | 8,019          | 8,990  | 9,033         | 12.1           | 12.6                    | 76.2            | 70.2  | 70.3          |
| Workers in collectively owned factories | 2,425          | 3,324  | 3,326         | 37.1           | 37.2                    | 23.0            | 26.0  | 25.9          |
| Workers in jointly owned factories      | —              | 44     | 47            | —              | —                       | —               | 0.3   | 0.4           |
| Individual labourers                    | 81             | 450    | 447           | 460            | 450                     | 0.8             | 3.5   | 3.4           |

**Table II. Growth of Rural Enterprises**

|   | 1980    | 1985    | Increase from 1980 to 1985 (%) |
|---|---------|---------|--------------------------------|
| Number of rural enterprises (0,000)       | 142.3   | 156.9   | 10.3                           |
| Number of township enterprises            | 33.8    | 42.0    | 24.3                           |
| Number of workers (0,000)                 | 2,999.7 | 4,152.1 | 38.4                           |
| Number of workers of township enterprises | 1,393.8 | 2,111.4 | 51.5                           |
| Total income (00 million yuan)            | 596.1   | 1,827.4 | 210                            |
| Income of township enterprises            | 332.2   | 1,039.1 | 210                            |
| Tax paid to the state (00 million yuan)   | 26      | 109     | 320                            |
| Net profit (00 million yuan)              | 118     | 171     | 44.9                           |

\* Township enterprises include only those run by township government while rural enterprises also include village-run enterprises.

**Table III. Relative Growth of Industry in Various Sectors**

|  | Numbers (0,000) |       | 1980-85<br>increase (%) | Proportions (%) |       |
|--|-----------------|-------|-------------------------|-----------------|-------|
|  | 1980            | 1985  |                         | 1980            | 1985  |
| Total number of industrial workers               | 6,626           | 8,349 | 26                      | 100.0           | 100.0 |
| Number of workers in state-owned industries      | 3,246           | 3,815 | 17.5                    | 49.0            | 45.7  |
| Number of workers in urban collective industries | 1,428           | 1,705 | 19.4                    | 21.5            | 20.4  |
| Number of workers in urban private industries    | 10              | 51    | 410                     | 0.2             | 0.6   |
| Number of workers in other urban industries      | —               | 37    | —                       | —               | 0.5   |
| Number of workers in rural collective industries | 1,942           | 2,741 | 43.3                    | 29.3            | 32.8  |
| Total output value of industry (00 million yuan) | 4,992           | 8,295 | 66.7                    | 100.0           | 100.0 |
| Output value of state-owned industries           | 3,928           | 5,840 | 47.7                    | 78.7            | 70.4  |
| Output value of collective industries            | 1,034           | 2,301 | 130                     | 20.7            | 27.7  |
| Output value of township industries              | 281             | 742   | 150                     | 5.6             | 8.9   |
| Output value of private industries               | 1               | 34    | 40.7                    | 0.1             | 0.4   |
| Output value of the others                       | 29              | 120   | 390                     | 0.6             | 1.5   |

Note: Total output value of industry for 1980 was based on the constant prices of 1970 and total output value of industry for 1985 on the constant prices of 1980. Indexes are based on comparable prices.

**Table IV. Different Commercial Sectors**

|  | Number (0,000) |         | 1980-85<br>Increase (%) | Proportions (%) |       |
|--|----------------|---------|-------------------------|-----------------|-------|
|  | 1980           | 1985    |                         | 1980            | 1985  |
| Number of people engaged in social retail, catering and service trades | 926.8          | 2,526.3 | 173                     | 100.0           | 100.0 |
| State-owned  | 312.7          | 401.4   | 28.4                    | 33.7            | 15.9  |
| collectives  | 523.7          | 894.3   | 70.8                    | 56.5            | 35.4  |
| Jointly owned  | 0.7            | 8.8     | 12.5-fold               | 0.1             | 0.3   |
| Individually owned   | 89.7           | 1,221.8 | 13.6-fold               | 9.7             | 48.4  |
| Total commodity retail sales volume (00 million yuan)                  | 2,140.0        | 4,305.0 | 100                     | 100.0           | 100.0 |
| State-owned  | 1,100.7        | 1,740.0 | 58.1                    | 51.4            | 44.6  |
| Collectively owned   | 954.9          | 1,600.3 | 67.6                    | 44.7            | 37.2  |
| Jointly owned  | 0.4            | 12.7    | 31.8-fold               | —               | 0.3   |
| Privately owned  | 15.0           | 661.0   | 44-fold                 | 0.7             | 15.3  |
| Farmers trading to non-agricultural people                             | 69.0           | 291.0   | 320                     | 3.2             | 6.8   |

development of rural enterprises has provided a significant source of farmers' income, and accumulated funds for the state and the collective. In 1985 the rural enterprises netted 30.5 percent of the total rural income (as against 24.2 percent in 1980) and contributed 69.4 percent of rural tax payment to the state (as against 48.4 percent in 1980).

**Industry.** The state-owned enterprises lead China's industry. But the 1980-85 period saw rapid development of the collective and private sectors (see Table III).

The collectively owned industrial enterprises in that table include only the township industries and not the village-run ones. If the village-run industries are counted in, the industrial output value generated by collectives is up from 28 percent in 1980 to 35 percent in 1985. During this period, the state began to allow some small state industrial enterprises to be managed by collectives or contracted out to a group of workers or individuals.

**Commerce.** Collective and

private commerce has far out-paced state commerce. The people engaged in collective and private commerce out-numbered those in commerce owned by the state for the first time since 1956, the year the socialist transformation was completed. (see Table IV).

Collective and individually owned commerce accounted for 70.4 percent of the added sales volume in the last five years and 94.5 percent of the increase in the number of people involved in this service sector. In 1985 the number of retail stores, restaurants and other service outlets per 10,000 people increased to 102.6 in 1985 from 20.6 in 1980, while the number of people involved in these trades per 10,000 people rose to 242.9 persons in 1985 from 94.5 in 1980.

