

A CHINESE WEEKLY OF NEWS AND VIEWS

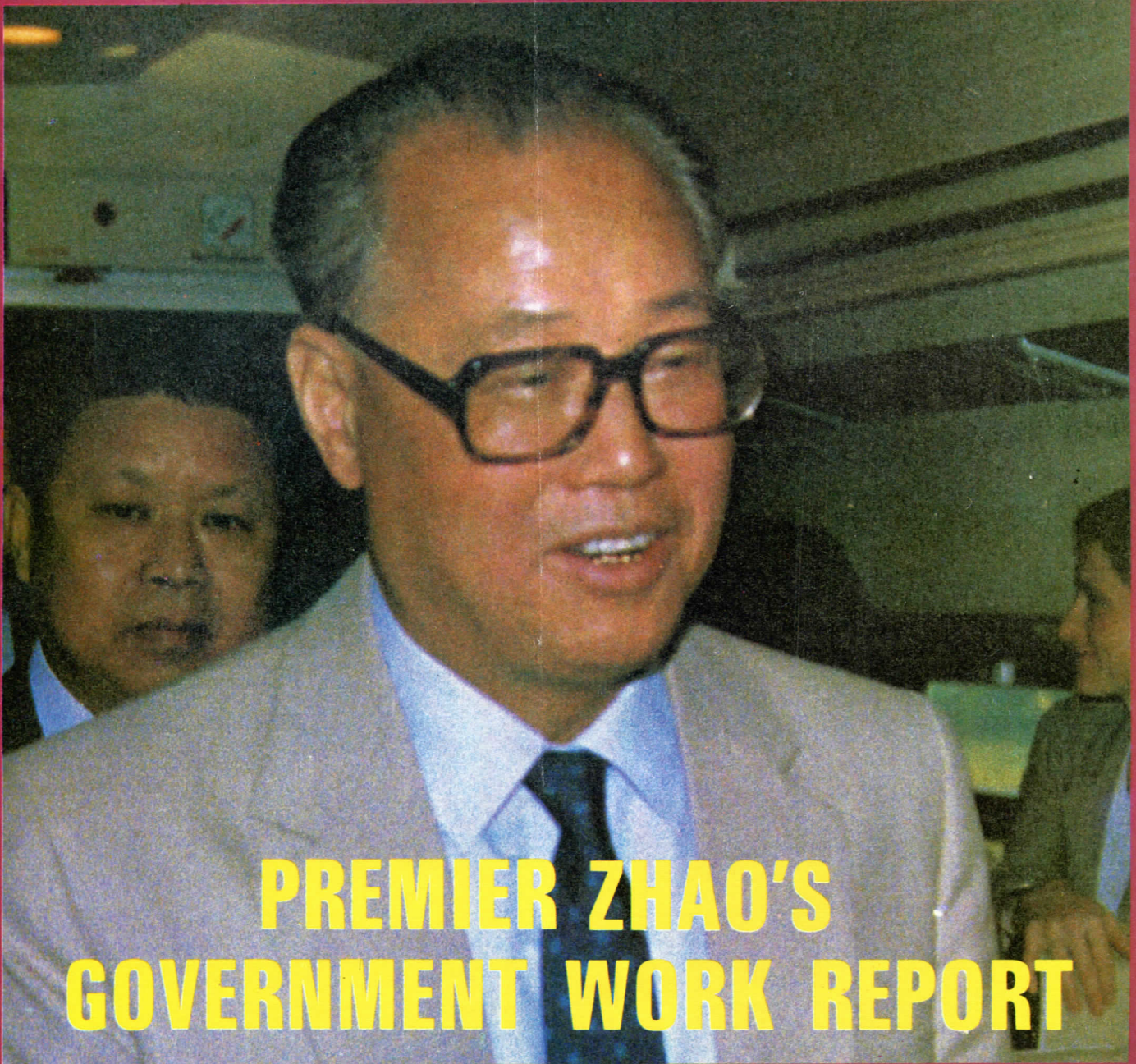
Beijing Review

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China's Democratization Process



**PREMIER ZHAO'S
GOVERNMENT WORK REPORT**



A farming family admiring their new acquisition.

Photo by Yuan Huangzhang



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HIGHLIGHTS OF THE WEEK



(Centrefold)



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Premier Zhao's State of the Nation Message

■ Full text of the government work report to the National People's Congress (Centrefold).

Speeding Up the Democratization Process

■ Democratization is an important aspect of China's political life. Our correspondents covering the recent NPC session solicited the views of many deputies on the progress made in recent years (p. 14).

Writers Talk About Writing

■ How are writers being treated in the struggle against bourgeois liberalization and how do they view the struggle? Zhang Xianliang, Ma Feng and Feng Jicai, three well-known writers attending the annual CPPCC meeting, talk to reporters (p. 8).

On US Technology Export to China

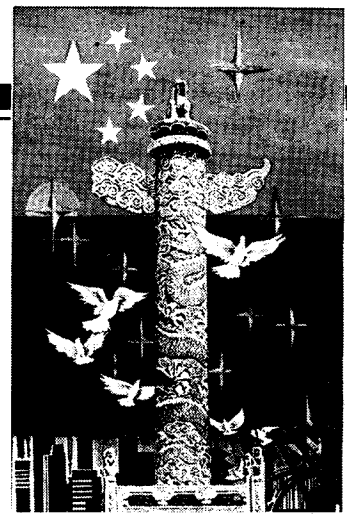
■ Although the United States has recently moderated its attitude towards technology exports to China by including China in a less restricted category of technology customers, this is not enough. Of the technology import items China applied for last year, only 60 percent were approved. It is hoped that Washington's deeds will match its words (p. 4).

SDI — No Early Deployment

■ With the technology still inadequate and the legality debatable, SDI early deployment will probably founder on the rocks of US legislators' opposition (p. 10).

On US Technology Transfer

by Han Baocheng



The recent change of attitude in Washington towards technology exports to China has facilitated a trade expansion. In 1983, the United States moved China into a less restricted category of technology customers, from group P to V. According to a resolution taken by Co-ordinating Committee for Export Control (COCOM) in September 1985, the categories of technology to be exported to China which need only the approval by the exporting country's government and not by unanimous approval of COCOM, increased from 7 to 27, and 30 by the end of last year.

Recently US Secretary of Commerce Malcom Baldrige again proposed relaxing controls over exports to China, including issuing a distribution licence to China. This positive attitude is welcomed.

However, there are still some obstacles to the development of the Sino-US technology trade. Much remains to be done to show that Washington is taking appropriate, concrete actions. The steps already taken to remove controls on technology export to China are far from enough.

Of the technology import items China applied for last year, only 60 percent were approved by the US government departments concerned, some exportable items were turned down. This has left the Chinese enterprises in a passive position. At the same time it deprived US enterprises of business and weakened their competitiveness.

The United States relaxed control over exports only; technology transfer is still under strict

control. Equipment has been delivered while approval for the know-how has been delayed. Furthermore, certain restrictions, which should have been lifted when China was placed in its new category, remain. For instance, the United States refuses to give China exemption from examination for the export of small quantities of products and restricts the export of technical data.

Quantity and sophistication are both important in measuring whether trade has developed substantially. The United States has given much publicity to how it has eased restrictions on technology exports to China, citing the number of export licences it has approved.

These statistics, however, do not show the degree of actual relaxation of controls. For instance, some approved sales came only after the United States learnt that other countries were intending to sell the same category of technology or products to China. The export of some products was decontrolled only in light of what it thought China could itself produce. The United States also delayed for many years the export of some technologies, or approval on some of China's applications, not giving approval until more advanced technology has appeared and the technology China bought had become relatively backward. These practices rendered US relaxation of control over its technology export to China almost meaningless.

It should be noted that some far-sighted US entrepreneurs and government officials are enthusiastic about technology ex-

ports to China. This is because: (1) They consider it an important way of expanding US economic and trade relations with China; (2) They are aware that since China needs to import large amounts of technology and equipment to fuel the socialist modernization drive now under way, it constitutes a huge, potential market for their technology exports; and (3) America's lead in many fields of technology is slipping; the hindering of its technology exports can only lose opportunities for its own entrepreneurs to compete in China.

China has been consistent in its attitude towards technology imports. It attaches great importance to developing co-operation with foreign enterprises by integrating technology with trade. Those who adopt an open policy towards China and transfer technology on favourable terms will certainly be in an advantageous, competitive position in trade with China. Many countries are well aware of this.

As regards keeping technology secret, China has never violated agreements by transferring to a third party technology or advanced equipment it has imported from either the United States or any other country. This has earned China a good reputation among its trade partners.

Let's hope that the United States will take real steps to demonstrate more fully its and COCOM's relaxation of control over technology exports to China. It will benefit both sides. ■

National People's Congress: A Democratic Session

China's National People's Congress (NPC) ended its 18-day annual session on April 11 in Beijing in an unprecedented democratic atmosphere. While there was great unity in basic issues, there were heated discussions and frank criticisms of bureaucratic practices. Little doubt remains in people's minds that China's legislature is exerting an ever greater influence in the political life of the nation and is supervising the work of the government.

The latest NPC session convened shortly after the Chinese Communist Party launched the struggle against bourgeois liberalization within its ranks and in political-ideological sectors. There were misgivings about whether this struggle would impede the progress of socialist democracy in China. But these were dispelled as the session progressed. It turned out to be "a more democratic and dynamic session than any of the previous sessions," said Zhao Mingxuan, an NPC deputy from northeast China's Liaoning Province who has participated in ten previous sessions.

This may be seen at the lively panel discussions at which deputies voiced their frank criticism of the shortcomings and inadequacies in the government's work and held heated debates on the draft of the organic law regarding villagers' committees submitted to the session for adoption.

While agreeing that the report on government work delivered by Premier Zhao was "realistic," deputies criticized the government for not having taken prompt and effective measures to solve problems in agricultural production, particularly grain production, and for not having paid enough attention to carrying forward the fine tradition of

building up the country through thrift and hard work.

At the session, much concern was expressed over the large amount of deficit in 1986 and the long-outstanding problem of over-extended capital construction. The government was urged to take effective measures to eliminate or at least reduce the deficit, limit price hikes, put an end to the import of large numbers of cars and make efficient use of foreign currency.

Moreover, deputies asked the government to take more effective measures to tackle such problems as the overlapping of government offices, low work efficiency and bureaucracy and come down sharply on unhealthy tendencies, a problem that has been talked

about for a number of years without any marked improvements.

Zhao's government work report was revised in accordance with suggestions put forward by deputies, adding such ideas as:

"In recent years, we have been talking less about the principle of building up the country through thrift and hard work. This is a lesson we have to learn."

"Governments at all levels must take the initiative to ask the people's congresses and their standing committees to supervise their work."

"Greater efforts should be made to guarantee sufficient acreage for grain crop production and to increase the per-hectare output."

NPC Resolution on Government Report

In the resolution of Premier Zhao's report on government work, delivered at the opening meeting on March 25, NPC deputies expressed their satisfaction with the work of the State Council over the past year.

The situation as a whole in 1986 was "good," it declared, adding that it was characterized by nationwide stability and unity, sustained economic development and thriving socialism.

The session called on the Chinese people to strive to accomplish the two leading tasks raised by Premier Zhao in his report. In the economic field, efforts must be made to increase production and practise economy, raise revenue and reduce expenditure, deepen the structural reform and open the country wider to the outside world. In the political field, efforts should be focused on

upholding the four cardinal principles, combating bourgeois liberalization and strengthening socialist culture and ideology.

These efforts are aimed at ensuring a stable and sustained growth of the entire national economy and further consolidating and developing political stability and unity, the resolution says.

The resolution also says that the session was satisfied with the work of the Chinese government in settling the question of Macao and with the initialling of the Sino-Portuguese joint declaration, under which China will recover Macao in 1999.

The session expressed the hope that compatriots in Hong Kong, Macao and Taiwan, as well as overseas Chinese, will continue to work together with the people on the mainland for the peaceful reunification of China. ■

The deputies seriously weighed the draft of the organic regulations on the villagers' committees which was twice discussed by the NPC Standing Committee before it was submitted to the session for deliberation. While agreeing on the necessity of this law, they were locked in heated debates on several major issues involved, including the relationship between the villagers' committee and the township government and the committee's administrative expenses. They raised many suggestions for its revision in the light of conditions in the countryside before passing the draft law in principle and authorizing the NPC Standing Committee to promulgate it for trial implementation after its revision based on further investigation and studies and suggestions from deputies.

Another new development at the session was the seriousness with which the deputies took to the appointment of the four government ministers nominated by Premier Zhao. While they were approved individually by the deputies with a show of hands, there were also a number of negative votes and abstentions.

Li Tiejing was appointed Minister in Charge of the State Commission for Restructuring the Economic System, a post previously held by Premier Zhao.

Wang Fang, former Party secretary of the Zhejiang provincial committee replaced Ruan Chongwu as Minister of Public Security. Ruan took the post in September 1985.

The 66-year-old Wang Fang had served as director of the Public Security Bureau in Hangzhou, a famous scenic spot, and head of the Public Security Department of Zhejiang Province.

Chen Minzhang, a well-known physician, became Minister of Public Health, replacing Cui Yueli.

Zeng Xianlin replaced Yang Bo as Minister of Light Industry.

The deputies are leaving Beijing for their workplaces. Some will

probably leave their posts as NPC deputies if since they may not be re-elected for the new congress next year, but the impact they have made on the process of democratization will not be forgotten. In the words of Chen Pixian, vice-chairman of the NPC Standing Committee, "In terms of the outspokenness of the deputies, this year's session is more successful than any of the previous session." ■

World Symposium On Trade Unions

At the invitation of the All-China Federation of Trade Unions (ACFTU), delegates of trade unions from 13 English-speaking African countries gathered in Beijing March 4-8 to attend a Symposium on the Role of Trade Unions in the Development of National Economies.

The African countries represented ranged from Egypt to Zimbabwe, Gambia to the Seychelles. The Organization of African Trade Union Unity (OATUU) also sent a delegate: its Treasurer-General Robinson H. Sikazwe. He said that the meeting came at a time when "the naked truth is that African and other third world economies are sagging or simply dilapidated." Among

the many distasteful effects of this economic malaise, he listed an unprecedented debt burden, worsening balance of payments and trade, budgetary deficits and mass unemployment.

"These and other problems are exacerbated by population explosions, and have rendered underdeveloped countries susceptible to foreign interference." Development becomes the key issue for third world nations and a meeting on the matter is of paramount importance, he said.

The symposium focused on two points: third world economies and what trade unions can do in the development of these economies. It is generally agreed that the situation facing the third world today is very grave. As Sikazwe pointed out in his paper, since governments inherited ruined economies from the colonialists it was difficult for them to recover and do well. "To make matter worse," said Sikazwe, "the independent but underdeveloped nations continue to be subject to imperialist forces through the manipulation of international markets by the developed countries."

Trade unions, which are responsible for harnessing labour, a key factor in development, certainly have a role to play in the development of these national economies since the national economy can only be developed by



its people, not the government alone.

Most of the African trade unions have fought for national independence side by side with political parties, some of which have formed governments after independence. Now they undertake to join with their governments in the new economic battle for the prosperity of the state and the people.

It was the consensus of the meeting that in accordance with the situation in Africa, the unions should pull their resources with those of the governments because "any improvement in the economy will undoubtedly benefit the members irrespective of the political system or government." In doing so they should be active participants in the planning, execution and evaluation of development programmes at all levels.

Secondly, trade unions should educate their members on the necessity of hard work and high productivity. Vocational schools should be set up for this purpose.

Thirdly, they should strengthen ties with their members by safeguarding their interests while co-operating with governments so as to motivate workers to accelerate development. Internationally, unions should encourage trade among developing countries and be united across borders in multifarious ways, including forums for the exchange of views.

Unity among African nations received special attention at the meeting. "Without unity, we can get nowhere," said Sikazwe. He stressed that Africa needs not only unity in words but unity in deeds. "There is a saying that the biggest industry in Africa is talking," he warned his colleagues.

The Chinese hosts, who included Luo Gan, vice chairman of the ACFTU, Wang Jiachong, member of the presidium of the ACFTU, and Fang Jiade, member of the secretariat of the ACFTU,

briefed their African counterparts on the history of Chinese trade unions and the work they have done since the founding of New China, especially since the reform programme was introduced in late 1978. African delegates showed particular interest in China's workers' congresses.

While no final document was adopted, the symposium proceeded in a democratic and friendly atmosphere. Besides discussion, delegates also visited several enterprises in Beijing and Shanghai, the biggest cities in China.

by She Duanzhi

Gu Mu Comments On Shenzhen SEZ

The Shenzhen Special Economic Zone (SEZ) in Guangdong is a success, said Gu Mu on April 1 in Beijing at a press conference sponsored by the secretariat of the ongoing session of the Sixth National People's Congress.