Trade fairs in cities and rural areas developed too. From 1980 to 1985 the number of such fairs increased from 41,000 to 61,000, a 48.8 percent increase. Business volume increased 200 percent from 23.5 billion yuan in 1980 to 70.5 billion yuan in 1985.

Circulation of commodities between cities and rural areas was improved. Many of the fairs have grown in size too. For example, there were over 500 fairs, each involving over 10,000 people in Shandong Province in 1985. Close to 20 fairs involved over 50,000 people each. This has not been seen for the last 20 years or so.

**Transport.** The state has always dominated China's communication and transport. However, the collective and the individual transport has been stepping in recently (see Table V).

**Construction.** Rural construction teams have become vitally important. In 1985 the number of people they involved, whether owned by collectives or individuals, was 11,301 million, four times more than in 1980. The proportion of the rural builders in the country rose from 25.4 percent in 1980 to 54.6 percent in 1985. During this period, the proportion of urban collective builders fell from 19.4 percent to 17.1 percent, and the proportion of builders in urban state-owned construction

Table V. Transport and the Various Sectors

|   | Number (0,000) |        | 1980-85<br>increase (%) | Proportions (%) |       |
|---|----------------|--------|-------------------------|-----------------|-------|
|   | 1980           | 1985   |                         | 1980            | 1985  |
| People engaged in transportation                    | 847            | 1,222  | 44.3                    | 100.0           | 100.0 |
| In state-owned enterprises                          | 479            | 555    | 15.8                    | 56.6            | 45.4  |
| In urban collective enterprises                     | 216            | 210    | -2.8                    | 25.5            | 17.2  |
| In urban individual enterprises                     | 1              | 22     | 22-fold                 | 0.1             | 1.8   |
| In other economic units                             | —              | 1      | —                       | —               | —     |
| In rural collective and private enterprises         | 151            | 434    | 2.9-fold                | 17.8            | 35.6  |
| Goods transported (100 million tons per kilometre)* | 11,517         | 16,671 | 44.7                    | 100.0           | 100.0 |
| By collectively owned enterprises                   | 11,263         | 16,174 | 43.6                    | 97.8            | 97.0  |
| By collectively owned enterprises                   | 253            | 492    | 94.5                    | 2.2             | 3.0   |
| By others   | 1              | 5      | 5-fold                  | —               | —     |
| Highways:   | 255            | 354    | 38.8                    | 100.0           | 100.0 |
| By state owned enterprises                          | 200            | 228    | 14.0                    | 78.4            | 64.4  |
| By collectively owned enterprises                   | 55             | 121    | 2.2-fold                | 21.6            | 34.2  |
| By others   | —              | 5      | —                       | —               | 1.4   |
| Rivers:   | 5,053          | 7,584  | 50.1                    | 100.0           | 100.0 |
| By state owned enterprises                          | 4,854          | 7,213  | 48.6                    | 96.1            | 95.1  |
| By collectively owned enterprises                   | 198            | 371    | 87.4                    | 3.9             | 4.9   |
| By others   | —              | —      | —                       | —               | —     |

\* This includes the goods transported by professional transport enterprises only.

teams fell from 55.2 percent to 28 percent, while the proportion of urban individual builders rose from 0.03 percent to 0.3 percent.

In the total output value of the building industry, state sector accounted for 48 percent in 1980 and 45 percent in 1985, collective

and private was 52 percent in 1980 to 55 percent in 1985.

The development of the mixed economy has boosted commodity production both in cities and rural areas, accelerated commodity circulation between cities and rural areas and provided more

jobs throughout. This has implied a better life for people and enlivened business competition. Given the low productivity in China at present, a mixed economy can be very beneficial and will continue to develop. ■

## Disarmament: New Aspects of An Old Issue

*Since entering the 1980s, the world has seen many dynamic changes in the realms of international politics and economics as well as in the military and technological fields. A notable example has been the shifts in the strategies of the two superpowers—the United States and the Soviet Union. These changes have combined to lend to the international struggle centring around disarmament a number of new features which should not be overlooked.*

by Huang Tingwei and Song Baoxian

First of all, the United States and the Soviet Union have escalated their arms race into a new phase marked by their efforts to improve their weapons systems qualitatively rather than quantitatively. They have not only extended their military competition from earth to outer space, but they also have shifted their emphasis from developing offensive weapons systems to the development of new systems with both offensive and defensive capabilities. They have switched from producing just nuclear weapons to manufacturing both nuclear and laser space weapons. They no longer seek merely to improve the accuracy of multiple warheads but instead are aiming at enhancing the penetration and survivability of these warheads.

These new developments, which obviously have outreached the arms control pacts or agreements signed by Washington and Moscow in the 1970s, have prompted both superpowers, the Soviet Union in particular, to seek to establish new rules for competition in new areas, rules that each side hopes would be restrictive only to the other. Because these new developments have rapidly made parts of their

arsenals obsolete, substantial arms cuts are now not only necessary but possible. It is against this background that the US-Soviet arms control talks have gained fresh momentum since the beginning of last year.

The year 1986 witnessed Moscow and Washington putting forward a series of disarmament proposals and counterproposals and trying to narrow their differences to varying degrees in almost all categories of the arms control issue. Compared with the first half of the 1980s, they apparently quickened the tempo of their negotiations in 1986. An illustration of this change was provided by the Iceland summit, during which both sides advanced what President Ronald Reagan called "the most sweeping and generous arms control proposals in history." The much-vaunted summit, however, ended in a deadlock in the final stage precisely because both sides refused to make substantive concessions on space weapons.

The present US-Soviet arms control talks involve all major areas of disarmament, a change from the previous practice of concentrating on a single category. In the past 40 years or

so, the two superpowers have held talks separately on atomic energy control, a ban on nuclear testing, non-proliferation of nuclear weapons, and strategic weapons control. What they are engaged in now is a sweeping deal that involves the whole gamut of arms control issues—space weapons, offensive strategic weapons, medium-range missiles, nuclear testing and conventional arms. Moscow emphatically stresses the close link between negotiations on space weapons and other types of arms.

Another feature of the US-Soviet arms reduction talks is that both sides are trying to reach a low-level balance in their military hardware, instead of seeking only to freeze or to set a ceiling to their arsenals as they did in the past. In the 1970s, Washington and Moscow signed two strategic arms limitation treaties (SALT I and SALT II) as well as the anti-ballistic missiles limitation pact (ABM). SALT I and SALT II treaties place a ceiling on the number of offensive strategic weapons each side could possess, while the ABM accord restricts them to the deployment of only one ABM system in their territory. Since 1985, however, both sides



have come up with many proposals and counterproposals calling for substantial slashes in strategic offensive weapons, intermediate-range missiles and conventional arms.

It appears that the Soviets are eager to reach an across-the-board agreement on arms control with the United States. This, perhaps, can be seen from the haste with which they put forward one proposal after another during the past year or so and from the flexible tactics they employed. This change in the Soviet attitude stems from the major readjustments they have made in their strategies.

As is known to all, the Soviet Union under Leonid Brezhnev put much emphasis on expanding its arms while neglecting technological and economic development. This Gorbachev deems as a serious strategic mistake, and, therefore, after taking office in the Kremlin, he formulated a long-term strategy to deal with the United States. Aiming at the 21st century, the new strategy calls for accelerating economic development and increasing the nation's comprehensive capability through a technological revolution. It requires that Moscow try by all means to scuttle Reagan's strategic defense initiative (SDI), lest Washington would get military superiority and further broaden the existing gap between the two countries in economic and technological development. The strategy also seeks to slow down the superpower arms race and maintain a rough balance at a low level.

On the part of the United States, since he stepped into the White House in 1980, President Reagan has concentrated his attention and efforts on rebuilding the American economy and military strength. After several years of painstaking work, he has succeeded in achieving a faster economic growth and, more importantly, causing the superpower military

balance to tip in favour of the United States.

With these successes, the Reagan administration seems to have followed a hard-line policy towards Moscow. It wants to upset the Soviet strategy of "stepping up development" by unfolding a new round in the arms race. It hopes to widen the technological and economic differences between the United States and Soviet Union by energetically pushing its plan of a "second American revolution," the centerpiece of which is the development of high technology. It is hoped this will keep the Soviets from posing a serious challenge to the US as it increases its economic and military strength in the next century. Washington also hopes to get some military edge over Moscow by implementing the SDI programme. It will permit the SDI to be included in the negotiating items but will reject any agreement that would impede its implementation.

Overall, Western Europe and the third world are playing an increased role in the international struggle for disarmament. With their strategies adjusted, the United States and the Soviet Union have given the West Europeans larger room to manoeuvre between Washington and Moscow. The Soviets need to enlist West European help to soften the tough US stand on disarmament, while the Americans need to consult and co-ordinate actions with Western Europe to force Moscow into making major concessions. Making use of this advantageous position, the West European nations are actively urging the two superpowers to hold talks in earnest. They hope Washington and Moscow can reach an agreement on balanced reduction of both nuclear and conventional forces in Europe and maintain a low-level balance so as to ensure the security of their region. On the issue of medium-range

missiles, a problem vital to West European security interests, they call for a balanced reduction by the two superpowers but will not accept the "zero option." They fear this would disjoint European and US defenses, upset the existing US-Soviet balance and expose Western Europe to the threat of the superior Soviet conventional forces and short-range missiles. Furthermore, they refuse to be a bargaining chip in the US-Soviet arms control deals and stress that all countries, big or small, have an equal voice in disarmament negotiations. They want to increase their own defence capabilities while the British and French continue building up their nuclear deterrent.

The third world countries are equally active in the international struggle for disarmament. They have put forward a series of influential proposals in the United Nations, the Geneva arms control negotiations and the non-aligned nations' conferences. They stand for complete disarmament. They want nuclear disarmament under an effective international supervision and oppose all nuclear testing and the militarization of outer space. They demand that the United States and the Soviet Union, as possessors of the world's largest arsenals, take the lead in disarming and commit themselves to a ban on using, or threat to use, nuclear arms against non-nuclear areas. They are striving for the establishment of "nuclear-free zones" and "peace zones." All these third world efforts have contributed much to the easing of international tensions and to the unfolding of a worldwide campaign against the superpower arms race.

Under pressure from the international arena, the United States and the Soviet Union seem to have stepped up their arms control negotiations. But by all appearances, the negotiations will be a long, hard deal at the bargaining table. ■

## Foreign Firms: New Autonomy in Hiring

*The following "Provisions on the Right of Autonomy of Enterprises With Foreign Investment in the Hiring of Personnel and on Wages, Insurance and Welfare Expenses of Staff and Workers" have been issued by the Ministry of Labour and Personnel with the agreement of the Leading Group in Charge of Foreign Investment under the State Council.*

The following provisions are hereby formulated in order to implement the Provisions of the State Council Regarding the Encouragement of Foreign Investment (please see *Beijing Review* issue No. 43, 1986), guarantee the right of autonomy of enterprises with foreign investment in the hiring of personnel, and to appropriately determine the wages, insurance and welfare expenses for staff and workers from the Chinese party:

(1) On the right of autonomy of enterprises with foreign investment in the hiring of personnel.

(a) An enterprise with foreign investment may, in accordance with its production and operation requirements, determine on its own the organizational structure and personnel system, and, with the assistance of the department of labour and personnel in its locality, recruit and employ staff and workers on its own through examination and selection of the best.

In the event that engineering and technical personnel or operation and management personnel needed by the enterprise with foreign investment are not available in the locality, the enterprise with foreign investment may, after the department of labour and personnel in the province, autonomous region or municipality directly under the central government where it is located has consulted with and obtained the consent of the department of labour and personnel in the district concerned, recruit outside the locality.