He said, "We have three criteria in judging the success of a region, namely, whether the productive forces have developed, whether the state quotas are met, and whether attention is paid to both material development and cultural and ideological development."

The state councillor said that the central government has invested 300 million yuan in the Shenzhen SEZ, a mere 2 to 3 percent of the city's total investment in capital construction. The rest came from bank loans and other parts of China, as well as funds imported from other countries.

Despite the small amount of state investment, he said, Shenzhen has increased its total industrial and agricultural output value from 60 million yuan in 1979, before the establishment of the special economic zone, to 3.8 billion yuan in 1986, which represented a 33 percent increase over 1985.

Shenzhen's total volume of exports reached US\$720 million last year, accounting for 45 percent of its gross industrial output value; the percentage would be 50 percent if the volume of the output value of processing industry with foreign-supplied materials was included. Shenzhen became financially solvent last year and, in fact, went a little bit into the black.

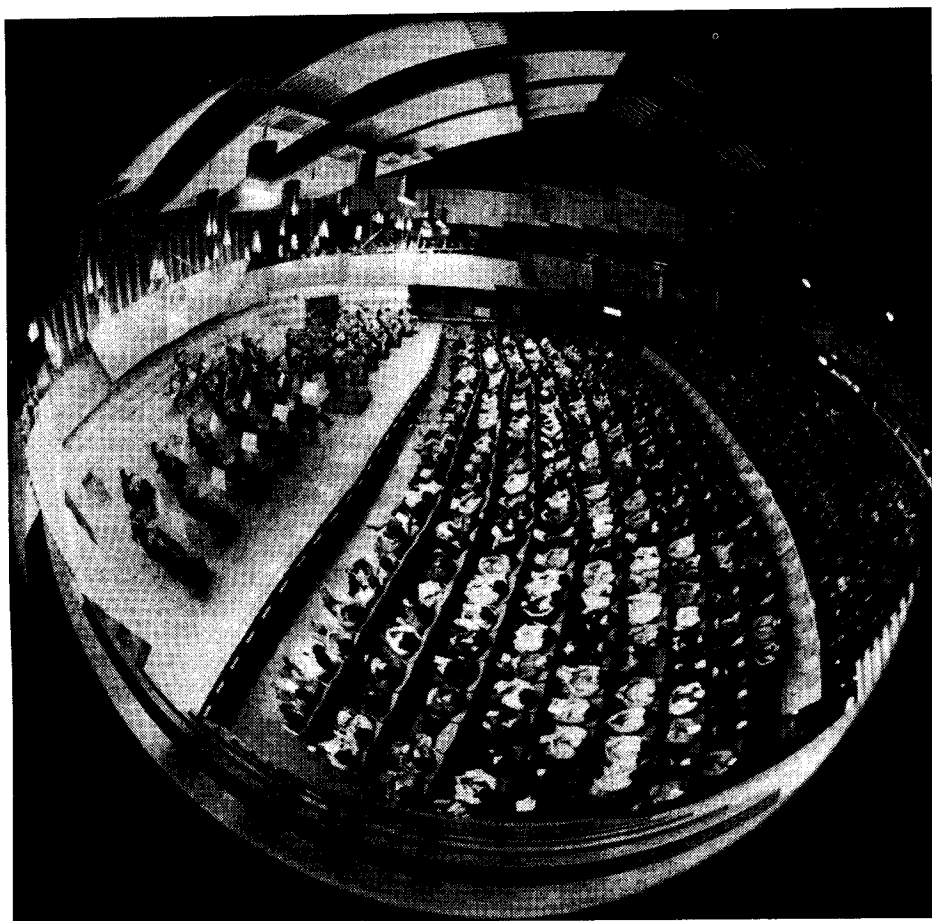
Gu expressed confidence that the special economic zone will become an export-oriented, comprehensive economic base focusing on industrial production and foreign trade in 1989 when it celebrates the 10th anniversary of its establishment.

"Our experiment in Shenzhen is a success and we are more confident than ever of its future development," he concluded.

Earlier, He Chunlin, director of the State Council's Special Economic Zone office, stressed that, not only Shenzhen, but the entire coastal areas have achieved great successes in foreign trade. The areas include the four SEZs—Shenzhen, Zhuhai, Shantou and Xiamen, 14 coastal port cities and Hainan Island, as well as the three newly-established open economic areas—the Yangtze River Delta, the Pearl River Delta and the southern part of Fujian Province including Xiamen, Zhangzhou and Quanzhou cities.

Last year, the four SEZs exported products worth of US\$1 billion. The three open economic areas, set up in 1985, have increased purchases for export by 80 percent in the past two years.

He said that the successes have laid a basis for further economic development in the coastal areas. In the years to come, the areas should continue to improve their investment environment, make a greater effort to attract foreign funds and import advanced technology from other countries. "China's open policy will not change," he added, "more invest-



XU XIANGJUN

Concerts Commemorate Beethoven

Chinese musicians in Beijing held a series of concerts in Beijing at the end of March to commemorate the 160th anniversary of the death of Ludwig van Beethoven. Among the pieces played at Beijing Concert Hall were the Second and Third symphonies and the Third Piano Concerto. The concerts were well received because Beethoven's music is very popular especially among young people.

ment and co-operation from outside the Chinese mainland will be welcomed. ■

Writers More Mature Through Struggle

The struggle against bourgeois liberalization will make Chinese writers "ideologically more mature, better able to understand life and more perceptive of reality," Zhang Xianliang, a leading writer, told correspondents from Hong Kong and Macao.

Zhang was one of three writers interviewed on March 16 while attending the recent meeting of the National Committee of the Chinese People's Political Consul-

tative Conference in Beijing. The others were Ma Feng, chairman of the Shanxi Provincial Writers' Association and Feng Jicai, a well-known writer from Tianjin.

Zhang told reporters that Premier Zhao Ziyang confirmed the continuation of the policy of "letting a hundred flowers bloom and a hundred schools of thought contend" in his recent government work report. "This has removed the worries of some writers. Not only writers, but the entire Chinese people, are delighted," Zhang said.

Zhang, 48 and a Communist Party member, is regarded as an influential middle-aged story teller in China, whose works have caused some stir. Asked about

this, he replied: "True, I have been criticized for some of my works. But I'm not 'in trouble.' As far as writing is concerned, I'm not restricted and I feel no pressure."

He said he completed a film script, *We Are the World*, last March. The script, which will appear in the May issue of the monthly *People's Literature*, describes how farmers on the loess plateau in north China strive to raise their living standards by improved production.

When asked if Chinese writers are allowed to criticize unhealthy tendencies in Party life, Zhang gave his novel, *The Black Cannon Incident*—an anti-bureaucratic piece—as an example, saying, National Committee of the Chinese People's Political Consul-

Ma Feng, a Party member and 65 year-old writer well-known for his description of Chinese peasant life, agreed with Zhang. He said that because of the struggle against bourgeois liberalization, Chinese writers are thinking hard.

Previously, some writers wrote whatever they liked, but now they give more thought to the social effect of their works before writing them, Ma said. "In this sense, the writers are more socially responsible. Generally speaking, it is good to have time to reflect. It will help us turn out better works."

When a Hong Kong reporter asked if non-Party writers enjoy more freedom in their writing than those in the Party, "No difference" was Feng Jicai's answer. "As a writer, as well as a citizen," he added, "I submit myself to the law."

People are concerned about literature, Feng said, because they place their hopes on stability after a long period of chaos. He called for more literary criticism to promote creativity. But, he said, literary criticism should not be confused with political criticism.

Asked about his plans, Zhang Xianliang said that he intends to spend more time reading and gaining more experience from life in order to avoid getting into a rut.

The more ambitious Feng Jicai, however, plans to use five years to work out a series of writings showing the impact of cultural heritage on the Chinese mind.

Ma Feng, who has been writing scenarios of rural life, said that farmers generally prefer seeing films to reading novels, and he will try his best to satisfy his rural audiences. ■

Book Show in US

From Bones to Books, an exhibition of more than 2,000 kinds of Chinese books, will be on display at George Washington University, in Washington, D.C. April 20-May 1

Weekly Chronicle (April 6-13)

POLITICAL

April 8

■ The fifth session of the Sixth National Committee of the Chinese People's Political Consultative Conference closes in Beijing.

ECONOMIC

April 6

■ The State Council issues a circular on the sale of shares and bonds which says only a small number of collectively owned enterprises may sell shares and only state-owned enterprises may sell bonds.

April 7

■ China's industrial output value for the first quarter of 1987 was 226.7 billion yuan, a 14.1 percent increase over the corresponding period of 1986, according to the State Statistics Bureau.

■ *Farmers' Daily* reports that the central government will give the drought-stricken areas an additional 50 million litres of diesel, 80,000 tons of chemical fertilizer and an unspecified amount of financial aid.

April 8

■ Shandong Province's Qingdao Brewery, which exports beer to more than 20 countries, becomes the first enterprise in the province to be granted autonomy in its import-export transactions.

■ A government circular says all medicine ads must henceforth receive approval from the pharmaceutical departments of provinces, municipalities and autonomous regions before being published; the move is designed to curb incorrect and exaggerated claims about the quality and efficacy of medicines.

April 10

■ China had registered 6,532 enterprises funded with foreign investment by the end of 1986,

according to State Administration of Industry and Commerce's statistics.

CULTURAL

April 7

■ Beijing Zoo has offered to send a pair of giant pandas to Taipei as gifts, according to Zoo Director Li Yangwen.

SOCIAL

April 10

■ A State Statistics Bureau meeting discloses that China will launch a one-percent sample population census as of July 1 this year.

FOREIGN RELATIONS

April 6

■ Visiting Swedish Prime Minister Ingvar Carlsson and Chinese Vice-Premier Tian Jiyun sign four agreements; one concerning purchases of paper pulp from Sweden; a letter of intent regarding establishment of a Sino-Swedish power transmission development centre; an agreement on a soil conservation co-operation project; and one on management and operation of the Beijing Huaqiao Mansion.

April 8

■ A Chinese Foreign Ministry spokesman says that the key issue between China and Viet Nam is the Vietnamese invasion and occupation of Kampuchea.

April 12

■ Deng Xiaoping meets Gambian President Dawda K. Jawara, saying that China's policy of opening to the outside world and reform will not change for dozens of years.

April 13

■ Sino-Portuguese Joint Declaration on the Question of Macao is signed by Chinese Premier Zhao Ziyang and Portuguese Prime Minister Anibal Cavaco Silva.

SDI

Early Deployment Doubted

Lack of support from both Congress and Western allies makes an early decision to deploy SDI unlikely.

At the beginning of this year, US Defence Secretary Caspar Weinberger announced that the United States might begin deploying the first phase of the "Star Wars" programme, officially known as the Strategic Defence Initiative (SDI), sometime in 1993 to 1994. To clear the way for extensive testing and early deployment of SDI, the Reagan administration is trying to make a broad interpretation of the 1972 Anti-Ballistic Missile (ABM) treaty, which bans "developments, testing and deployment" of any space-based missile defence system.

The White House is concentrating on a looser interpretation of the treaty and trying to make some of its definitions more flexible because of intense pressure from Congress not to violate the ABM treaty, which is the last major surviving arms control agreement between the superpowers. Some Pentagon officials maintain that there are no obstacles to deploying the first phase of SDI because the treaty's provisions on space testing are unclear.

In addition, since President Reagan proposed the construction of the US strategic defence system on March 23 1983, many components of the project have been developed and are waiting to be tested. For example, the "Delta-181 space test programme" cannot be used until its space-based kinetic weapons system (rail gun) has been shown to work.

Though US Secretary of State George Shultz has told the public that no decision on deploying early elements of SDI would be made before the end of 1988,

Weinberger's statement has elicited strong reactions from allies such as Britain, Federal Germany, Canada and Japan, who want to be consulted on the issue.

Debate on Capitol Hill has warmed up recently. SDI opponents, headed by Senate Armed Services Committee Chairman Sam Nunn, warned that if the White House did not consult Congress and US allies before making a decision, it "would provoke a constitutional confrontation of profound dimensions." He added that dissension on the part of Western allies "would put immense pressure on funding" and lead to further cuts in the SDI budget.

The committee's defence bill for 1987 asked the government to not only "emphasize options for near-term deployment as a hedge" against a possible Soviet ABM break-out in the near-term, but also to consider adjusting the pace and scope of SDI once the Soviets agreed to "significant, stabilizing and verifiable reductions in strategic offensive forces."

Other lawmakers oppose using SDI as a bargaining chip but strongly support its early deployment. Among them is Congressman Jack Kamp, who argued in a letter to Sam Nunn, "While you are debating terminology, the Soviets are deploying strategic defences."

On technical ground, deploying the first phase of SDI would be feasible only once some much-needed new technologies mature.

The original proposal for SDI, to be completed in 20-30 years, called for it to be a layered,

preferential defence system that could intercept attacking missiles at any of the four phases of flight: launching, early and late mid-course, and terminal just before attacking. The cumulative effects would mean that if each tier could destroy only half of the attack force, 94 percent would be destroyed overall.

The first tier, which would destroy the multiple-warheads missiles within 3-5 minutes before the warheads scatter, involves "futuristic technologies" such as directed energy weapons (laser and particle beams), kinetic weapons system and advanced sensors. Considering how long it will take to perfect these new technologies, some people have suggested a "point defence" principle which would only protect US missile bases. But this suggestion was overruled by Weinberger.

Under Weinberger's new timetable, SDI would still be designed as an impenetrable defensive shield over the entire United States. But there are rumours that the early deployment project will use more traditional technology instead of future technology.

The new system would still consist of three tiers, but could be more vulnerable due to the absence of some key components and technologies. Non-use of space rocket interceptors would allow many warheads to penetrate the first layer of the system and the second layer's ability to distinguish real warheads from dummies will be poorer. Moreover, only one layer of the three is space-based with small rockets mounted on hundreds of orbiting "garage" satellites, the other two would be ground-based. Even so, putting the 8 million pounds of components into orbit will require 125 flights by a space shuttle. Gerald Yonas, former chief scientist of the Strategic Defence Organization, said it would take 10 years to start the limited defence system.

Regarding taking advantage of the provisions of the ABM treaty, the Reagan administration has invoked agreed statement D, attached to the treaty, which says the treaty does not prohibit adopting new technologies for research and testing, but not deployment, of strategic defence. However, some former US arms negotiators, such as Harold Brown, Gerard C. Smith and Raymond L. Garthoff, disagree with this interpretation. Garthoff maintains that the so-called new technology as well as traditional technology are prohibited by section 2 of the treaty, which forbids anti-missile systems, including present-day intercepting rockets, launchers and ABM radar. He also said the word "currently" (present day) should not be defined as "until now". Former Secretary of State Williams P. Rogers told Congress that Section 2 applies to anti-missile systems which use either traditional or future technology.

In his annual report to Congress this year, Weinberger stressed, "At this stage, the most serious threat to the ultimate success of the SDI remains congressional budget reductions." Last year, Congress slashed fundings for SDI, and this year's Democrat-dominated body is not expected to be friendlier to Reagan on this issue.

A 1985 bill passed by Congress said SDI could not be deployed unless the president could offer clear evidence that its cost would be much less than that of the Soviet Union's counter-measures. So, in the absence of heavy pressure either from the Soviets or from Western allies, the lawmakers are unlikely to loosen the pursestrings.

The Soviet Union, absorbed in accelerating economic development and carrying out a "fundamental reform" of its economic structure, suggested early last month the withdrawal of medium-range nuclear missiles

from Europe, and giving up the linkage between that issue and SDI, as it had insisted on at the Iceland summit. In addition, Moscow recently proposed a ban on chemical weapons. The

Soviets' new posture in arms control has further weakened the position of the US hard-liners to accelerate SDI development and deployment.

by Zhuang Qubing

LEBANON

Will There be Peace Now?

The end of camp battles in Beirut is hoped to promote national unity and help implement the Syria-sponsored security plan in Lebanon.

Mortar and machine-gun fighting erupted on April 8 on the Maghdousheh and Zagdraya bluffs in southern Lebanon between Palestinian guerrillas and Shiite Muslim Amal militiamen as Syrian troops were deployed around the besieged Bourj El-Brajneh refugee camp. Lebanese reports said Israeli warplanes flew over the hilltop battlefields east of the port city of Sidon.

The fighting was a major clash breaking a Syria-brokered truce which took effect on April 5. The truce between Amal and the Palestine National Salvation Front (PNSF) called for a ceasefire, immediate food deliveries to refugee camps and evacuation of wounded Palestinians.

Analysts in Lebanon have noted that the guerrillas supporting Yasser Arafat's Palestine Liberation Organization (PLO), the major organization of the Palestinian fighters, did not attend the April 5 three-party meeting which forged this latest truce.