(b) With respect to engineering and technical personnel, operation and management personnel and technical workers whom enterprises with foreign investment have decided to hire after examination, the original units employing them shall actively give their support and permit their transfer. In the event of any dispute, the department of labour and personnel in their locality shall adjudicate.

(c) Senior management personnel designated by the Chinese party to work in enterprises with foreign investment should be persons who are capable of grasping the policies, knowledgeable about technology, know how to manage, bold in development and who can co-operate and work together with the foreign investors. The relevant departments shall support them in their work and shall generally not transfer them to other jobs during their term of office. In the event that they must be transferred, the consent of the board of directors should be obtained.

(d) With regard to personnel who are not qualified for their posts after having worked on a probationary basis or undergone training, and personnel who have become redundant as a result of changes in the production or technical conditions of the enterprise with foreign investment, the enterprise may dismiss them. Staff and workers who have violated the rules and regulations of the enterprise causing harm can, in accordance with the seriousness of the case, be given

different penalties including being dismissed.

(2) On the wages, insurance and welfare expenses of staff and workers.

(a) The wages of staff and workers in an enterprise with foreign investment will be determined by the board of directors. They shall be no less than 120 percent of the average wages in state-owned enterprises with similar conditions, of the same trade and in the same locality; the wages will be adjusted gradually according to the economic performance of the enterprise. Enterprises with good economic performance may give bigger wage raises; those doing badly may give smaller raises or none at all.

(b) An enterprise with foreign investment shall pay into the retirement and pension funds and unemployment insurance funds for staff and workers from the Chinese party in accordance with the stipulations of the people's government in the locality. The insurance and welfare available to staff and workers during their employment shall be decided in line with relevant stipulations of the Chinese government concerning state-owned enterprises; expenses required shall be disbursed from the costs and expenses of the enterprise.

(c) Enterprises with foreign investment shall pay housing subsidy funds in accordance with the stipulations of the people's government in the locality. The Chinese party to the enterprise shall use such funds to subsidize the building and purchasing of houses for staff and workers. ■

## 'Atlas of the Palaeogeography of China'

**A** Chinese-English edition of an *Atlas of the Palaeogeography of China* has been published by the Cartographic Publishing House, and is being distributed at home and abroad. The atlas has 123 maps covering the palaeogeography, palaeogeological structures and ancient climatic zones of China, and runs to 200,000 characters. The atlas is an important reference work in the study of the mineral deposits—coal, oil, iron, manganese, etc.

The atlas is jointly compiled by Prof. Wang Hongzhen, a member of the General Assembly of the Chinese Academy of Sciences, and other specialists of the Geological Research Institute under the Chinese Academy of Geology in Beijing and the Wuhan Geological Institute. The atlas gives some significant conclusions in study of China's palaeogeography, the evolution of the earth's crust, and some new theories on the future development of the structure of the earth as a whole.

## 'A Complete Chinese Dictionary'

**T**he first volume of *A Complete Chinese Dictionary* has been published and is available in Shanghai bookshops. The 12-volume dictionary has 370,000 entries, with a total of 50 million characters. This is the largest Han language dictionary ever published in China.

Several hundred linguists and publishing workers from Shandong, Jiangsu, Anhui, Zhejiang and Fujian provinces, as well as Shanghai, took 10 years to compile the work, as an important

cultural project designated by the State Council. It is estimated that all volumes of the dictionary will have come off the press by 1990. So far, 120,000 orders for the dictionary have been received from Chinese and foreign buyers.

### *Available in English*

## **CHINA'S FOREIGN ECONOMIC LEGISLATION** (Bilingual edition, English and Chinese)

*Published by:* Foreign Languages Press

*Distributed by:* China International Book Trading Corporation (Guoji Shudian), P.O. box 399, Beijing, China

First edition (Vol. I, third printing) 1986,  
(Vol. II) Fall 1986  
(Vol. III) Fall 1986

Volume 1, first published in 1982 and now reprinted, contains the English and Chinese text of 24 laws and regulations concerning foreign trade and investment promulgated between 1979 and 1981.

Volume II presents all the important laws and regulations promulgated from the end of 1981 through September 1983 including the economic Contract Law of the People's Republic of China, Regulations of Offshore Petroleum Resources in Cooperation With Foreign Enterprises, Rules for the Implementation of the Income Tax Law of the PRC Concerning Foreign Enterprises, Interim Regulations on the Supervision of Advertising, and others.

Volume III includes all the important laws and regulations from September 1983 through December 1984, such as Regulations for the Implementation of the Law of the PRC on Chinese-Foreign Joint Ventures, Administrative Regulations of the PRC

on Environmental Protection With Respect to Offshore Oil Exploration and Development, Interim Regulations of the PRC Concerning the System of Licensing Import Goods, Regulations of PRC on the Inspection of Import and Export Commodities.

All of the three include bilingual glossaries.

## **FOREIGN INVESTMENT IN CHINA — QUESTIONS AND ANSWERS**

*Written by:* Chu Baotai

*Published by:* Foreign Languages Press

*Distributed by:* China International Book Trading Corporation (Guoji Shudian), P.O. box 399, Beijing, China

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281 pages

What are the best investment opportunities in China? What should be the forms of investment? How do the terms compare with those offered in other countries? What is the way to establish a Chinese-Foreign joint venture? What are the guarantees for the rights and interests of the foreign investor? Can he send back home his earnings in hard currencies, and how? These questions and many more are answered in this book by one of China's leading officials in charge of foreign investment with accuracy, clarity and authority. Chu Baotai is now deputy director of the Foreign Investment Administration of the Ministry of Foreign Economic Relations and Trade.

The 103 questions and answers are given in both English and Chinese, and so are the two appendices, the PRC Law on Chinese-Foreign Joint Ventures and the regulations for its implementation.

## Economic Reform Makes Headway

"JINGJI RIBAO"

(Economic Daily)

China's economic restructuring made steady progress in 1986. "Both economic development and economic reform need a stable situation because stability is a sign of vigour and prosperity," comments Tong Dalin, vice-president of the China Association for Research of Economic Restructuring.