Shortly before the truce, six trucks brought food, clothes and blankets donated by Kuwait to the 12,000 Palestinians in Bourj El-Brajneh, which had been besieged by Amal since October 29. Hours after the truce took effect, five trucks delivered similar supplies to the 4,000 Palestinians in the Shatilla camp, beleaguered since November 26.

On April 7, 70 Syrian troops set up posts at the gates of the bombed-out Shatilla camp, saying it was arranging for the women in the starving camp to come out to shop for food. An estimated 23 wounded Palestinians in the camp were evacuated to hospital in Beirut.

Political analysts stressed Syria's latest move indicates that Damascus, Amal's main patron, is determined to end the two-year-old camps war in Beirut and southern Lebanon. The Syrian troops at the camps would lift the blockade Amal imposed.

Observers in Lebanon believe the Palestinians see these camps in southern Lebanon as their final base for attacks on Israel.

Analysts said that Syria, which has long been at odds with PLO leader Arafat, has been trying to put the Palestinian movement under its control. Syrian intelligence chief Ghazi Kanaan has said the fighting will end once Arafat's influence is checked and the Damascus-based PNSF strengthens its position in the camps. On April 8 the intelligence chief declared, "the war for the camps in Beirut is over." A five-truck Amal convoy, escorted by 20 Syrian troops, carrying arms for Amal militiamen passed through Sidon for the south. This is the first time Syrian troops entered Sidon since it withdrew in 1982

and the first time Amal took arms and ammunition through the city.

Sidon, 43 kilometres south of Beirut, has been within the Palestinians' firing range since Arafat's guerrillas captured the surrounding heights. On November 24, the PLO captured the bluff-top village of Magdousheh and the three neighbouring villages of Grayye, Ain Al-Delb and Jinsnaya. These villages overlook the Palestinian camps of Ain Al-Hilweh and Miyeh Miyeh and the main coastal highway linking Beirut and predominantly Shiite south Lebanon.

The April 8 fighting coincided with a newspaper report that Amal turned down Syria's request to lift its siege of the two Palestinian camps in Beirut. Amal said the siege would end "only with the withdrawal of (Palestinian) guerrillas from east of Sidon." The Palestinian guerrilla groups, however, remain on the heights. Insisting that Amal end its siege before they withdraw.

This latest camps war between the Syria-backed Amal and the Palestinians is the fifth and longest in two years of conflict. Lebanese police say that since May 1985, intermittent Palestinian and Amal fighting has killed more than 1,600 people and wounded 3,600. The six-month Amal siege has reportedly forced the desperate Palestinian camp dwellers to eat dogs, cats and rats in the past three months.

Analysts said the major problem between the two rivals is the status of the Palestinian fighters in Lebanon. Amal has been fighting, with Syria's support, to prevent Arafat from regaining the Lebanon power base he lost after Israel's 1982 invasion. But after Israel withdrew from southern Lebanon late in 1985, and particularly in the past 16 months, at least 4,000 PLO guerrillas have returned to Beirut and southern Lebanon. The return of the Palestinians has infuriated the other Lebanese factions. Fearing

an Israeli attack on Palestinians in Muslim-dominated southern Lebanon and the growing power of the PLO, Amal leader Nabih Berri said the Palestinian political and military presence in Lebanon is "intolerable." Arafat has condemned the Amal camp siege as an effort at "eliminating the existence of the Palestinians in Lebanon."

The 1969 Cairo accord between Lebanon and the PLO legitimized the presence of Palestinian refugees in Lebanon. A 1977 accord between Syria, Lebanon and the PLO allowed the

Palestinians to have arms in their Lebanese camps to attack Israel. About 600,000 to 700,000 Palestinian refugees are now living in 17 camps in Lebanon.

Observers said the end of the camps war would promote national unity in Lebanon and help implement the Syria-sponsored security plan in Lebanon. But an end to the Amal-Palestinian war seems remote, they noted. It is hoped that this latest truce will withstand the fierce rivalries in war-torn Lebanon.

by Shen Ji

UNITED NATIONS

South Africa, US, Britain Under Fire

At a recent UN Security Council meeting, South Africa was criticized for interfering with Namibian independence while the United States and Britain were blasted for siding with Pretoria.

Demands for comprehensive mandatory sanctions against South Africa were raised again when the UN Security Council met April 6 to consider the situation in Namibia.

The urgent meeting was a response to separate requests from African countries and non-aligned countries. Before the requests were made, representatives of African countries, particularly the frontline states of Southern Africa, met and drew up a resolution to be submitted to the Security Council, which asked for "comprehensive and mandatory sanctions" to be imposed against South Africa to force implementation of the plan for Namibian independence endorsed by the Security Council in its Resolution 435 in 1978. The document also provided for the withdrawal of South African troops and free elections leading to early independence for Namibia.

The current chairman of the African Group in the United

Nations, Ghanaian Ambassador James Victor Gbeho, said the meeting was yet another effort by African and non-aligned countries to reawaken the "conscience" of the international community, particularly "the friends of South Africa," about the Namibian problem, to compel the Pretoria regime to implement Resolution 435 and to urge the Security Council to initiate decisive action to ensure the independence of Namibian people without any more delay.

The United States and Britain were accused of "scolding a little but helping a lot" vis-a-vis South Africa. At various UN meetings, the two countries have denounced South Africa's apartheid policy as "most inhuman" and sympathized with the Namibian people's sufferings, but have always vetoed resolutions calling for mandatory sanctions against South Africa. This time the two Western powers have again blocked the African countries' resolution, alleging that

mandatory sanctions would "complicate" the problem and hinder the goal of Namibia's independence from being realized.

In the past years, a vast majority of countries throughout the world, especially African countries, have time and again tried to push a resolution imposing mandatory sanctions against South Africa through the Security Council. But their efforts have been thwarted because two permanent members of the Security Council, the United States and Britain, have exercised their veto power.

Ghebo criticized the US and Britain for exercising veto power, describing it as an action aimed at protecting South African racists' interests. He said African countries regard the US's so-called "constructive engagement policy" towards South Africa as the main obstacle to Namibian inde-

pendence. The American policy of quiet diplomacy and not imposing sanctions has encouraged Pretoria to defy the UN plan for Namibian independence, he said.

Theo-ben Gurirab, secretary for Foreign Affairs of the South West Africa People's Organization, said his organization favours a peaceful settlement of the Namibian problem. Before the peace efforts yield results, he noted, the Namibian people led by SWAPO are determined to fight on, whatever the cost, until the final victory.

It is noticeable that the Latin-American countries, which used to be indifferent to UN discussions of African issues, have become active this time. Representatives from many Latin-American countries have elaborated their positions on the Namibian issue at the meeting.

by Xin Zong

USA-CANADA

Annual Summit Produces Only Hot Air

Though no concrete plan was hammered out at this round of summit, both the United States and Canada felt it panned out well in seeking ways to improve their bilateral relations.

At their April 5-6 third annual summit in Ottawa, US President Ronald Reagan and Canadian Prime Minister Brian Mulroney both praised their cross-border relationship, but appeared to reach no resolution of the political and economic controversies of recent months.

The third summit was like the first two in 1985 and 1986, mainly devoted to perennial problems such as acid rain, free trade, and Canada's claim of sovereignty over the northwest passage and Arctic archipelago.

Acid rain topped the agenda. It has polluted not only the environment on both sides of the border, but also relations between

the two countries. Acid rain is produced in the atmosphere by a mixture of sulfur dioxide, mostly from the two countries' coal-burning power plants along their border. Canada claims that 14,000 of its lakes, 84 percent of its farmland and half of its forest lands have been "killed" by acid rain and has decided to halve toxic emissions by 1994. Since this goal cannot be reached without simultaneous efforts from the US side, Mulroney asked Reagan for bilateral negotiations to establish a schedule for eliminating emissions in both countries.

During the meeting, Reagan for the first time acknowledged that half the emissions that are fouling Canadian lakes and forests

originate in the United States. A week before the talks began, Reagan announced he was requesting US\$2.5 billion from Congress to finance a five-year "clean coal" plan to attack acid rain. When Canada expressed dissatisfaction with this figure, Reagan told Mulroney he would see that the federal funds were matched by an equal contribution from the private sector.

On bilateral trade, the two countries are engaged in negotiations intended to produce a free-trade agreement that would remove all tariff and non-tariff barriers. Mulroney's opposition as well as Canadian press circles, worried about mounting US protectionism in the Democrat-controlled legislative branch, have been urging the prime minister to try to budge Reagan from his original stand. US-Canada trade negotiations were seriously blocked by a US increase in import duties on Canadian red cedar and have not reached an agreement after eight rounds of negotiation. At the summit Reagan expressed the hope for a free-trade accord with Canada by the end of this year by saying, "There is still a lot of hard bargaining ahead, yet let us not lose sight of the grandeur of what we seek. It is a real possibility within our reach. We can reinforce the already impressive strength of our economic relationship."

Canada and the United States have differed sharply on the Arctic sovereignty issue. Canada claims sovereignty over the northwest passage and Arctic archipelago. However, the United States considers it an international waterway through which its vessels can travel freely.

In their talks, the two leaders also discussed working together to fight AIDS (acquired immune deficiency syndrome) and a Canadian proposal to curb US domination of Canada's film industry. ■

by Xin Di

China Speeds Up Democratization

— Report From 5th Session of 6th NPC

by Our Correspondent Lu Yun

The National People's Congress is the highest organ of state power in China and the place where people's deputies gather to discuss state affairs and make laws. It is sometimes compared to a parliament.

At the turn of the year student demonstrations were followed by the change of personnel in the Party Central Committee, the struggle against bourgeois liberalization and the criticism of indiscriminate imitation of Western political thoughts and systems which are still going on in China. Doubts have arisen abroad about whether China will carry through its democratization process. At the Fifth Session of the Sixth National People's Congress held between March 25 and April 11 this was discussed.

Qualitative Change

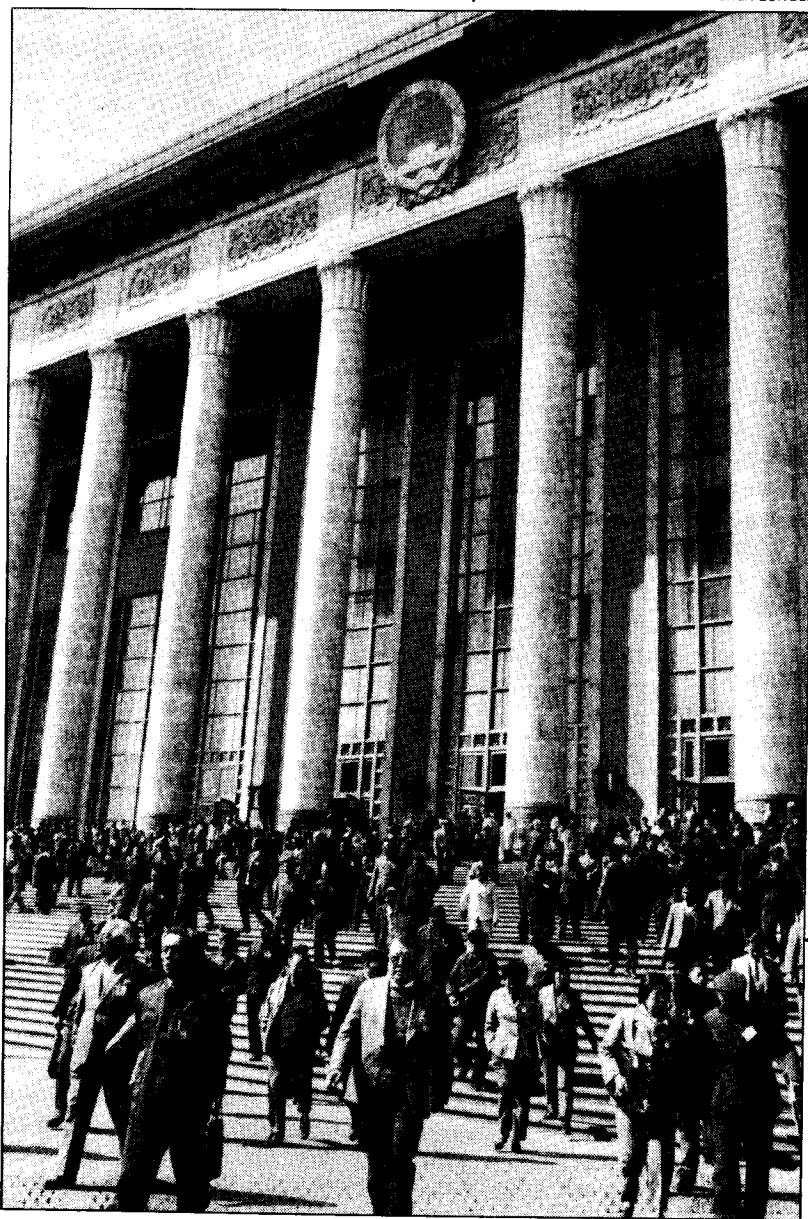
Of the nearly 3,000 deputies to the recent NPC session, many are leading cadres, generals, scholars, workers, farmers and minority nationality representatives with whom this correspondent is already acquainted. Some distinguished themselves in the revolutionary wars, and some are ordinary labourers who struggled for subsistence in the pre-liberation days. Shi Laihe, a farmer of Liuzhuang Village in Henan Province and one of the more than 150 members of the NPC Standing Committee, was a hired labourer before liberation; Tiemur Dawamat (Uygur nationality), chairman of the Xinjiang Uygur Autonomous Region, also had the experience of living on loans; Prof. Pan Dakui, a leading member of the China Democratic

League, Sichuan Branch, took part in many demonstrations for democracy in the May 4th Movement in 1919 and there-

after; Yu Qiuli, director of the PLA General Political Department, joined the Workers' and Peasants' Red Army at the age of

NPC deputies leaving the Great Hall of the People.

CHEN ZONGLIE



15 and lost his left arm on the battlefield.

To abolish the system of class oppression and exploitation and achieve democracy and freedom, the Chinese people waged protracted and arduous struggles. The success of the new-democratic revolution in 1949 ended the rule of the exploiting class over the labouring people and ushered in the people's democratic dictatorship. This was a qualitative change in China's democratization process.

After Marxism and modern Western ideas entered China, the May 4th Movement in 1919 advanced the slogans of democracy and science. According to the Western point of view, democracy includes freedom of speech, freedom of religious belief, and freedom from want and fear. To the Chinese people, however, the most practical desire at the time was to gain freedom to live and freedom from starvation, natural disaster, war, exploitation and oppression.

When US journalist Edgar Snow visited China for the first time in the 1930s he was shocked to see tens of thousands of



Deputies from the Tibet Autonomous Region.

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peasants starving to death. Shi Laihe's home village Liuzhuang was hit by a natural disaster in 1942. Of the 570 people in the village, 70 starved to death, 37 were sold by their families, and 80 percent fled. All the family members of Shi's mother died in the famine. Between 1927 and 1937, China suffered a series of natural disasters. The number of victims reached 100 million in 1928 and topped 100 million the

following year. The total population of China at the time, however, was only 440 million. It was recorded that in Qinghai Province, "all the grass roots and tree bark had been consumed." In Anhui Province, "news about whole peasant families committing suicide was often heard." Between 1929 and 1932, about 17.7 million people in seven provinces (Shaanxi, Henan, Guizhou, Gansu, Shanxi, Sichuan and Shandong) died of starvation.

Mao Zedong said in 1937: "Winning democracy is the core and essence of the revolutionary task history has set us." In 1956, the transformation of private ownership of the means of production was in the main completed and the system of exploitation was eliminated. This laid the economic basis for the development of socialist democracy. The First National People's Congress, convened in 1954, was an organ of state power elected for the first time by the people. It declared that state power belongs to and serves the people. This was undoubtedly great progress in China's democratic construction. However, the influence of feudal ideas left over by the millennia of feudalism would not die spontaneously.

Deputies listening to Premier Zhao's report on the government work.

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Twists and Turns

Li Guiying (Yi nationality), a member of the current NPC Standing Committee and chairman of the Standing Committee of the People's Congress of Yunnan Province, said the feudal autocratic traditions left over from old China persist in great numbers, while the traditions of democracy and law are limited. Not only do bourgeois ideologies encroach on new China's society but remnants of feudal ideas also cause it much suffering because of our lack of understanding and impotence in fighting them. This led to the "cultural revolution" in which remnant feudal ideas ran amok.

Recalling the "cultural revolution," Zhang Tengxiao, a deputy from Beijing and vice-president of the China People's University, said: "If, at the time, the Political Bureau of the Party Central Committee had instituted elementary democratic centralism, if the people had any tradition of democracy, if the state had maintained the minimal dignity of the law, the 'cultural revolution' would not have happened. After that distressing turmoil, the masses have strengthened their sense of democracy, and this made it possible for China to make such great strides in the construction of its socialist democratic legal system. I believe the advance of history must be based on the awareness of the people."

Still today the influence of remnant feudal ideas should not be neglected. At the recent NPC session, the people's deputies not only criticized bourgeois liberalization but also attacked bureaucracy, privileges, patriarchal practices, waste, including lavish entertainment on public funds, and other malpractices. They suggested effective measures, including drawing up relevant laws, to tackle these problems.

Legislation

Since China focused itself on the

socialist modernization drive at the end of 1978, the question of improving socialist democracy and the legal system has been placed high on the agenda. It is stressed that without democracy there will be no modernization, that democracy must be institutionalized and legalized and that conscientious efforts should be made to promote democratization in the political life of the Party and the state, in economic management and in social activities as a whole.

The people's congress has become the organ of state power and legislative body in the real sense of the word and is no longer mocked as a "rubber stamp." This is significant progress in the process of democratization.

In the last eight years, the National People's Congress and its Standing Committee have enacted the new Constitution and 57 sets of laws. The people's congresses and their standing committees in various provinces, autonomous regions, municipalities directly under the central government and big cities have drawn up 800 local laws and regulations of their own.

At present, departments from the central level down to the

county level have improved the organizations of the people's congresses and their standing committees and are exercising supervisions over the work of the governments, people's courts and procuratorates at their own level.

In the last few years, the various NPC sessions have exercised their power to examine, discuss and approve the work reports of the government, the people's courts and procuratorates, the plans for national economic development, the state budgets and final accounts.

In the last year, the NPC Standing Committee has made much progress in its legislative work; it has enacted 11 laws including the Law on the Management of Land, the Postal Law, the Law on Bankruptcy (trial implementation) and the Customs Law. Each draft law was presented after examining past experience and surveying various regions and relevant departments under the State Council. Even after a draft is worked out, opinions about it are still solicited widely from people in various regions and the departments concerned and special meetings are held to discuss it. While sending drafts of the law to its

Minority deputies from Yunnan Province.

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Report

On the Work of the Government

by Premier Zhao Ziyang

(Full Text)

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Report on the Work of the Government

(Delivered at the Fifth Session of the Sixth National People's Congress on March 25, 1987)

Fellow Deputies,

On behalf of the State Council, I now submit a report on the work of the government for examination and approval by the present Session.

I. The Current Domestic Situation And Our Basic Tasks

Since the Third Plenary Session of the Eleventh Central Committee of the Chinese Communist Party in December 1978, the Party's line, principles and basic policies for building socialism with Chinese characteristics have been tested, enriched and developed in practice. Guided by the Party's correct Marxist line, our one billion people have made concerted efforts, advanced in a pioneering spirit and scored more remarkable achievements in socialist construction than in any other period since the founding of our People's Republic in 1949. We have had nationwide stability and unity, the national economy has been developing steadily and our people are now enjoying a happy, secure life. The country's economic strength has grown considerably, and the material and cultural life of the overwhelming majority of urban and rural residents has markedly improved. Our country has grown more prosperous day by day. The creative power of the Chinese people and the superiority of our socialist system are making themselves felt more and more in the current reform.

Nineteen eighty-six was a year in which the Seventh Five-Year Plan (1986-90) was launched and notable successes were achieved in its implementation. It was a year in which the people of all our nationalities, under the leadership of the Communist Party, continued their victorious progress in building socialism with Chinese characteristics.

Our most important economic success last year was that, through initial readjustment, we began to slow down the excessively rapid economic growth that occurred from late 1984 to mid-1985, bringing the entire national economy back to normal development. Total social output value in 1986 reached 1,877.4 billion yuan, up 9.1 percent over the previous year; of this, the total output value of industry and agriculture amounted to 1,510.4 billion yuan, a 9.3 percent increase. National income was 779 billion yuan, an increase of 7.4



percent. Total grain output came to 391.09 million tons, an increase of 11.99 million tons. New progress was also registered in forestry, animal husbandry, fishery and other kinds of rural production, including industry. There was basic balance between the development of agriculture and industry and between the development of light industry and heavy industry, and there was an improved mix of products in each sector. Steel output in 1986 reached 52.05 million tons, up 11.2 percent over the previous year; output of electricity amounted to 445.5 billion kwh, an increase of 8.5 percent; production of crude oil and natural gas grew steadily and there was an ample supply of coal. Strains that had existed over the years on the supply of means of production began to ease. The output of readily marketable manufactured consumer goods grew at a rate higher than that of industry as a whole. The market was brisk, with most goods in normal supply and demand. The state plan for transport and post and telecommunications was overfulfilled. In foreign trade, despite many difficulties such as the drastic fall in world oil prices

and the violent fluctuations in the world economy, we overfulfilled the state export plan and, by making great efforts and taking the necessary measures, reduced inappropriate imports. This enabled us to cut our deficit in foreign trade. The living standards of both urban and rural residents continued to improve on the basis of increased production.

While consolidating what has been achieved in recent years, we made innovative progress in some aspects of economic restructuring that is of decisive importance to China's economic development. Horizontal economic ties between enterprises became broader and stronger. Reform of the labour system took an important step forward. Institution of different forms of the responsibility system in business operations and of the system of full responsibility for factory directors created important conditions for bettering the managerial mechanisms of enterprises. Further relaxation of control over the prices of small commodities and appropriate relaxation of control over the price differentials of some other goods based on quality, region and season helped to increase production and enliven the market. Reform of the financial system and expansion of the capital market facilitated the flow and rational use of funds. In addition to ensuring and stimulating the current steady economic growth, these achievements provide useful reference points for our future efforts at reform and will surely have positive long-range effects. It is already clear that the measures the State Council took last year to strengthen and improve macro-economic control and the policy it established of "consolidating, assimilating, supplementing and improving" the reforms begun in 1985 were necessary and correct, and that significant results have been achieved in these respects. We are fully confident that, through planned and well paced readjustment and reform, we can push China's entire economy a step further along the path of steady growth.

In 1986, focusing on economic development, we achieved gratifying successes in science and technology, education and ideological and cultural work. Our scientific and technological workers continued to implement with great enthusiasm the principle of gearing their professional activity to economic construction, actively pushed ahead the reform of the system for managing science and technology, made earnest efforts to tackle key problems in science and technology, strove to develop and disseminate research findings and actively carried out the "spark programme" designed to invigorate the rural economy. They achieved successful results in more than 10,000 major scientific and technological research projects, most of which have been applied in production and

construction, yielding significant economic and social benefits. On the basis of several years of continuing research and scientific verification by thousands of specialists, we have worked out and promulgated our technology policies for 12 spheres, including energy, transport and communications, agriculture and machine-building, and have announced our plans for a high-technology research and development programme in the fields of bio-engineering, information, astronautics, automation, energy, lasers and new materials. All this will certainly play a major role in our country's current and long-term scientific and technological development as well as its social and economic development. Thanks to the diligent efforts of our educational workers, varying progress was made last year in introducing nine-year compulsory education, improving the structure of secondary education, developing vocational and technical education and improving both regular and adult higher education. Our ideological and cultural workers did much to build a socialist society with an advanced culture and ideology, and they made fresh contributions to the development of China's cultural undertakings, such as the press and publishing, broadcasting and television, literature and art, public health and sports, and work related to cultural relics, libraries, cultural centres, museums and exhibition halls. With the advance of socialist modernization, Chinese intellectuals will undoubtedly be called upon to play an even more important role.

Our political stability and unity, which are essential guarantees for economic and social development, continued to be consolidated last year. Socialist democracy and the socialist legal system were further strengthened, and governments at all levels worked hard to make our country's political, economic and social life more democratic. Building on the steady improvement of legislation over the last few years, the Standing Committee of the National People's Congress examined and adopted 11 laws in 1986, and the State Council formulated and promulgated 59 administrative statutes. The legal system governing our state affairs and social life, which for historical reasons leaves much to be desired, was gradually improved. Extensive dissemination of knowledge about the law made government personnel more conscious of the need to act within the framework of laws and enhanced the people's awareness of the legal system and their understanding of how to conduct themselves as good citizens. The broad patriotic united front in our country grew and gained in strength. The relations of long-term co-operation between the democratic parties and democrats without party affiliation on the one hand and the Communist Party and the government on the other were cemented, as were the relations among the

people of all our nationalities—relations of equality, mutual assistance and close unity. Public order in our country remained stable, and standards of social conduct improved as a result of our continued efforts to crack down on economic and other crimes, to preserve public security through coordinated measures and to rectify all kinds of bad tendencies. Long-term political stability is the common aspiration of our people as well as a basic policy of our state, and we are convinced that this objective will be attained.

The Chinese People's Liberation Army is a great wall of steel protecting our motherland and an important force in national construction. New progress was made over the past year in modernizing and regularizing the army and making it more revolutionary; the task of streamlining its structure and reducing its personnel by one million was nearly completed, and both the military and political quality of its officers and men was further improved. The army made new contributions to the building of a socialist society that is advanced materially, culturally and ideologically, to the consolidation and development of a new relationship between the army and the people, to the maintenance of domestic stability and unity and to the defence of our country's territory and the security of its borders. We have every confidence that the People's Liberation Army will contribute even more in these respects to the country and the people. The people's police accomplished a great deal and scored new successes in maintaining public security and stability and consolidating the people's democratic dictatorship.

The facts and the general account given above amply demonstrate that, on the whole, our country is full of vigour, that the cause of socialism is thriving and that the situation is encouraging.

Fellow deputies,

While fully and objectively affirming the main, essential aspect of the overall situation in our country, we must be keenly aware of the many difficulties that lie ahead and of the shortcomings and problems in our work. In the economic sphere, although the problem of total social demand surpassing total supply has been somewhat alleviated, it has yet to be solved fundamentally and there are still some destabilizing factors. There has been a deficit in state finances, the prices of a number of commodities have risen a little too much and there is an imbalance between foreign exchange receipts and payments. Economic efficiency of industrial production and construction has remained low; some products have deteriorated in quality, and some have been overstocked; in the manufacture of others, consumption of materials has been high, raising production costs. In the political-ideological sphere, we are confronted with

the heavy task of eliminating the influence of the trend towards bourgeois liberalization. Although by and large, government personnel at all levels are working hard for the people, there are certain failings in the work of the government, such as short-sightedness and a lack of effective measures. Great efforts are called for to eliminate such defects as organizational overlapping, overstaffing, low efficiency, bureaucratism and unhealthy tendencies on the part of government personnel. We must pay close attention to these problems and take practical measures to solve them.

Practice has shown that complete, correct and firm implementation of the political line formulated at the Third Plenary Session of the Eleventh Central Committee is the fundamental guarantee and source of strength for smooth socialist modernization. In light of this basic practical experience and the current economic and political situation in our country, we should concentrate on fulfilling the following two major tasks in the year between the present session of the National People's Congress and the next. First, in the economic field we should adhere to the correct principle of construction, carry out everywhere the campaign to increase production, practise economy, raise revenues and reduce expenditures, deepen the structural reform and further open the country to the outside world, in order to ensure the stable, sustained growth of the entire economy. Second, in the political-ideological field we should conduct in-depth education in the necessity of upholding the four cardinal principles*, resolutely combat bourgeois liberalization and do more to build a socialist society with an advanced culture and ideology, in order to further consolidate and develop political stability and unity. Governments at all levels, all fields of endeavour, all enterprises and institutions, and all public organizations should focus on these two tasks and push ahead with down-to-earth work, keeping in mind the relevant arrangements made by the central authorities and their own specific conditions. We hope that all our workers, peasants, intellectuals and cadres and all the officers and men of the People's Liberation Army and the people's police will do what they can at their respective posts to contribute to the accomplishment of these tasks.

II. Persist in the Principle of Steady, Sustained Economic Development

Judging from the situation as a whole, in the eight years since the Third Plenary Session of the

* Keeping to the socialist road, upholding the people's democratic dictatorship, upholding the leadership of the Communist Party, and upholding Marxism-Leninism and Mao Zedong Thought.

Eleventh Central Committee China has basically achieved steady, sustained development of its economy. This is the cornerstone of our country's stability and unity and of its social progress. If we can maintain this momentum over a long period without setbacks, it will not only be of great immediate significance for the consolidation and development of the present excellent economic situation, but it will also have a tremendous, long-term impact on our efforts to modernize, to increase our economic strength, to improve the people's well-being and to enhance China's status and role in the world. We must make this goal the point of departure for our entire economic work and push ahead unflinchingly in the set direction.

In light of our experience in economic construction over the more than three decades since the founding of New China, and especially over the past eight years, and considering the present economic conditions, what must we do to ensure the steady, sustained growth of the economy?

First, we must attach strategic importance to strengthening agriculture in our effort to increase economic growth. For a vast country like China with a huge population and low productivity, steady growth of agriculture as the foundation of our economy is of paramount importance to the economy as a whole. One of the main reasons for China's unsteady economic growth for many years in the past was the slow development of agriculture and its fluctuating yield. The steady growth of the economy over the last eight years is due first and foremost to a continued and substantial increase in agricultural production, which has provided major conditions for the development of industry and the economy as a whole. The agricultural problem is mainly one of grain production. While never relaxing our efforts to produce grain, we must actively develop a diversified economy and continue to improve the structure of rural production. Major successes have been achieved in rural reform over the past few years, resulting in an all-round increase of agricultural production. But that does not mean we can overlook the role of agriculture as the foundation of the economy or neglect rural work. We must fully realize that our country's per-capita output of grain and other farm and sideline products is still very low and that grain production, forestry, animal husbandry and fishery rest on rather weak foundations. We must also realize that the Chinese countryside as a whole is still in the development stage and that, consequently, there is a vast potential to be tapped through deep-going reform, a wealth of rural resources to be exploited and developed. In a word, there are broad prospects ahead for rural economic growth. We must deepen the current reform and increase input so as to build up our capacity for sustained agricultural development. With intensified reform, we must

work out a series of new systems necessary for rural work and, when conditions are ripe, gradually codify the correct policies into laws to ensure their stability. Effective measures must be taken to protect farmland, forests and grassland, step up farmland capital construction and spread the application of research findings in order to constantly raise the scientific and technological level of agricultural production. We must see to it that enough acreage is devoted to growing grain and strive to raise per-unit yield, so as to bring about a steady and substantial increase in grain output and, on this basis, to promote an all-round, stable development of the rural commodity economy. We must keep up our efforts to help the old revolutionary base areas, areas inhabited by minority nationalities, frontier areas and poor areas to cast off poverty and become prosperous so that, by expanding production, the people there can rapidly solve the problem of food and clothing. This is an important task both economically and politically.

Second, we must act in accordance with the objective economic law that requires the scale of construction to be compatible with national strength. Compatibility of the scale of construction with national strength is a basic guarantee for the steady growth of the whole economy. Initial success was achieved last year in curbing excessive increase of investment in fixed assets. Investment in capital construction made by state enterprises and institutions went up 7.3 percent over 1985, a rate much lower than the 1985 figure of 44.6 percent over the preceding year. The main problems we face today are that the increase in fixed-asset investment outside the plan has yet to be brought under control, that too many new projects have been launched and that the scale of construction is overextended. What merits our greater attention is that the pattern of fixed-asset investment is highly irrational. Quite a number of the projects under construction involve ordinary processing industries, and many others are non-productive projects such as ultra-modern office buildings, auditoriums and hotels, which should not have been undertaken in view of the current national strength. On the other hand, there is not enough investment in such weak links in the economy as energy, transport, telecommunications and the raw and semi-finished materials industries. Unless this investment pattern is readjusted in good time, large numbers of processing enterprises will be unable to become productive and many non-productive installations will be unable to go into operation for lack of the necessary energy, transport, telecommunications facilities and raw and semi-finished materials, and the result will be tremendous social waste. Or else, we shall have to procure additional funds

amounting to tens of billions of yuan to expand construction of basic industries and infrastructure, which will inevitably mean an undesirable extension of the scale of investment. To further reduce the inordinately large scale of the ongoing projects and remedy the irrational investment pattern, the State Council made a decision early this year to resolutely carry out the principle known as the "three guarantees and three restrictions." This means we must guarantee the construction of projects included in the plan, of productive projects and of key projects, while restricting projects that are outside the plan, non-productive and non-key. This principle is being conscientiously implemented in most localities, but some departments and local authorities have failed to take prompt and effective measures in this regard. This state of affairs must be changed. We must keep the scale of construction strictly within the limits allowed by our national capacity and see to it that efforts are redoubled for key projects that directly affect the general interest.