Tong notes that the economic reform in 1986 made considerable headway.

1. The barriers between departments and regions, which for a long time hindered economic development, have been broken down and inter-departmental and trans-regional economic associations are springing up everywhere. China has established more than 10,000 productive and scientific research unions and more than 20 trans-regional economic co-operation networks. The economic alliances are developing from a low level to a high level. The emergence of business blocs with large enterprises as the mainstay will shoulder heavy responsibilities in future economic development and reform.

2. The systems of leasing, contract and shares are now becoming increasingly common. By the end of 1986, more than 60,000 state-run shops in China began operating under the leasing system. Some small collectives and state-owned enterprises in Shenyang, Chongqing, Wuhan and other cities have achieved good results after adopting the leasing and contract systems. Moreover, the system of shares in various forms is being tried out and this will contribute to the

separation of management from ownership.

3. Township (or rural) enterprises as well as individually operated enterprises have spread all over the country. The number of rural enterprises has grown from about 1.4 million in 1984 to more than 12 million, turning out a total output value of more than 330 billion yuan in 1986, surpassing agricultural production for the first time. In addition, the private sector is developing rapidly. The number of individual economic entities has been expanded to 11 million, employing more than 17 million people.

4. A critical step has been made in reforming the labour system. The four sets of regulations on reforming China's labour system, including the Provisional Regulations on the Extension of the Contract Labour System in State Enterprises adopted not long ago by the State Council, are the most significant reform in the labour system since the founding of the People's Republic in 1949.

5. Financial reform has made a satisfactory start, with trans-regional networks for the circulation of money and financial markets being set up in many cities. Moreover in some cities credit co-operatives, stock and bond markets have been established by urban residents with money they have raised.

6. The Standing Committee of the National People's Congress adopted a draft enterprise bankruptcy law.

7. A number of competent entrepreneurs have entered the economic arena. This will exert a tremendous influence in subsequent changes in economic management.

8. Great improvements have been made in the climate for foreign investment.

9. The market system is taking shape. Various kinds of markets, such as a market for the means of production, as well as financial and labour markets, have been established in many cities. Consumer goods are in ample supply. The market prices of Guangzhou, which is in the van of the reform, tend to stabilize with each passing day. All these heighten people's confidence in reform.

10. The study of economic theory flourished across the country.

With regard to reform in 1987, Tong Dalin said that the Central Committee of the Communist Party of China has already decided on the central tasks for urban reform in 1987. China's urban economic reform started with expanding the decision-making powers of enterprises, as they are the cells of the economy. In order to deepen the reform, co-operation between various kinds of enterprises needs to be strengthened. For example, enterprises should actively promote the separation of management from ownership and actively implement the leasing, contract and shares systems, as well as the director (manager) responsibility system in line with their own specific conditions. In distribution, effective measures should be taken to strengthen the enterprises' ability to expand production—improving the wage and bonus system, and re-checking and disbanding unnecessary administrative companies within a stated time. The external relations of the enterprises should also be strengthened, by forming a socialist market system as quickly as possible and by hastening the reform of the financial structure in particular. ■



## Personal Diplomacy Expanding

### "RENMIN RIBAO"

(People's Daily, Overseas Edition)

By the end of November, 1986, the Chinese People's Association for Friendship With Foreign Countries had maintained friendly contacts with 125 countries. The association has also established relations with more than 100 friendship organizations in 70 countries.

The people-to-people friendly contacts with foreign countries is an important aspect of China's diplomatic work and an important base for China's foreign relations.

Over the past few years the Chinese People's Association for Friendship With Foreign Countries has established ties with political, economic, cultural, educational, and religious entities abroad while enhancing cooperation with friendship organizations of other countries. Take 1985 for example, the association received more than 3,000 visitors from more than 60 countries, 3.5 times that of 1976. In that year, it also sent more than 50 delegations to 39 countries. From 1971 to 1985, the association hosted more than 200 foreign theatrical troupes and exhibition delegations and sent more than 100 Chinese troupes abroad for performances.

In recent years, China's cities have formed sisterly ties with foreign cities. From 1973 to 1974, only three cities, Tianjin, Xian and Shanghai, had formed such relations with Japan's Kobe, Nara, Kyoto, Yokohama and Osaka. By the end of September, 1986, however, 25 of China's provinces, municipalities and autonomous regions, along with 65 cities, formed friendly ties with 226 provinces and cities in 29 different countries. This endeavour has opened new vistas

for exchanges between China and other countries.

There is a notable increase in people-to-people exchanges with the Soviet Union and other Eastern European countries. The association has exchanged visits with its counterparts in the Soviet Union, Democratic Germany, Hungary, Czechoslovakia, Bulgaria, Yugoslavia and Romania almost every year since 1984.

Non-governmental contacts

with foreign countries over the past few years has emphasized strengthening friendly relations among the young. In 1983, the association invited 180 Japanese young people to China. Since 1984, it has played host to 3,000 Japanese youth, as well as youth delegations from Australia, the Federal Republic of Germany, India, Japan, Norway, the United States and the Philippines.

The association has tried to increase ties with the industrial and trade circles of other countries through non-governmental contacts to promote economic and technological exchanges. ■

## Leaving Officialdom for Business

### "WEN HUI BAO"

(Wen Hui Daily)

Not long ago, the Benxi municipal Party committee gave a warm send-off to Li Ming, head of its policy research office. Li decided to give up his official position and become a business assistant to Guan Guangmei who has rented three grocery stores.

At the meeting, Cong Zhenglong, secretary of the Party committee, said, "I am all for Li's actions. There are many able people in the government offices. Persons of noble aspirations should be able to go to grass-roots units to make full use of their wisdom and creativeness."