Third, we must be sure to base the increase of consumption on the growth of production. In the past few years we have done solid work to correct the lopsided stress on accumulation to the neglect of consumption and adopted a series of measures to deal with the problems in people's everyday lives that have remained unsolved over the years. As a result, the income and consumption levels of most urban and rural residents have risen noticeably. That is necessary and correct. We shall continue to carry out the policy of steadily improving the people's living standards on the basis of increased production. However, we must point out that an important problem exists in our country's present economic life: effective consumer demand has increased too fast, with the desire for consumer goods becoming ever greater and the standards sought ever higher. This is particularly true of institutional consumption. Many government offices, enterprises, institutions and public bodies squander large amounts of public funds, indulging in ostentation and extravagance, vying with each other in luxury, giving lavish dinners and gifts, issuing excessive subsidies in kind and seeking unjustifiably high standards in all construction projects. Excessive increases in wages and bonuses and in group purchases have pushed up production costs and intensified the contradiction between consumption pattern and production structure. In the past few years production of many high-priced consumer durables has greatly increased, and much foreign exchange has been expended on importing large numbers of whole machines and parts, but the contradiction between market supply and demand remains sharp. This trend of the consumption pattern is incompatible with China's current level of economic development and the changes in

production structure. Unless correctly guided, it will result in reduced accumulation of funds and make continued economic growth difficult. More seriously, it may serve to corrupt social morality, in that some people will sacrifice their pioneering spirit to a love of luxury; a contradiction will arise between the low per-capita national income and the exaggerated desire for consumption, causing various social problems. Production is the prerequisite of consumption, and the latter can only be increased gradually in accordance with the growth of the former. Under normal conditions the people's living standards must rise at a lower rate than production and labour productivity, and the increase of individual and group purchasing power must conform to the increase in production of consumer goods. This is an inviolable objective economic law. Particularly at present when our country is in the initial stage of socialist modernization, we need to accumulate enormous construction funds. That is why we must adhere to the principle of building our country and conducting all undertakings by means of thrift and long years of hard work, instead of seeking inordinate consumption. Over the past few years, we have failed to place due emphasis on this principle and we should draw a lesson from that experience. From now on, we must arrange an appropriate level of individual consumption in accordance with the economic realities and development possibilities. At the same time, we must adopt effective policies and measures to strictly control institutional consumption, and we must correctly guide and regulate the people's demand for consumer goods, and their standards, psychology and mode of consumption, so that they can adapt themselves to our country's available resources and the level of development of the productive forces. Strict control of population growth is of enormous importance to the healthy progress of our country's modernization drive and to the steady improvement of the people's living standards. Therefore, we must steadfastly continue to carry out our principles and policies with regard to family planning.

Fourth, we must work to strike a basic balance between state revenue and expenditure and between credit receipts and payments. This is an important principle in our economic work as well as a major guarantee for economic stability. There was a deficit in state finances last year and also an unfavourable balance between bank credit receipts and payments. Although the financial deficit was partly the result of the sharp drop in world oil prices, reduced income from export and some other factors, it also reflected our unreasonably heavy spending. As the economy was channelled from the excessively rapid expansion of the previous two years to normal

growth, irregular items of income gradually decreased and state revenue grew at a lower rate, but the heavy expenditure that occurred in the years of excessive growth was not reduced as expected. In the past few years funds owned by the localities, departments and enterprises have greatly increased, and the proportion of state revenue in the national income and the proportion of the revenue of central financial authorities in state revenue as a whole have both dropped considerably. However, the authorities in charge of state finance, and particularly the central financial departments, still have to support many projects that should have been undertaken by the localities, departments and enterprises with funds of their own. Also, while funds are now much more dispersed than before, we have not yet set up systems and mechanisms to channel the funds in society at large to points where they are really needed. All this has provided objective conditions allowing localities and departments to develop processing industries and expand non-productive construction without justification and has created difficulties for the state, especially the central financial authorities. Unless correct policies and effective measures are adopted to correct this situation without delay, financial and credit deficits are likely to increase in the next few years. Financial and credit deficits are closely related to currency issue. There is nothing to fear if they occur in certain years in the course of economic growth. But if deficits are allowed to grow too large and last too long, they will lead to overissue of money, and this, in turn, will cause drastic inflation, a precipitous rise in commodity prices and chaos in economic life. For this reason, in light of the new distribution pattern we must resolutely cut back on expenditures and rationally readjust the pattern of financial revenues and expenditures of the central and local authorities, appropriately increasing the proportion of revenue of the central financial authorities. This year, through the issue of bonds and other measures, the state will gather together those dispersed extra-budgetary funds that can be concentrated for use on key construction projects. Banks must actively attract savings deposits, pool funds lying idle in society, open up more sources of funds and make proper arrangements for various kinds of loans. While measures must be taken to ensure the working funds of enterprises and funds for purchasing farm and sideline products, other loans must be strictly controlled, and the amount of currency issued must be kept within the framework of the state plan.

Fifth, we must continue to guard against the tendency to pursue an unrealistically high growth rate. Only by matching needs with possibilities, by stressing proportionate development and high economic efficiency and by maintaining a proper

growth rate can we enable our economy to expand steadily. Our objective of quadrupling the gross annual output value of industry and agriculture by the end of this century is realistic and can certainly be attained, because it presupposes increased economic efficiency and scientific and technological progress. If, disregarding economic efficiency and technological progress and ignoring the actual capabilities of the localities concerned and those of the society as a whole, we become obsessed with the idea of doubling and redoubling certain target figures ahead of schedule and as soon as possible, we would seriously interfere with the implementation of the correct construction principles, bring about a strained situation, lose control and cause sharp fluctuations in economic growth. The more haste the less speed. As far as the country as a whole is concerned, economic growth was shifted from an unduly high rate to a normal one last year, but we still have not completely corrected the idea of seeking an inappropriately high growth rate and of trying to bring about rapid change. Ours is a big country with a huge population and a weak economic foundation, and the natural conditions and the level of economic and cultural development vary greatly from one region to another. This basic situation dictates that instead of seeking quick results, we must make persistent, long-term efforts to change the face of our country radically, to make it thrive and to enable the people to attain common prosperity. We must formulate the strategic principle of steady, sustained growth and do practical work to lay a solid foundation and to straighten out economic relationships, in order to promote co-ordinated, continuous development of our economy. Under no circumstances should we blindly pursue an excessively high growth rate.

Sixth, in the final analysis, we must steadfastly push on with the comprehensive reform of the economic structure, so as to maintain steady, sustained economic growth. The problems we encounter in our current economic life are problems accompanying our advance and development. Thanks to the policies of reforming the economic structure, opening to the outside world and invigorating the domestic economy, our social wealth and economic strength have grown enormously in the past eight years. Compared with 1978, gross national product increased from 348 billion yuan to 938 billion in 1986, up 102 percent in terms of comparable prices; national income increased from 301 billion yuan to 779 billion, up 94.9 percent in terms of comparable prices; state revenue rose from 112.1 billion yuan to 222 billion, up 98 percent; extra-budgetary funds in the possession of the various departments, localities and enterprises increased from 34.7 billion yuan to 167 billion, up 381 percent; and the average per-capita consumption of urban and rural residents

rose from 175 yuan to 450 yuan, an increase of 86.9 percent after adjusting for price rises. These facts and figures prove that our present difficulties have arisen at a time when production and construction are developing vigorously and the people's living standards are steadily rising, not when the economy is in decline and the people's income is dropping. Therefore, we have the material basis and other favourable conditions for overcoming the temporary difficulties we face. At the same time, we must realize that since ours are new problems attending the smooth progress of reform, we must—and can—solve them only through deepened reform. China's economic restructuring is going through a stage when a new structure is being substituted for the old one. Many aspects of the old structure have been abolished, but the new economic mechanisms have not yet been systematically established, and many reforms that have been introduced need supporting measures to complete and perfect them. Coexistence of the new and old structures is one of the main reasons why we lost control of some aspects of the macro-economy two years ago and why we face the current problems in finance, credit, investment and consumption. Therefore, we must firmly and steadily push ahead the reform of the entire economic structure and strive to maintain, in the given conditions, the integrity and effectiveness of the economic structure now in operation. For this purpose the State Council has organized people in various quarters to sum up the experience of the past few years and carefully work out specific plans for carrying out the necessary supporting reforms, so as to advance the entire economic structural reform and bring China's economic growth into a "virtuous circle".

Fellow deputies,

In addition to the above-mentioned tasks designed to ensure the steady, sustained development of our economy, it is necessary, from both the immediate and long-term points of view, for us to launch a broad, deep-going and protracted campaign to increase production, practise economy, raise revenues and reduce expenditures. This campaign has long been our "magic weapon" in economic construction. Instead of discarding this weapon in the new historical period, we must use it to still better advantage. By widely arousing the masses to increase production and revenue, practise economy and combat extravagance and waste, we can make rational, effective use of our limited social and natural resources, better promote all production and construction endeavours and increase social wealth. Moreover, we can carry forward the fine tradition of building our country and accomplishing all tasks by means of self-reliance, thrift and hard work, so that this tradition becomes a powerful impetus to the growth of the productive

forces. This is of great immediate and long-range significance for the building of a socialist society that is advanced both materially, culturally and ideologically.

Since the current campaign to increase production, practise economy, raise revenues and reduce expenditures has been launched in the new situation of intensified reform of the economic structure, it must be integrated with that reform. Practice in the past few years has demonstrated that all enterprises that have been successful in reform have markedly improved their operation, management and overall performance, their awareness of market mechanisms and of competition and their economic efficiency. That is why we say that the campaign to increase production, practise economy, raise revenues and reduce expenditures is both a requirement for and a result of deepening the reform, because the reform, in turn, provides the motive force for the campaign. All localities, departments and enterprises must correctly understand the relations between the two and handle them satisfactorily, so that reform and campaign will be closely integrated and promote each other.

The objective of the campaign should be an overall increase in economic returns and social benefits. As far as industrial production is concerned, while ensuring a normal growth rate we should speed up readjustment of the production structure and the product mix and energetically increase the output of readily marketable products to meet the changing market demand both at home and abroad. All industrial enterprises must raise product quality, reduce consumption of materials, economize on the use of funds, carry out technological innovation and raise labour productivity. Great attention must be paid to the recycling of waste and the multipurpose utilization of materials. With regard to circulation, we should actively exploit the urban and rural markets, make an inventory of warehouses, reduce overstocking, expedite the turnover of commodities and capital, cut circulating expenses and reduce the losses of enterprises. So far as construction projects are concerned, we must increase investment returns by rationally readjusting the investment pattern, cutting back costs and shortening the construction cycle. In other fields, including scientific research, education, culture, public health, physical culture and sports and the work of government offices, mass organizations and the armed forces, it is also necessary to stress increased economic returns and social benefits from all expenditures, in order to accomplish more with less money and to put an end to the prevailing serious waste of funds. We must carry out the decision of the State Council stipulating that administrative, operating managerial and other expenses this year must be 10 percent

less than the executed budget figures of last year. For a long time to come we shall have to exercise strict control over expenditure.

In the campaign to increase production, practise economy, raise revenues and reduce expenditures, we must attach great importance to the role of science and technology. In production, construction, circulation and marketing and in all areas of endeavour including industry, agriculture, transport and communications, building and commerce, our comrades should take an interest in scientific and technological progress, promote it and take advantage of it in their efforts to increase production, practise economy and improve operation and management. Science and technology departments should continue to carry out the correct development strategy and policy, orienting their main efforts to serving the technological transformation of enterprises and the invigoration of the domestic economy. At the same time, they should organize highly trained personnel to study and develop advanced technologies and should continue to work fruitfully in basic and applied research.

To increase production, practise economy, raise revenues and reduce expenditures, it is of decisive importance to give full scope to the pioneering spirit of all enterprises, cadres and the rank and file. We hope that all enterprises in the spheres of production, circulation and construction will set their sights on tapping their potential. They should strengthen their basic administrative work, perfecting business accounting, strictly enforcing financial and economic discipline, giving more attention to auditing procedures and correctly carrying out the system of reward and punishment so as to improve their operation and management. In particular, it is necessary to consolidate labour discipline and eliminate the serious backwardness of many enterprises, as reflected in lax management, absence of clearly defined duties and responsibilities and lack of strict discipline. We must protect the legitimate rights and interests of the enterprises and forbid the localities and departments concerned to unjustifiably allocate financial and other quotas to enterprises. Workers and office staff, as masters of the country, should heighten their sense of responsibility for their enterprises, the state and the socialist cause; they should strive to raise their technical and overall professional levels and dedicate all their talents and abilities to the campaign to increase production, practise economy, raise revenues and reduce expenditures. All cadres, especially leading cadres at all levels, should set an example by discharging their duties conscientiously and working hard, being industrious and frugal and doing all they can to make the country prosperous. Leaders in all fields of endeavour and in all localities should work better,

draw up concrete plans and measures and sum up and disseminate advanced experience quickly, in order to put the campaign on a solid footing, persevere in it and achieve tangible results.

III. Deepen the Reform of the Economic Structure and Open Wider to The Outside World

Stable growth of China's economy depends not only on adhering to the correct development principles but also on intensifying the reform and opening our country wider to the outside world. One of the main things we have learned in bringing about the tremendous economic achievements of the past few years is that it is essential to combine correct development principles with correct reform measures and a correct open policy so that all are co-ordinated and promote each other. That is an important guarantee for China's smooth economic modernization.

The reform of the economic structure must meet the requirements for the development of our planned commodity economy based on socialist public ownership, and it must focus on invigorating enterprises and perfecting the market system and the system of macro-economic control. Practice has proved that this orientation and the overall scheme are correct. However, we should be fully aware of the complexity and long-term nature of the reform so that we shall be able to make timely and appropriate adjustments to specific reform plans and supporting measures in the light of changes in the situation. After careful studies, the State Council has set the following major tasks for the economic structural reform in 1987: Concentrating on invigorating the enterprises, especially large and medium-sized state enterprises, we must stress reforming their managerial mechanisms and leadership structure, continue to establish horizontal economic ties between enterprises, speed up the financial reform, expand the capital goods market, gradually reform and improve the labour and wage system, introduce better control over investment in fixed assets and actively prepare for supporting reforms in every area.

First, to intensify the reform of enterprises and establish and improve managerial mechanisms that combine responsibilities, powers and interests. Injecting greater vitality into enterprises is the key element in the reform of China's economic structure. Generally speaking, enterprises have become more vigorous through the reform in recent years. But much remains to be done, especially in the case of large and medium-sized state enterprises that have not yet been fully invigorated. The main reason is this: on the one hand, the decision-making

powers delegated to enterprises according to state regulations have been held up at the intermediate levels in some localities and departments; on the other hand, while more powers have been granted to enterprises, there is no satisfactory combination of their responsibilities, powers and interests, and we have not yet created conditions for giving them full managerial authority and full responsibility for their own profits and losses. That is why, more often than not, enterprise behaviour cannot, on its own, meet the requirements of the overall policy decisions of the state, nor can it respond to market changes promptly and rationally; that is also why institutional reform in the enterprises has been greatly restricted and they have been unable to take full advantage of their potential. To further deepen the reform of enterprises, in addition to ensuring that they really receive the powers delegated to them according to the regulations, we should stress improving their managerial mechanisms and in accordance with the principle of separating ownership from managerial authority, institute different forms of the contracted managerial responsibility system. Our aim is to make the enterprises relatively independent economic entities having full authority for management and full responsibility for their own profits and losses. We should work out rational, flexible methods of operation in light of the characteristics of different trades and enterprises. Generally speaking, small enterprises may be contracted or leased out, and whoever operates them should shoulder full managerial responsibility; large and medium-sized enterprises may carry out different forms of the contracted managerial responsibility system according to their specific conditions. Contracts may be signed to lay down unequivocally the relations -- in terms of responsibilities, powers and interests -- between the authorities in charge of the enterprises concerned and the enterprise managers and between the collective and its workers and office staff. We should protect the legitimate interests of all enterprises and their managers and employees. In short, we should explore diversified ways of separating enterprise ownership from managerial authority and gradually work out a system of socialist enterprise management with Chinese characteristics, in accordance with the principle of making public ownership predominant and invigorating the enterprises.

In conjunction with the introduction of the contracted managerial responsibility system, we should hasten the reform of the leadership structure in enterprises. In accordance with the directives of the Central Committee, we should extensively implement and improve the system whereby factory directors assume full responsibility. The factory director, who represents his or her enterprise as legal person, has overall responsibility for that

enterprise. We should put into force a system under which the factory director is held responsible for the attainment of certain objectives during his or her tenure and under which the performance of the enterprise is subject to supervision through auditing at the expiration of the director's term. This will prompt managers, in co-operation with the other employees, to improve the administrative basis of their enterprises and establish strict regulations. The enterprises will thus gradually form mechanisms of self-regulation. Also, the above measures will make it possible to train a great number of promising socialist entrepreneurs, who are badly needed for our socialist cause.

Second, to further develop all kinds of horizontal economic ties and encourage the establishment of groups or associations of enterprises. In accordance with the objective needs of economic development, while reforming the enterprises' managerial mechanisms we should promote horizontal economic ties between enterprises, or between enterprises and scientific research institutions, and systematically establish a new enterprise structure adapted to the needs of large-scale, modern, socialized production. As a result of the reform in the last few years, more than 32,000 registered economic associations of various kinds have appeared in the country together with 24 inter-regional horizontal economic networks. In 1987, on the basis of the positive results already obtained in this respect, we shall work out more specific policies and measures to promote the vigorous advance of such associations. We shall encourage and support all localities, departments and enterprises in their efforts to pool production factors, invest in each other and purchase each other's shares, so as to help rationalize the enterprise structure. Where conditions permit, we should establish different kinds of inter-regional and inter-trade enterprise groups or associations and gradually standardize their relations in terms of responsibilities, powers and interests. Enterprises manufacturing military products should also join the various horizontal economic associations, in accordance with the principle of combining military with civilian production and of manufacturing products for both peacetime and wartime use. In view of the experience we have gained in recent years in developing horizontal economic ties, we should pay special attention to the following four points: 1) We should adhere to the principle of voluntary participation and mutual benefit and always place in the lead backbone enterprises or manufacturers of brand-name or high-quality products, thus preventing the enterprise groups from becoming administrative corporations in disguise or purely administrative organs. 2) A number of competitive enterprise groups of different sizes and characteristics may be established within one and

the same trade to prevent monopoly by a single enterprise or group. 3) Economic balancing departments at all levels and authorities in charge of specialized enterprises should fully support the enterprises in their efforts to develop horizontal associations suited to their own conditions, and resolute steps should be taken to prevent interference by any departments or regions acting out of their own interest. This will ensure sound progress of the horizontal economic associations and enterprise groups. 4) We should see to it that scientific research institutions are invited to join the enterprise groups to promote the close integration of research with production and enhance the enterprises' capacity to develop technology.

Third, to deepen the reform of the financial structure, exercise more effective control over all social funds and make better use of them. To speed up the financial restructuring is a major aim of the state's efforts to strengthen and improve macro-economic control and a prerequisite for enlivening the domestic economy. Last year saw rapid advance of our financial reform, especially the growth of the money market. This has played an important role in alleviating the shortage of working capital for enterprises and promoting the rational use of social funds. In 1987 we should work for even better results in financial reform, trying in particular to do the following: reinforce and improve the functions of the central bank in overall control and develop various financial institutions, effectively use the many different channels of capital flow, diversify credit services, vigorously promote insurance services in both urban and rural areas and encourage appropriate competition among different types of financial institutions; see to it, where conditions permit, that specialized banks and insurance companies and some other kinds of financial institutions at the provincial level or below are run as enterprises, so that they can gradually assume full authority for independent operation and full responsibility for their own profits and losses; reform the existing system of bank interest rates, gradually straighten out the interest rates for deposits and loans and apply differential rates based on varying lengths of time involved as well as floating rates; improve control over the enterprises' working funds and abandon the practice of having the banks act as sole suppliers of such funds; gradually bring foreign exchange and foreign loans under unified control and increase the liquidity of foreign exchange funds; enhance the role of key cities as financial centres, systematically and under proper guidance develop in large and medium-sized cities multi-tiered financial markets of varying scales, and exploit the role of financial markets in pooling and regulating funds, guiding their flow and promoting their efficient use.

Fourth, to further expand the capital goods market and create a favourable environment for invigorating enterprises. At present, most big and medium-sized enterprises have yet to be fully invigorated. As far as external conditions are concerned, this is largely due to the lack of developed markets for capital goods. This year, therefore, we should strive to expand and improve the markets for such important means of production as rolled steel, coal, cement and lumber. The state will set aside a portion of the steel earmarked for unified distribution and place it on designated key markets, while strengthening guidance and management. Through necessary economic measures the state will encourage the steel-making enterprises that market the rolled steel at their disposal and the end-users possessing overstocked rolled steel to sell more of it on the market. To ensure supply, we should encourage enterprises to establish stable relations among themselves, in accordance with the principle of mutual benefit and reciprocity. Where possible, we should spread the experience gained in Shijiazhuang and some other places, where the method of "unifying marketing prices, refunding price differentials if any, gradually relaxing control and expanding the market" is used with regard to some important means of production, whether or not covered by state planning. This will serve to increase the enterprises' power to decide which products to purchase, reduce overstocked goods, prevent illegal dealings and build markets for the means of production.

Fifth, to reform the labour and wage system and gradually rationalize income distribution in enterprises. This year all enterprises should further implement the rules and regulations of the State Council concerning the reform of the labour system. Henceforth, all state-owned units should recruit workers throughout society and apply the labour contract system. At the same time we should establish an insurance system for former employees waiting for new jobs and gradually introduce the practice of pooling retirement pensions for employees on a provincial, municipal or county basis. Except that the state will in the near future set roughly uniform wage standards for reference, in the distribution relations between the state and enterprises the state will set only the ceilings and margins of wage and bonus increases and the norms and ratios by which such increases are to be related to the enterprises' economic performance. Thus, it will be left up to the enterprises themselves to decide on the specific forms and methods of income distribution. In light of its specific conditions, each enterprise may adopt its own forms of distribution, such as time-rate wages plus bonuses, piece-rate wages, floating wages and wages required for per-unit product. These methods will help tie

remuneration closely to job performance, do away with egalitarianism and correctly implement the principle of distribution according to work. Meanwhile, the state will further improve the methods and regulations for tightening overall control over consumption funds, in order to make the increase in such funds correspond to the development of production and the growth of national income.

Sixth, to improve management of investment in fixed assets and increase investment returns. In the past few years the institution of various forms of the system of investment responsibility and the practice of public bidding in capital construction has done much to stimulate the initiative of departments, localities and enterprises, rationalize the use of funds and improve returns on investment. This year we shall further spread and improve the different forms of the investment responsibility system. Meanwhile, in the management of fixed-asset investment, we should streamline administration and delegate power to the lower levels, duly extend their powers to examine and approve construction projects, and we should simplify the procedures. We should make departments, localities and enterprises share the responsibilities and risks involved in the investment decisions they make, thus combining responsibilities, powers and interests. On condition that the total investment set by the Seventh Five-Year Plan is not exceeded, more power to examine and approve construction projects will be given to departments that have responsibility for investment; departments and localities that do not have such responsibility will also be granted more power to approve projects in certain trades and professions. Large integrated enterprises under direct state control and large and medium-sized key enterprises enjoying special state aid will be given enlarged power to make decisions relating to the organization and conduct of capital construction and technological transformation. We shall improve annual investment planning, and while strictly controlling the scale of investment, we shall empower localities and departments to make necessary readjustments to investment in construction projects within the limits set by the state. We should improve the method of examining and approving construction projects and shorten the time it takes, so as to raise efficiency. We should break down the barriers between regions, between units and between military and civilian departments and put into effect a system of public bidding, selecting the best tender in the whole process from design and construction right through to supply and import of equipment. That is to say, we should gradually abandon the practice of assigning tasks merely by administrative means.

Fellow deputies,

The question of price and price reform is of

common concern at present and has aroused much discussion. Our price system is highly irrational, owing to prolonged neglect of the law of value and to rigid and excessive state control. Unless we carry out price reform, it will be impossible for us to establish the well functioning socialist market system that is indispensable to the development of a socialist commodity economy, to effectively promote production and commodity circulation, to provide correct guidance to consumption, or to establish a new, vigorous socialist economic structure. It is therefore imperative to reform the irrational price system and price control system. However, it will be a very difficult task because it affects hundreds of millions of households. Generally speaking, our price reform is in the nature of structural readjustment. Nevertheless, in the course of reform the general price level is bound to rise, because the prices of farm products, energy, raw and semi-finished materials and other primary products have long been too low, because many products have long been in short supply and also, of course, because of the slight inflation in our economy. A rise in general price level during the reform will inevitably pose the question of whether the state, the enterprises and the people can withstand the strains, both economically and psychologically. So far as the government is concerned, it will make careful studies and estimates and compare the various plans proposed before implementing any price reform measures, so as to keep the general rise in prices down to a level tolerable by society and the people. For their part, the people should deepen their understanding of the necessity of price reform and become better able to adapt themselves to price changes in the context of the developing socialist commodity economy. It is unrealistic to have only wage increases without changes in commodity prices. That would mean a return to the days of a lethargic economy and wage and price freezes. Such a situation would obviously hinder economic development and a rise in the people's standard of living and is therefore against the wishes of the great majority of the people. The crux of the matter is that we must do everything we can to guarantee that the margin of increase of the people's income is not smaller than the margin of price rise so that, instead of declining, the actual living standard will steadily rise on the basis of expanded production. By and large, we have achieved this in our reform over the past few years, a fact that is obvious to everyone. It goes without saying that the impact of price rises on people's life varies greatly because of differences in income, consumption standards and family size. Life is indeed hard for a small number of people whose income has not increased or has increased only insignificantly, and there are even some whose living standard has actually fallen somewhat. This is

a problem we cannot ignore, and we must redouble our efforts to solve it in the course of economic development. Some localities, departments and enterprises, taking advantage of the current price reform, have introduced arbitrary charges and unjustifiable price increases, open or concealed, thus jeopardizing the interests of the consumers and arousing popular resentment. We must put a stop to this. When adopting price reform measures in future, we must adhere to the established correct principles, continue to implement the policy of "combining relaxed control with readjustment and making steady advance", and be even more careful and considered in our work. Reform this year will be confined to readjusting and relaxing control over a very small number of products whose prices have to be changed, and we must see to it that the rise of the general price level is smaller than it was last year. State commerce should continue to play its part in stabilizing prices, and we must make a point of strengthening control over market prices and eliminating all forms of unjustified price rises, including disguised ones. This should be an important law and discipline calling for strict observance, and popular supervision in this regard is welcome.

In the course of reform another problem arises which people are concerned about and to which we must pay close attention: how to correctly understand and deal with the relations between various interests. As the new economic structure is gradually substituted for the old, these relations will necessarily change and readjust themselves accordingly. The old pattern of interests and the old relations of distribution will give way to the new, rational pattern and relations. Such changes will necessarily be gradual, just as will the substitution of the new structure for the old. Judging from the general trend of development, all quarters will benefit economically as the reform progresses. This has been fully borne out in practice during the past few years, and it is a basic reason why our reform measures have won popular support. However, there can never be a simultaneous increase in benefits for all the people: some will gain greater and earlier benefits than others, and some may even suffer a temporary loss in certain respects. Moreover, readjustment of the various interests cannot be made final all at once. The benefit some people derive from one reform measure may be partly nullified by another, and this loss may be compensated by still another. More often than not, such complicated changes will in some degree affect people's attitudes towards the reform. We must be very aware of this. We should not adopt reform measures blindly but seek insofar as possible to benefit all sectors of the population in order to win consistent popular support for the reform, which will then proceed smoothly. In the meantime, in

conjunction with the various reforms we should do careful ideological work among the people to help them understand the protracted and complex nature of the reform, so that they will cherish no unrealistic expectations of increased personal benefits from it and will be mentally prepared to withstand its consequences. Earlier, some of our mass media failed to pay adequate attention to this point, and here we have a lesson to remember. As far as distribution of actual benefits among individuals is concerned, we should continue our effort to overcome egalitarianism in favour of rational differences in personal income, encourage some people to become prosperous sooner than others through their own hard work and help people understand that this is conducive to the development of the productive forces and, therefore, to the realization of common prosperity in the whole society. On the other hand, to avoid too great a spread in income, we should also rationally adjust the high income earned by some through proper and legitimate means. As for those who make fabulous profits through illegal means, we must take strict measures against them, and those who break the laws must be brought to justice.

Fellow deputies,

Opening to the outside world is a basic policy of our state and one that will remain in force in the years to come. Through our efforts over the past few years we have scored great achievements in this connection. There has been visible progress in the building of the special economic zones, the development of open cities and regions along the coast, the expansion of foreign trade, the use of foreign funds, the introduction of advanced technology and managerial expertise from abroad and in economic and technological co-operation with foreign countries in other fields. In 1987 we shall open wider to the outside world and explore new possibilities for the effective use of foreign funds, the import of advanced technology and the earning of foreign exchange through export. In this way our open policy will play a greater role in China's economic development and socialist modernization.

Using foreign funds and attracting foreign businessmen to launch joint ventures, co-operative enterprises or wholly foreign-owned ones is a major component of our open policy. It is also an important means to make up for the shortage of domestic funds, enhance our capacity to earn foreign exchange through export and raise China's technological and managerial levels. We must carry out to the letter the various policies promulgated by the State Council, policies stipulating preferential treatment for foreign businessmen who invest in China, and we should work to improve the relevant economic laws so as to provide a more favourable investment environment for foreign businessmen.

In the light of both Chinese and foreign experience, we should adhere to three principles in using foreign funds: First, there must be control over the total amount of foreign loans procured, and the pattern of such loans should be rational and commensurate with our ability to repay them and to make the best use of them. Second, foreign funds must be used for production and construction, with emphasis on enterprises manufacturing export commodities to earn foreign exchange or producing import substitutes and on those applying advanced technologies. Third, economic results must be emphasized in the use of foreign funds. The net income from the use of such funds must on no account be spent in its entirety. A sufficient amount must be kept in reserve to service foreign loans on time. Only thus can we maintain our country's international credit standing and respectability and secure a firm footing in the family of nations.

In the final analysis, our ability to open wider to the rest of the world and to expand economic and technological interchange with foreign countries depends on our increased capacity to earn more foreign exchange through export. In order to obtain more foreign exchange, we must develop production, improve product quality, increase the varieties of designs and specifications of our goods and raise their competitiveness in international markets. We should exploit China's advantage in terms of rich human resources and low labour cost to expand export of products made either of imported materials or of materials supplied by foreign firms themselves. We should promote horizontal economic association and co-operation between industry and foreign trade and between agriculture and foreign trade. We should gradually set up an integrated system for the production of export commodities and develop export-oriented enterprises. These enterprises should be well informed and able to produce strictly according to the demand of international markets, so as to lay a solid foundation for the steady and sustained growth of our foreign trade. In order to adapt ourselves to changes on the world market, we should further readjust the mix of export commodities and rapidly increase the export of manufactured goods, particularly intensively and finely processed products of textiles and other light industries as well as electronic and machinery industries. We should try to develop various forms of co-operation and association devoted to production of export commodities and related operations, do a better job of building networks of sales services and further exploit the world market. Special economic zones and open cities and regions along the coast should gradually build an economic structure oriented to the rest of the world, so that they can turn to full account their favourable

conditions for expanding production of export goods. To increase economic efficiency in foreign trade, we should reinforce economic accounting, lower the cost of exports. While increasing export to earn more foreign exchange, we should also expand our tourist industry, undertake more contracted projects abroad and provide more co-operative labour services to other countries, all of which will become important means of earning foreign exchange. We should not only export more goods for more foreign exchange but also use foreign exchange more rationally and economically. We should work to balance foreign exchange receipts and payments and use our limited foreign exchange where it is most needed and where it can be best used to develop our economy. We should put a stop to unnecessary imports and rely on ourselves for those products that we can manufacture ourselves and that are in adequate supply. We should expand production of import substitutes and increase the proportion of goods produced by our own country. We should sum up our experience and work out a programme for overall reform of the foreign-trade system that will enable us to have a unified approach to trade relations with foreign countries and to bring all positive factors into play. This programme should be put into effect in a planned way and step by step, so as to create favourable conditions for further expanding China's foreign economic relations and trade.

IV. Consolidate and Develop Political Stability and Unity

Our construction, reform and open policy must never be divorced from political stability and unity. The central task in the political-ideological sphere at present is to conduct widespread, deep-reaching education in the necessity of adhering to the Four Cardinal Principles, to oppose bourgeois liberalization and to redouble our efforts to build a socialist society that is culturally and ideologically advanced. This is necessary to consolidate and develop political stability and unity and to provide a basic guarantee for the sound, smooth progress of construction, reform and the implementation of our open policy.