Li Ming, a young official, is modest and eager to learn, and concerns himself with urban economic reform. From the beginning of 1985, he regarded Guan's shop, the first one in Benxi leased to an individual, as his "experimental plot" of commercial reform. He helped Guan improve her management and administration, resulting in Guan making gratifying achievements in her business. In 1986, with the help of Li Ming, Guan rented another

two grocery stores and established a commercial group. By the end of October 1986, the three shops had gone beyond the requirements stipulated in the rental contracts.

Li Ming said his purpose in working in an individual business is to gain experience which can be applied to the further development of the leasing system. Li also hopes his move will help change people's old ideas about attaining official status, and help break down the lack of initiative and overcautiousness in governmental departments. He said that he would be happy to be a successful entrepreneur. ■



# Textile First Among Exports

The export value of textiles increased to US\$5.346 billion in 1986 overtaking oil as the greatest export earner. The figure is 25.73 percent higher than in 1985 and double that of 1980, said Zhou Yunzhong, general manager of the China National Textiles Import and Export Corporation.

Zhou said that the export value of 20 categories of textiles increased greatly, and only one did not. Exports of polyester-cotton yarn, cotton, cotton yarn, cotton-linen yarn, garments, cotton knitwear, polyester-cotton knitwear, woollen-cotton knitwear and woollen blankets went up by 30 percent. Before 1982 China was a cotton importer of about 900,000 tons a year. Since 1982 China has increased cotton production and exported 520,000 tons in 1986. Now China is the second biggest cotton exporter in the world.

The garments exports accounted for the largest part of the total exported by the China National Textiles Import and Export Corporation. China exported US\$1.309 billion worth of garments last year, 29 percent more than in 1985. The better quality garments accounted for one-third of the garments exported and have had good sales. Beijing's Temple of Heaven brand men's shirts and

Winter plum brand women's blouses, and Shanghai's Parrot brand Western suits, jackets and women's dresses all sell well abroad. Some have also entered the high-class European and American markets.

The China National Textiles Import and Export Corporation has imported advanced foreign technology and equipment in the last few years and improved the technical skill, quality and designs of its garments. Now the corporation can make clothes with raw materials and samples supplied by foreign clients and has some factories producing well-known brands.

Founded in 1960 the corporation is the only unit handling imports and exports of textile raw materials, textile products, garments, and some textile production materials. It has 50 branches throughout the country, and five agents, eight subsidiaries and one joint venture scattered in the United States, Kuwait, Dubai, Iraq, Panama, Canada, Japan, Australia, the Federal Republic of Germany, Spain and Hong Kong. The corporation also has business relations with more than 150 countries and regions. Hong Kong, Japan, the United States and the European Economic Community are the main buyers

of Chinese garments. The export volume to these places accounts for two-thirds of the corporation's total textile export.

Nevertheless, China still lags behind other major textiles exporters. Primary products account for a large proportion. Its exported garments are poorly processed and it earns less foreign exchange than those exporters. To improve quality and develop new varieties, foreign businessmen investing in China in any co-operative form will enjoy preferential treatments in raw material supply and export volume, in addition to the preferences stipulated by the recently published provisions for encouraging foreign investment.

**by Yao Jianguo**

## China Accepts 9,000 Foreign Patents

Since introducing the patent system in April 1985 the China State Patent Office had by October last year accepted and processed 28,963 patents. Of them 8,956 (30.9 percent) were applied for by foreigners, and 8,513 of them had been published.

Of the foreign applications 92.8 percent (8,248) were for inventions, innovations to existing items 1.93 percent (171) and 5.99 percent (537) were for aesthetic designs. Ninety-one percent of foreign applicants were professionals while 9 percent came from amateurs, the reverse proportions were true of the Chinese applicants.

Now China has accepted patent right applications from 40 countries and regions. The table below shows the countries from where over 100 applications have been received.

|         |       |
|---------|-------|
| Japan   | 2,845 |
| US      | 2,490 |
| FRG     | 846   |
| Britain | 395   |
| Holland | 393   |
| France  | 322   |

**Sheets produced by the Jiangyin Sheet Factory in Jiangsu Province are available in 20 places abroad including the United States, Britain and Japan.**



|             |     |
|-------------|-----|
| Switzerland | 311 |
| Hong Kong   | 182 |
| Italy       | 171 |
| Australia   | 158 |
| Sweden      | 137 |
| Canada      | 114 |
| Hungary     | 103 |

by Li Fuying

## Zhangjiagang Opens Wide

**Z**hangjiagang city, known until last October 7 as Shazhou County, has, with its change of status, also opened wider to the world.

Covering an area of 1,000 square kilometres, the city has a natural port at the mouth of the Changjiang (Yangtze) River, which will be developed during the Seventh Five-Year Plan period (1986-90) into one of the main container ports in China with nine 10,000-ton-class berths instead of the present four.

To realize the rich agricultural and sideline potential, farmer-run township enterprises have been rapidly developed and foreign technology and equipment have been imported. By the end of September 1986, 27 pieces of equipment valued at US\$12 million were introduced from foreign countries, including equipment for producing stainless steel hunting knives imported from the Federal Republic of Germany by the Jinfeng Medical Apparatus and Instruments Plant; a PVC wall-paper production line bought from Japan by the New-Type Wall-Paper Plant; and equipment for producing polyester fibre bought from the United States and Japan by the Deji Polyester Factory.

In the coming four years, the city will absorb US\$40 million in foreign capital, and import technology and equipment through joint ventures, co-operative enterprises and compensatory trade. They include

US\$1 million's worth of equipment and technology for treating wool, US\$300,000's worth of equipment for producing washers, a switch and plug production line, a high polymer bandage production line and a package sealing line valued at US\$200,000.

The township enterprises are the backbone of the city's economy and in 1985 turned out 3.1 of the 3.3 billion yuan's worth of the city's output.

by Yang Xiaobing

## First Sino-Soviet Contracted Project

**T**he renovation work on the Beijing Hotel in Moscow, the first Sino-Soviet project, is expected to finish in June this year. After that the hotel with its classical Chinese style will begin receiving guests.

The renovation work was started on November 6, 1986 under a contract signed by the Beijing Corporation for International Economic Co-operation and the Soviet Foreign Trade and Construction Import Corporation in April 1986. According to the contract, the Chinese side will renovate the inside of the building, transform the kitchens and provide new equipment for the hotel. The work involves more than 50 Chinese technical workers.

The hotel was a Western building located in the centre of Moscow which was rebuilt in Chinese style in 1957. Chinese engineering was involved in the reconstruction of the hotel and Chinese cooks made Chinese food there. It is still a place where people go to eat Chinese food. ■

## Trade News in Brief

■ The China National Petrochemical Industry Corporation

concluded 52 contracts on foreign economic co-operation in 1986. By the end of last year it established business relations with 300 firms and banks from 44 countries, Hong Kong and Macao and opened 16 Sino-foreign joint ventures. In 1986 the corporation invited 720 foreign experts to work in China. It also provided services through compensatory trade, labour services abroad, processing with supplied materials and leasing.

■ The reconstruction of the Santa Marta Port in Colombia which was contracted by China's Ministry of Communications began on December 15, 1986. The work includes re-equipping two wharves and reconstruction two more. The investment is worth US\$7.98 million. This is the first port project China has won in South America.

■ China and the Republic of Surinam recently signed an economic co-operation agreement in Paramaribo, the Surinamese capital. The contract stipulates that China will help Surinam build a shrimp breeding farm to produce 8 million shrimp a year, a fodder-mixing factory to produce 300 tons a year, a 30-hectare aquiculture farm and a freezer to freeze one ton and store 30 tons. China will help the country develop freshwater farming and methane energy technology. For these projects, China will provide interest-free loans.

■ Last year the China Ocean Shipping Company opened 89 new international shipping services to 48 ports in 29 countries and regions. The company provides passenger and cargo shipping and charters Chinese ships through agents in London, New York, Tokyo, Singapore, Bangkok, Sydney, Hamburg and Hong Kong. The ships include cargo ships, oil tankers, bulk ships and passenger ships. The company has also concluded contracts with many international shipping companies to provide crews.

## China's Symphony Orchestra to Visit West

**M**aking its first official visit to Europe, China's 90-member Youth Symphony Orchestra will perform in European Community countries like Italy, Federal Germany, France, Belgium, and Britain from January 23 to February 16.

The China Youth Symphony Orchestra is making a "return" good-will visit, after the European Community Youth Symphony Orchestra left a lasting impression on Chinese audiences during its initial visit in 1984.

China's Premier Zhao Ziyang expressed encouragement for the tour saying, "I'm glad that the China Youth Symphony Orchestra will visit E.C. countries. Music is an artistic

common language to promote cultural exchange and to link different peoples. This time Chinese youths will take the Chinese people's friendship and greetings to the European peoples. I believe their visit will be welcome and further the co-operation between China and the E.C. countries. I wish their visit success."

The orchestra's musicians, with an average age of 21, will present several world famous pieces during their tour, including Symphony No.9 by Beethoven, violin concertos by Tchaichovsky and Saint-Saens, *Don Juan* by Richard Strauss, and the *Free-Shooter* prelude by Weber. They will also introduce to their foreign audience Symphony No.1 by

Chinese composer Chen Yi and *The Moon Over the Fountain* by Hua Yanjun and Wu Zuqiang.

During his visit to China, a manager from France's Pompidou Art Centre highly praised the China Youth Symphony Orchestra after he attended one of its concerts. "Most Westerners know that you have acrobatics, folk music and Beijing Opera," he said, "but they have never thought that you had such outstanding symphony orchestras. I believe the French people will be overwhelmed by your visit."

Professor Zhu Tongde, head of the orchestra, is vice president of the China Central Conservatory of Music as well as a flutist. Conductor Shao En, a young, active musician in Beijing, has impressed his home audience with his passionate and expressive style. He graduated from the

16-year-old first violinist Huang Bing.

LI WEIYI





Central Conservatory of Music in 1983. The second conductor is Tang Muhai. Tang received the highest academic certificate awarded by a Federal German art school in 1983, and in the summer of that year he was awarded a scholarship by the Wagner Foundation which enabled him to take part in the Baruth Opera Festival. In the summer of 1984, he was invited by world-famous conductor Seiji Ozawa to participate in the Tanglewood Music Festival, held near Boston, Massachusetts. While participating in the world conductor's competition in Berlin in 1982, Tang demonstrated his talent and won the praise of Herbert von Karajan and the judging panel. He was soon invited to be a guest conductor of the Berlin Philharmonic Orchestra, which put him under the direct supervision of Karajan.

The first violinist of the China Youth Symphony Orchestra, Huang Bing, a first-prize winner in the juvenile group of the world violinist contest held in Poland in September 1985. Last September Huang was placed third in the International Youth Violin competition in Beijing. Another violinist, Cheng Yun, and cellist Tu Qiang have also won awards in world level competitions.

## Dong Wenzheng's Wu Mo Painting

Dong Wenzheng's skill would have allowed him to excel in traditional Chinese painting, or in impressionist painting. So he combined the two into one and created a new style of his own—using big splashes of colour and minute details on silk. He named it Wu Mo painting, a fresh school in Chinese art.

Dong, 49, comes from Suzhou, a beautiful ancient city in Jiangsu Province. He was named one of the best students at the Nanjing

Academy of Art, and did well as an artistic designer, especially in calligraphy, poetry, seal carving and painting. This formed the basis for Wu Mo.

When he graduated from the art academy in 1962, Dong returned to Suzhou, a centre for silk, and determined to make his combination of silk and paint meaningful, romantic and imaginative, and to merge symbolism with realism. He spent 10 years exploring this virgin territory. Inspired by Chinese silk painting of over 2,000 years, he succeeded in establishing the new Wu Mo school of painting by using Suzhou's *crepe de Chine*, self-made dyes and other materials.

The name of this school has its origin in the "cultural revolution" when people were forbidden to create "classical works." Dong had to paint in secret. Since Wu is the old name for Suzhou and Mo in Chinese means "working silently," or "publically unknown," Dong gave the name Wu Mo to his painting.