Adhering to the Four Cardinal Principles — that is, keeping to the socialist road, upholding the people's democratic dictatorship, upholding the leadership of the Communist Party and upholding Marxism-Leninism and Mao Zedong Thought — provides the common political basis for the unity and concerted struggle of the people of all our nationalities. Written into the Constitution of the People's Republic of China, these principles form the cornerstone of our state and the cardinal guideline for its administration. In essence,

exponents of bourgeois liberalization are opposed to the Four Cardinal Principles; they are trying to break away from the leadership of the Communist Party and to negate the socialist system in favour of capitalism. Over a period of time, leadership in the ideological field became weak and lax. We failed to pay close attention and give adequate support to the dissemination of Marxism and even took a laissez-faire attitude towards bourgeois liberalization. The erroneous ideological trend of bourgeois liberalization, which goes against the law of historical development and against the common will of the people, was thus allowed to grow and spread. This has created ideological confusion among some people, deceived a number of young people who lack a knowledge of history and practical experience, impaired political stability and unity and interfered with our construction, reform and opening to the outside world. The disturbances that were stirred up by a small number of students and that spread to a number of cities towards the end of last year were basically the result of widespread bourgeois liberalization, even though the immediate causes varied from place to place and from school to school. If bourgeois liberalization were allowed to spread unchecked, it would adversely affect even more people—especially a part of the young people—who would then lose their bearings, and it would plunge our country into turmoil and make it impossible for us to proceed with our normal construction and reform programmes. That is why we hold that the struggle against bourgeois liberalization has an important bearing on the success or failure of China's socialist modernization and on the future and destiny of our country. We must take a firm, clear-cut stand in relation to this struggle and never hesitate or waver.

After several months of work since the end of last year, we have curbed bourgeois liberalization, which was once quite widespread. But immense efforts must be made to eliminate the pernicious influence of this wrong ideological trend. At present we must concentrate on the following tasks: 1) Continue to criticize intensively the erroneous ideas of bourgeois liberalization. 2) Seriously carry out education in the Four Cardinal Principles by using positive examples. 3) Further consolidate, replenish and strengthen our forces in the mass media. 4) Substantially reinforce and improve ideological-political work in different spheres, especially in schools. 5) Devote greater efforts to the building of our Marxist theoretical contingent. We should also go on making in-depth investigations and studies and constantly sum up experience in order to guide this struggle more satisfactorily.

The ultimate purpose of the struggle against bourgeois liberalization is to unite more closely the people of all our nationalities and, on the basis of adherence to the Four Cardinal Principles, to better

carry out the all-round reform and the open policy so that we can build socialism with Chinese characteristics more effectively. The line that has been in force since the Third Plenary Session of the Eleventh Central Committee of the Chinese Communist Party has two essential points. One is adherence to the Four Cardinal Principles and the other is implementation of the policies of reform, opening to the outside world and invigorating the domestic economy. If we did not adhere to the Four Cardinal Principles, political stability and unity would be disrupted and the reform and open policy would be deprived of their basic political guarantee and might even go astray. If reform and the open policy were not carried out, socialism would come to a standstill and become ossified, and it would be impossible to fully develop the productive forces and, consequently, impossible to truly uphold the Four Cardinal Principles in practice. Adherence to these principles and implementation of the policies of reform, opening to the outside world and invigorating the domestic economy are not mutually exclusive; they complement and penetrate each other, forming an integral whole. The purpose of our emphasis on adhering to the Four Cardinal Principles and opposing bourgeois liberalization is precisely to implement comprehensively and accurately the line we have been pursuing since the Third Plenary Session of the Eleventh Central Committee; it cannot—and it absolutely will not—detract from our reform and open policy. We must take note of the fact that some people favouring reform and the open policy are not clear-headed enough, and that others who stress adherence to the Four Cardinal Principles are not mentally emancipated enough. This is a question of understanding. There are some people who have not yet acquired a comprehensive understanding of the line being implemented since the Third Plenary Session of the Eleventh Central Committee. But we believe that when their ability to distinguish right from wrong has been enhanced through criticism of the ideological trend of bourgeois liberalization, and when they are encouraged by the increasingly obvious achievements scored in the reform and in opening to the outside world, they will raise their understanding of the question, more conscientiously uphold the Four Cardinal Principles and the policies of reform and opening to the outside world and join the struggle with a stronger will to build socialism with Chinese characteristics.

Combating bourgeois liberalization is a difficult, complicated and long-term struggle. It demands, on the one hand, that we take a clear-cut stand and do not give up halfway and, on the other, that we apply correct policies and methods and throughout the struggle convince people by reasoning things out. We must learn from our previous experience and refrain from launching

another political campaign or repeating the "Left" mistakes of the past. In the last few months the Central Committee has adopted and made known a series of correct principles and policies in this struggle, which can be summed up as follows: 1) The struggle against bourgeois liberalization will be strictly confined within the Chinese Communist Party and conducted chiefly in the political-ideological domain. It will emphasize solving the problems of basic political principles and orientation and will not concern itself with policies of economic reform, rural policies, scientific and technological research, exploration of literary and artistic styles and techniques, or the everyday life of the people. 2) It will not be conducted in rural areas, and in enterprises and institutions there will only be education by positive examples. 3) No attempt will be made to ferret out exponents of bourgeois liberalization at various levels, to implicate people at higher or lower levels or to have everybody make self-criticisms. 4) We shall adhere to the principle of uniting with the overwhelming majority of people and draw a strict line of demarcation between the tiny handful who are wedded to bourgeois liberalization and have all along been opposed to the Four Cardinal Principles on the one hand and, on the other, people who hold certain views characteristic of bourgeois liberalization but who do not stubbornly cling to their own opinions and who respect discipline. 5) We shall draw a strict line of demarcation between non-Marxist academic views, writings containing ordinary mistakes, and faults in academic exploration on the one hand and bourgeois liberalization on the other. 6) Differing ideas on academic theories and on culture and art are to be approached through continued, normal and free discussion, criticism and counter-criticism, in accordance with the relevant provisions of the Constitution. We should use discretion in handling matters concerning people. As far as those who have made the mistake of bourgeois liberalization are concerned, we should help them through serious criticism and give them adequate time to ponder over the problem; their self-criticisms are welcome. As for people who have made erroneous viewpoints or written erroneous articles under the influence of bourgeois liberalization, the main thing is to encourage them to increase their understanding through study and practice. Even when a few individuals who stubbornly cling to bourgeois liberalization are dismissed from their leading posts, they should be assigned suitable jobs so as to turn their professional skills to good account and enable them to make their contributions to society.

Practice has shown that the above principles and policies have effectively guaranteed the sound progress of the struggle, and we must continue to carry them out unswervingly in future. Here, let me emphasize it again: In the whole process of the

struggle against bourgeois liberalization, no change will be made in our overall policy of concentrating on the development of the productive forces with a view to the modernization of our economy and of redoubling our efforts to build a socialist society that is advanced materially, culturally and ideologically. No change will be made in the policies of implementing all-round reform and opening to the outside world. No change will be made in the various current policies for the rural and urban areas. No change will be made in the principles and policies of consolidating and developing the patriotic united front. No change will be made in the policy of continuing to "let a hundred flowers blossom, a hundred schools of thought contend." And no change will be made in the policy of respecting knowledge and trained personnel and of bringing into full play the talents of intellectuals. Not only will there be no changes in all these principles and policies, but they will be adhered to more accurately, more effectively and for a long time to come.

It is our consistent strategic principle and also a major objective of our fight against bourgeois liberalization to unceasingly promote the cultural and ideological advance of our socialist society. Governments at all levels should adopt effective policies and measures and try to raise the whole nation's ideological and moral level as well as its scientific and cultural level, so as to provide a powerful driving force and intellectual support for our modernization and all-round reform. In our efforts to achieve cultural and ethical progress, we should strengthen and improve ideological-political work. We have a fine tradition of attaching great importance to this work, which furnishes a powerful guarantee for the success of all our other work. We must strengthen, rather than weaken, our ideological-political work to meet the needs of new developments in reform, opening to the outside world and invigorating the economy in the new historical period. For such work to be strengthened, however, it must be improved. This is a new area which our enterprises, schools, institutions, army units and all fields of endeavour must strive to explore. We should take a clear-cut stand, disseminating the Four Cardinal Principles with perfect assurance, and we should explain to the people the domestic and international situation and the principles and policies of the Party and state. But we must always use the method of presenting facts and reasoning things out, the method of patient persuasion. We must stress effectiveness instead of formalism and guard against doing things in a crude, over-simplified way. We should educate the masses in the common ideal of socialist modernization, raise their morale and mobilize them to devote themselves enthusiastically to national construction and reform. All types of

schools at different levels, especially colleges and universities, which are charged with the glorious mission of educating people and moulding their mental world, should do more to strengthen and improve ideological-political work. They should continue to combine theory with practice, reform the content and methods of instruction, provide convenient conditions for the teachers to familiarize themselves with the actual situation and encourage the students to take part in social practice, in a guided and well organized way, in order to broaden their vision and enrich their practical knowledge. All levels of government should concern themselves with educational work, support it and make a sustained effort to create better working and living conditions for teachers. The schools' administrative work and their services relating to the everyday life of teachers and students should be improved. We must fully carry out the educational policy of the state and do everything possible to enhance the qualities of the educated and bring up one new socialist generation after another with high ideals, moral integrity, a good general education and a sense of discipline.

In building a socialist society with an advanced culture and ideology, we must bend every effort to make our various cultural undertakings develop and flourish. In the light of their specific characteristics, newspapers, periodicals dealing with current events, radio, television and other mass media led by the Party and government should comprehensively and correctly publicize the principles and policies of the Party and government, and fully reflect the innovative spirit of the people and their readiness to work together for our socialist cause. They should reflect and publish through different channels the suggestions, opinions and responsible criticisms of people in all walks of life on the work of the Party and government. They should provide the people and the Party and government with accurate, up-to-date information, correctly guide public opinion and offer the readers good nourishment for the mind. Thriving literature and art are indispensable to the moral development of the people and the enrichment of their cultural life. We hope that our writers and artists should heed the voice of the masses, be aware of the demands of practical life and immerse themselves in the activities of the people. In this way they will be able to mirror our age, to create more high-quality works embodying our socialist culture and ethics and thus to better serve the people and socialism. We should further develop publishing, restructure the system of publication and distribution and produce more and better books for the people. All levels of government should promote mass cultural undertakings, such as libraries, cultural centres and stations, museums, exhibition halls, cinemas and

theatres, and incorporate this work into their respective programmes for economic and social development, advancing it step by step under proper guidance. The Marxist stand, viewpoint and method should be used in social science research, and researchers should creatively study the new conditions, experiences and problems that arise in our socialist modernization and all-round reform, explore the laws for building socialism with Chinese characteristics and expand the scientific theories of Marxism on the basis of varied social practice. So far as literature, art and academic research are concerned, in conformity with the provisions of the Constitution we should continue to advocate freedom in creative and academic work and free exchange of views, criticism and counter-criticism, and to encourage innovative practice and daring exploration. While persisting in our policy of opening to the outside world, we must promote socialist culture and ideology and carefully assimilate all foreign ideological and cultural accomplishments that are useful to us. At the same time, we must make a scientific Marxist analysis and appraisal of the philosophical and social science theories of the Western bourgeoisie and its trends of thought on literature and art. We must not unthinkingly praise these Western things, still less regard the decadent capitalist values and outlook on life as "new ideas" and disseminate them as such. Otherwise, they will contaminate and corrupt people's minds. It is also necessary, of course, to improve management of those cultural undertakings whose main task is to produce and disseminate intellectual products; they should work for greater economic returns while consistently taking social effect as the highest criterion. The state will continue the policy of giving moral encouragement and material rewards to those units that make important contributions to the building of a socialist society with an advanced culture and ideology and to the development of cultural undertakings; to excellent creative works and research findings; and to ideological and cultural workers who achieve outstanding successes.

A high level of socialist democracy with Chinese characteristics has always been our consistent objective. We oppose the erroneous tendency of idealizing bourgeois freedom and democracy, and we do not advocate "mass democracy" precisely because we wish to better promote socialist democracy. We must proceed from China's realities and adopt practical measures to steadily develop, in a guided and planned way, socialist democracy in the political, economic and social life of our country and, in particular, to enliven democratic activities in grass-roots units and perfect their democratic administration. This must all be done if we are to turn the initiative and

creativity of the masses to the best account for socialism. At present, leading government departments at all levels and their leading personnel should take the initiative in opening up channels for regular dialogue with the masses. They should explain to them in good time the principles and policies, the achievements in construction and reform and the plans for future work, as well as the difficulties and problems that have cropped up. At the same time they should carefully listen to the opinions of the masses, accept their correct criticisms and rational suggestions and strive to overcome bureaucratism, improve work style and increase efficiency so that they can serve the people more effectively and with greater dedication. Through dialogue between leaders and the masses we can exchange ideas, know each other better, resolve any possible misunderstandings and thus establish and develop, under socialist conditions, a new type of relations among the people, relations based on democracy, solidarity, mutual assistance and a common desire for progress. This is an important task in the development of socialist democracy. All levels of government should place themselves under the supervision of the People's Congress and its Standing Committee. While improving the exercise of supervision over government work through administrative channels, we should also make full use of the supervisory role of the People's Political Consultative Conference and the democratic parties, and of the trade unions, the Communist Youth League, the women's federations and other mass organizations as well as of public opinion. Under no circumstances is it permissible to stifle democracy on the pretext of opposing bourgeois liberalization or to suppress or resist justified criticisms of shortcomings and mistakes in our practical work.

As a state system of a new type, socialist democracy is still far from perfect; it requires a long, gradual process of maturing. While upholding the leadership of the Chinese Communist Party, keeping to the socialist road and consolidating and developing political stability and unity, we must progressively improve socialist democracy by reforming the political structure from top to bottom in an orderly way. We are now making thorough and systematic investigations and studies and will, on this basis, formulate a feasible plan for reform, suited to China's circumstances. This plan will define the principles, content, priorities and steps relating to political restructuring. Its implementation, we hope, will meet the requirements of the deep-reaching economic reform and of the programme of socialist modernization.

Ours being a multi-national country, it is of great importance to steadily strengthen the great unity of all our people. We must carry out among

cadres and the rank and file intensive education in the Marxist outlook on the nationalities question and in policies towards them and unity among them, and constantly foster the growth of a new, socialist type of relations among them all. Government departments and the economically developed localities should give more support and aid to regions inhabited by minority nationalities and accelerate economic and cultural development there. We should carry out to the letter the Law of the People's Republic of China on National Regional Autonomy, so that our system of regional autonomy will be continually improved. Through widespread and deep-reaching propaganda and education, we should carry forward the patriotic spirit based on love for the motherland and readiness to strive for the country's regeneration, and we should work hard with compatriots of all our nationalities to hasten China's reunification and to build socialism with Chinese characteristics.

Socialist legality is a guarantee of socialist democracy and of socialist material, cultural and ideological progress. We should steadily perfect the socialist legal system and see to it that laws are observed and strictly enforced and that law-breakers are brought to book, our firm principle being that all are equal before the law. Thus we shall be able to ensure the sound progress of our all-round reform and other work, China's long-term political stability and the inviolability of its citizens' legitimate rights and interests. All government personnel must further develop their sense of legality and awareness of law and set an example by observing and enforcing laws. As for the work of propagating knowledge of the law among all citizens, we should carefully sum up our experience of it and provide better guidance, so that it will be carried on in a more down-to-earth and effective way. All localities, departments and units should conscientiously study and carry out the Decision on Strengthening Education in Legality and on Upholding Stability and Unity recently adopted by the Standing Committee of the National People's Congress. Personnel of public security and judicial departments and all the people's police should continue to improve their political and professional qualities and raise the standard of their professional ethics, being honest in the performance of their duties, strictly enforcing the law, taking initiative and behaving civilly. In this way they will form a fine style of work and establish closer ties with the people. In accordance with the law, we should continue to crack down on all hostile elements who sabotage our socialist system, punish all criminals, including those guilty of economic crimes, and put a stop to all activities which disrupt public order. We should mediate civil disputes, handle other contradictions among the people properly and promptly and take comprehensive measures to

improve public security and ensure social tranquillity.

Fellow deputies,

China's socialist modernization is a great cause which calls for the tenacious efforts of several generations and requires a stable international environment of enduring peace. Although the present international situation is very complicated and the factor of war still exists, the forces of peace have been growing, and through the joint efforts of the world's people it is entirely possible to attain world peace. China consistently pursues an independent foreign policy of peace, opposes hegemonism and safeguards world peace, all of which has enjoyed the approval of more and more people in the world. In 1986 we scored a series of fresh achievements in our foreign relations. The friendly relations and co-operation between China and other countries have been steadily consolidated and expanded. China has won widespread acclaim throughout the world for its unremitting efforts to maintain peace, bring about disarmament and promote co-operation and development in the world. As an important force for peace, our country has drawn increasing attention from the community of nations. Maintaining independence, China will not enter into alliance with the superpowers, and it will endeavour to establish and expand friendly relations and co-operation with all countries on the basis of the Five Principles of Peaceful Coexistence. This policy is necessary to enable China to reach its ambitious goal of economic invigoration, but it also furnishes a powerful contribution to the cause of world peace and development; it is therefore entirely in conformity with the fundamental interests not only of the Chinese people but also of the people of the rest of the world. Whatever problems we may meet in our advance, and whatever changes there may be in the international situation, we shall steadfastly follow our independent foreign policy of peace in the years ahead.