In 1976 when the turmoil ended, the new painting burst forth with exuberant vitality and a new sense of beauty. Dong toured China's best-known scenic spots and borrowed ancient poems, fairy tales, legends and historical stories for his work. His paintings are characterized by the clarity of Chinese painting, the bright colours of Western impressionism, the boldness of stage art and the textures of nature.

The mixture of concrete and abstract in the paintings keeps them looking fresh. The paintings often feature people, boats, trees, flowers, a pavilion or some other specific object, set in a huge majestic background allowing plenty of room for the imagination. It is more romantic than traditional Chinese painting, and less abstract than the pure abstractionism of the West. Liu Haisu, a noted Chinese painter, credited Dong with keeping the flavour of traditional Chinese

painting, while borrowing appropriately from the west.

*Soaring* shows a mighty dragon behind a cloud flying into the sky, and is said to represent the painter's patriotism and aspiration to make China strong.

*Qu Yuan's Poem "Questioning Heaven"* depicts the great poet of ancient time demanding of heaven why injustice is everywhere. The painter devotes only the lower left corner to the poet, all the rest is used to describe the mighty heavens of lightning and thunder as if inviting the viewer to rail against them with the poet.

*Flowers in the Vase*, the flowers' symbolic colours of spring's coming dominate over their puny stems.

## Molecular Biology Lab in Shanghai

The Shanghai Molecular biology Laboratory, will soon open to scientists at home and abroad.

Set up by the Shanghai Biological Chemistry Institute, the lab will help in the study of international molecular biology. The lab is equipped to look into complicated scientific subjects such as the structure and function of biological molecules, molecular genetics and biomembrane, he said.

An official of the State Planning Commission said, 50 major labs will be built in the 1986-90 period, with their research fields including biological technology, micro-electron studies, information science, chemistry, physics, geology, agriculture sciences and medical sciences.

Those labs, mainly used for basic science study, will also open and become the centres for academic activities, he said.

Visiting scholars will help with study projects at the new lab and also use it for their own study subjects. They'll be invited to work in the lab for one to three years," he said.

**To Our Readers**

*This is the first time for your letters to appear this year. On behalf of the staff of "Beijing Review," I would like to express our gratitude to you for your help and inspiration in our work. We also thank you for sending letters and cards for the new year and wish you a lucky and healthy new year.*

*"Letters" editor*

**Uphold Basic Principles**

I visited your country ten years ago and have been your reader for almost twenty years. Now, I'm seventy-three. *Beijing Review* is a good teacher for us students of China. All these years I have read your magazine, I have had reactions to your articles but never actually put pen to paper.

My worry now is about the harmful effects of capitalism on young people, that came in the wake of the open policy. I hope you will do your best to realize the modernization and uphold the four basic principles.

*Yoshiyuki Kabeya  
Aichi, Japan*

**True and Interesting**

Since 1986, there have been one or more articles from *Beijing Review* in my reading plan every day.

The front covers of a number of issues last year fitted well with the subject matter. The advertisements on the back cover are also praiseworthy. I wish you would publish more commercial propaganda on the international level.

In your "Notes From the Editors" column, I saw several unique articles which help readers learn about China's politics, trade, social reform and five-year plans from different angles. Especially interesting was issue No. 19, the

article "Introducing Compulsory Education" which told how China plans to implement a policy of nine-year compulsory education and set up schools for disabled children. Important topics are also covered such as "Balancing Foreign Currency in Enterprises" and "Legal Guarantees for Foreign Investors" (issues Nos. 20 and 22).

Overall, *Beijing Review* is a true and interesting weekly.

*E. Sarria G  
Cali, Colombia*

**New Reader's Comments**

I felt pleasure after reading your magazine for the first time. Your front cover and inside front cover are very good.

I liked the "Business/Trade," "Culture" and "Notes From the Editors" columns most, although others were also good.

The "Articles" section was fine too, it gave readers information about China, about its famous scientists in physics and chemistry, and China's successes in its modernization.

In your "International" column, I was interested in the news about the relations between China and Argentina and other countries, and the news about politics, economics, culture etc.

Your layout and pictures are suitable. I suggest you introduce more colour pictures in the centre page. Of course, more photos would be welcome on other pages too.

I suggest you publish more sports news, your national sports and new sports subjects.

*C. Baird  
Villa Maria, Argentina*

**Better Letters Page**

I feel that part of your magazine should be directed more towards Western readers, to help them

understand more about the real China—to show the way China really is, and help understand what a warm, friendly, sincere and hardworking people the Chinese are. Perhaps you could include a question and answer page in your magazine, where readers from around the world could write letters to you, then you print some of the best letters each week, and your answers to the letters.

I feel something along these lines would perhaps make people feel a personal connection with China, and increase their interest in China. I myself am proud to have been to China, and to have Chinese friends.

*Sandokan Sahara-khan  
Australia*

**Women's Double Duty**

We have many educated and talented women in Australia, but although our Women's Liberation movement has basically come through to realization, we too have the problem of working women having a double responsibility, both in workplace and in the home. Although we have won our legal rights, the idea lingers on in most men's minds that we are inferior, and men are fighting back on an individual basis. Even quite young men are at fault here.

Unfortunately, a women is sometimes confronted with the choice between her marriage or her rights. And then, when the man loses custody of his children in the courts at the point of divorce all too often he refuses to pay for the upkeep of his children, as ordered by the courts. This particular assertion of male independence is commonplace. Also, reliable child-minding facilities (while the mother is working) are still in short supply, and of course, in this country, workplaces do not assume any responsibility for child care.

*Rosemary Henderson  
Melbourne, Australia*



Old man.



Little girl.

Young woman.



## Stone-Relief Carvings by Li Hongren

Li Hongren, born in Beijing in 1931, teaches at its Central Academy of Fine Arts. He is noted for his reliefs which portray people in a unique national style.



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