Our effort to bring about the peaceful reunification of our motherland, in keeping with the

concept of "one country, two systems," has won increasing support from the people. The Sino-British agreement on the question of Hongkong is being smoothly put into effect and our country will continue to implement the series of general and specific policies relating to Hongkong which have been written into that agreement. The Sino-Portuguese negotiations on the question of Macao have been successfully concluded and tomorrow the delegations of the two governments will initial an agreement. The settlement of the question of Macao is another example of the successful application of the principle of "one country, two systems" to the problem of reunifying the motherland. It represents a major advance towards the ultimate goal of complete reunification. The principle of "peaceful reunification" and "one country, two systems" is also a fair and reasonable one for settling the Taiwan question, and it has been understood as such by a growing number of our Taiwan compatriots. We sincerely hope that they will continue to enhance their patriotic spirit and contribute all they can to the reunification of our motherland. We also hope that our compatriots in Hongkong and Macao and Chinese citizens abroad will continue to serve as a bridge linking people from all walks of life on both sides of the Taiwan Straits. It is also our hope that the Kuomintang authorities in Taiwan will put the interests of the country and of the nation above everything else and take practical measures to further the great cause of China's peaceful reunification.

To sum up, the current domestic and international situation is favourable both to our construction work and to the reform. It is our unshakable resolve, under the leadership of the Chinese Communist Party, to constantly cement the great unity of the people of our many nationalities, to steadily enhance our friendship and co-operation with other countries and peoples around the world, to advance the great cause of building socialism with Chinese characteristics and to work for the peaceful reunification of our motherland. No force or interference can stop our advance. We are full of hope for the future of our country, and of confidence that victories lie ahead.

members, the Standing Committee also provides them with a host of materials including information about foreign laws; 126 copies of such materials were printed and distributed last year.

Member Li Guiying of the Yi nationality said: "Three years ago I thought law-making was the business of jurists and that whatever decision was made at the top was perfectly right, so my speeches always focused on its necessity and significance. I have noticed a stronger democratic atmosphere in each session of the Standing Committee, people air their views and carefully study the draft law. Peng Zhen, chairman of the NPC Standing Committee, repeatedly asks deputies to air their different views from which positive elements are drawn. So since 1985 before each session I have carefully studied relevant materials and done some background research and at each session I express myself freely. Some of my opinions have been written into the law. At the recent discussion on the law concerning industrial enterprises, my opinions were affirmed by the NPC Standing Committee chairman. Sometimes the views of myself and fellow members with whom I am on good terms differed completely, but we all proceeded from the interests of the state and the people. I think this is promotion of democracy."

Hou Xueyu, member of the General Assembly of the Chinese Academy of Sciences and famous ecologist, said: "I have noticed the Standing Committee is progressing in the following ways; 1. Opinions, however strongly expressed, are carried in the bulletin as they are; 2. Inspection tours formerly made by deputies collectively are now being conducted individually; 3. We no longer vote by a show of hands but by pressing a button; and 4. Discussions of the laws are made after better preparation, more thorough investigations are being

conducted and a more prudent attitude is being taken in voting. A vote is called only after the deputies' understanding is more unified after heated debate and thorough study of both the positive and negative aspects of the matter; when deputies are divided on an issue, they will not make hasty decisions. Now everybody dares to speak their minds, the drafts are repeatedly revised and improved on the basis of the discussion. I have also found I am no longer fond of hearing assenting views, instead, I am now especially enamoured of hearing dissenting views."

Election

Direct election of people's deputies has now spread from the township level to the county level. The recently revised electoral law has made the following changes in the election of deputies at those levels for 1987: electors' wishes are fully respected, the composition and proportion of deputies are not rigidly specified, candidates are not to be designated by the higher level; deputies must be able to handle social and political affairs, the post of deputy should not be regarded purely as an honorary title; the number of candidates must exceed the number of seats by 30 to 100 percent.

Although China's electoral system needs improvement in practice, now that people's congresses and their standing committees are electing, appointing or removing government leaders at their level, it is no longer dismissed as an "election machine."

Inevitably some candidates have failed to be elected. Not long ago, the Yunnan provincial people's congress elected a new president of the province's higher people's court. The original president who had assumed office more than three months earlier lost the election because he lacked

professional knowledge and a candidate nominated by 13 deputies of the Honghe Hani and Yi Nationalities Autonomous Prefecture was elected instead. When the news was published in local newspapers, it was generally regarded as a major development for socialist democracy.

Last year when the Jilin provincial people's congress discussed electing two new deputy governors, one president of the people's court and one procurator-general of the procuratorate, most deputies agreed that the candidates for the president and the procurator-general did not meet the minimum requirements of competence; they also objected to the candidates for the deputy governors. The presidium of the congress rescinded their candidatures. After that, Gao Qiu, secretary of the Jilin provincial Party committee, said: "Previously some people felt that deputies had only to vote for whatever the Party committee had decided. The current people's congress session was a success because it acted according to law. It shows that the Communist Party must act within the framework of the Constitution and the law." NPC Standing Committee Chairman Peng Zhen praised the Jilin people's congress for having promoted democracy and respected the deputies' opinions.

Supervision

Deputies to the recent NPC session made 262 motions and offered 3,100 proposals. The National People's Congresses and government departments concerned will now begin processing them. The Standing Committee's work report to the last NPC session made by Vice-Chairman Chen Pixian of the NPC Standing Committee said that the 265 motions and 3,341 proposals made by deputies at the session had been examined and discussed



Deputies from Sichuan Province at a panel discussion.

CHEN ZONGLIE

and ways were being studied to handle them. Appropriate laws or decisions on five of the motions had been made, the problems raised in 99 other motions were almost solved or were being solved, and 65 percent of the proposals had been tackled or were being tackled.

For instance, Jiangsu deputy Zhu Siming and 31 others proposed a motion on the production and difficulties of the Huaibei saltworks. Two months later, the saltworks received 50 million yuan in bank loans and local government investment.

In the past year, the NPC Standing Committee has investigated the enforcement of some laws, urged some localities to correct practices that deviate from the Constitution and the laws. But a sound system for the supervision of law enforcement has as yet not been established.

In his government work report to the last NPC session, Premier Zhao outlined the need for livening up the democratic life and improving democratic management at the grass-roots level. He also stressed the need to open up more channels of communication between the masses and the government and to

enable the supervisory function of the people's political consultative conference, the various democratic parties, the people's organizations and public media to be exercised.

When the NPC is in session each year, the meeting of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) is also held, CPPCC members attend the NPC session, hear the various reports and plans and exercise their democratic supervisory function over the government's work.

At a panel discussion of the CPPCC, Chen Yu, former vice-chairman of the All-China Federation of Trade Unions, said: "Before the Third Plenary Session of the 11th Party Central Committee in 1978, different opinions were seldom heard at the CPPCC meeting, let alone criticism of the work of the Party and the government. This situation has changed now. Sharp criticisms are often heard at meetings. They are made out of a sincere desire to improve our work. The CPPCC members are carrying out extensive and productive work in democratic dialogue, supervision and decision-making."

CPPCC member Xu Chi, adviser to the State Economic Commission, said: "I used to think that since each ministry had its own people and specialists, my colleagues and I in the CPPCC found it hard to take part in making decision on major projects. But I changed my mind after I took part in the inspection tours of the Three Gorges Project on the Changjiang (Yangtze) River, which the CPPCC organized in 1985 and last year. The central government took note of our opinions and dissolved the Three-Gorges provincial preparatory group. The feasibilities of the three gorges project is being re-evaluated. I feel that the CPPCC can now really play its role in making decision on major projects."

Legal System

Since the NPC Standing Committee decided to disseminate knowledge of the law in November 1985, about 300 million people, 40 percent of those who are able to understand, have joined the study. Deputy Cao Yu, a famous playwright, said, "Now

people in both urban and rural areas are studying the law, their sense of law has strengthened and their perceptions of the rights and interests of the citizen have become clearer. China is still under the influence of thousands of years of feudalism thinking. Without knowledge of the law, the people do not know which of their rights and interests are protected by law. Some village and township heads are like kings and their words are law there. After studying the law, the people can speak up for their legal rights, supervise and protest if leaders break the law. The old saying that the prince was given the same punishment as everyone else if he committed a crime is sheer humbug. Today it has come true that everyone is equal before the law. It's really a good thing."

Cao Longhao, an NPC Standing Committee member and chairman of the Standing Committee of the People's Congress of the Yanbian Korean Autonomous Prefecture in northeast China, said, "There is a factory in Yanji city which with good management creates one-third of the city's revenue. In 1985 a department at a higher level attempted to nationalize it. We reasoned with it but failed. Finally we used the Law of the Regional National Autonomy and succeeded in stopping the department."

The work of the state judicial organs has also made progress in the last few years. Zheng Tianxiang, president of the Supreme People's Court, delivered a work report at the April 6 NPC session. In his report he said that the problems of regarding a leader's words as law and using force to inhibit enforcement of the law are quite common in some places.

Zheng also said that the Supreme People's Court supports the lower people's courts in handling cases according to law regardless of who the case involves. Of those who committed serious economic crimes and were

punished last year, 151 were former leading members above the county level, an increase of 165 percent over 1985. Lin Taosen, former director of the organizational department of the Hainan Administrative Region Party Committee, and Yu Tiemin, former deputy director of the General Office of the Shanghai Municipal Party Committee, were sentenced to life imprisonment for speculation profiteering and accepting bribes. Huang Yuhui, former deputy secretary of the Hexian County Party Committee in Guangxi Zhuang Autonomous Region, was executed for corruption and taking bribes. People reacted strongly to this, saying that the court really acts according to the law.

Leading bodies of the Party, government and army support the local judicial organs in the independent exercise of judicial power. In 1986, Zheng said, the Higher People's Court of the Ningxia Hui Autonomous Region handled an economic case and found the defendant—the Yinchuan local government—guilty. The mayor of the city, the legal representative of the defendant, accepted the judgment and the autonomous regional Party committee and the Standing Committee of the Yinchuan People's Congress supported the verdict. The local government paid back the money within the given period. This verdict was acclaimed by the local people as a good answer to the question of where does the real power lie, with the leading members or with the law.

The Constitution stipulates that the people's courts, people's procuratorates and public security organs shall, in handling criminal cases, divide their functions, each taking responsibility for its own work, and they shall co-ordinate their efforts and condition each other to ensure correct and effective enforcement of the law. They also give due consideration to evidence and investigation findings, and draw a strict

distinction between mistakes and crimes. In 1986 Zhao Hengdong was charged with embezzling more than 100,000 yuan when he worked for the Liaoning Computer Association. The Shenyang Intermediate People's Court carried out extensive investigation, on the basis of which the court judged that Zhao made mistakes but did not commit any crime. Zhao was found innocent and released.

Prospects

To reach a high level of socialist democracy is important in the drive for modernization and a new state system. As Zhao Ziyang explains in his work report, "Socialist democracy is still far from perfect; it requires a long, gradual process of maturing."

Many deputies said China is still in its early stages of socialism, it has a huge population and its economic development and educational level are low; communications are backward; the influence of feudal autocracy is quite strong. All these will slow the realization of a high level of socialist democracy.

The per-capita annual GNP in China is only US\$400 and is lower than 100 other countries. In 1982 China had 237.9 million illiterates and semi-literates over 12 years old. The greatest concerns of many citizens are improving their living standards but not state or political affairs. Some farmers know little of things outside their own village and so find it hard to express their opinions about the election of deputies to the county people's congress. Under these circumstances, it is impractical to attempt to turn China overnight into a society with a high level of democracy, on the contrary, it will slow the democratization process.

Professor Pan Dakui, an NPC deputy from Sichuan Province

who received a Master's degree in political science in the United States in the late 1920s and is now an adviser to the Chinese Society of Political Science, said, "Some university students know nothing about Western democracy. Strictly speaking, modern politicians in the West do not believe Western democracy is the best. In essence it still serves the rich minority.

"I'm a Central Committee member of the China Democratic League. I began fighting for democracy in the 'May 4th Movement' in 1919 and have been a friend of the Communist Party since the 1930s. The NPC, political consultation and democratic supervision are more suitable to China's realities. The Chinese Communist Party has become the

core of leadership through the long revolutionary struggle. Today the democratic parties do not vie for power and profit with the Communist Party, but cooperate with it under its leadership and build socialism together.

"The Communist Party has a membership of 40 million, and the eight democratic parties and the All-China Federation of Industry and Commerce (ACFIC) have a total membership of 220,000. According to these proportions the democratic parties should have only a few seats. At present all state policies, which represent the interests of the majority of the people, are decided through democratic discussion, consultation and supervision by representatives from various fields. This

conforms with China's reality and will quicken China's progress. This is real democracy for the majority of the people."

There are no inter-party conflicts as in the case of Western parliaments, nor are leaders pressed with questions. None of the NPC deputies or CPPCC members spent any money on their election, or spoke or acted contrary to the final goal: prosperity for our country. At the session there were heated debates and severe criticisms, but all these were motivated by a sincere desire for building China well. As long as China advances along its present course, there is great hope for it to achieve the goal of becoming a modern, socialist country with a high level of democracy. ■

US Company Breaks New Ground

Of the 7,700 enterprises involving foreign investment set up since 1979, more than 130 are owned entirely by foreign companies. Compared with Sino-foreign joint ventures and co-operative enterprises, these wholly foreign-owned enterprises face more difficulties. Still they are working hard for better business. A case in point is the Shanghai-based 3M-China Co. Ltd.

by Our Correspondent Yao Jianguo

Can wholly foreign-owned enterprises survive in socialist China? The question is yet to be answered. But the opportunity to try is now there, and 130 or so wholly foreign-owned enterprises, mostly in the four special economic zones, have taken it up.

The 3M-China Co. Ltd. is a business in Shanghai set up by the Minnesota Mining and Manufacturing Co. of the United States in March 1985. Though the company is still in its experimental stage today, the US investors' interest in it has grown, and plans are afoot to expand its business scope in five years' time.

The 3M has 107 branch companies and subsidiaries in over 50 places across the world. It manufactures electrical, biochemical, and magnetic goods, and materials for the space industry. Many of these products are recognized as the best of their kind.

Probing

In March 1980 the US company explored the possibility of setting up a branch in Shanghai to turn out 3M products for sale in China, but without transferring its technology. This, however, was rejected on the grounds that China

was not ready for it. China proposed a joint venture or co-production, but 3M was not prepared for that either.

Negotiations resumed in 1983 and the Chinese side consented to a 3M-owned business in Shanghai. It allowed the company to sell its products in China and use the Renminbi income to buy Chinese industrial goods for export, to balance out its dollar books. The American side agreed to market some of the company's products outside China. The deal was thus clinched.

The establishment of a US

business, 3M-China Co. Ltd., received Shanghai municipal government approval in November 1984. Four months later, the company went into operation in a 1,700-square metre building rented from the Shanghai Insulating Materials Factory. The US\$3 million investment was spread over three years. The company now turns out rubberized tapes, telecommunication equipment and cable joints, rated as highly advanced, under trial-manufacturing.

According to Richard Tsang, manager of finance and general affairs, investment in the Shanghai-based company was a mere fraction of 3M's annual business turnover (US\$7 billion), and the Shanghai company only produces a few kinds of 3M's numerous output. This is an exploratory move. Through this 3M is testing how a wholly foreign-owned enterprise will fare in a socialist country.

Difficulties

Problems came in the wake of the US company's going into operation. From its business

diary, this correspondent discovered 16 problems between July 1985 and August 1986.

Soon after starting operation, the company applied for four telephones. Only two were installed purportedly because of line shortages. Both telephones failed to work in March 1986. The company communicated with businesses in downtown Shanghai only several kilometres away by telex for a while before the line was fixed.

The company applied for 150 kw of electricity. As power was in extremely short supply in east China, it received only 90 kw. In February 1986, it intended to make new products and applied for an additional 210 kw of electricity. Saying that approval by the supervisory department was needed, the local power supply bureau delayed until recently.

The company on several occasions asked to employ its Chinese staff directly. But it has received no answer for a long time. It has 14 Chinese employees. Some of them are office workers from the Shanghai Foreign Service Co., some are skilled workers from the Shanghai Insulating Materials Factory, and some others are car

drivers from the Shanghai Trust and Investment Co. Although they work for the US business, they receive their pay and welfare benefits from their own units. This of course hinders the company's personnel management.

The Chinese government's effort to improve the investment environment, in particular the promulgation of the Provisions for the Encouragement of Foreign Investment by the State Council on October 11, 1986 (see *BR* issue No. 43, 1986) has been helpful. Finally, the company was able to employ its first four Chinese workers whose wages and bonuses are decided by the company. They are now in their six-month probation period. All the workers from the Shanghai Insulating Materials Factory have also signed labour contracts with the US company. Shanghai municipality has set up departments to serve foreign investors, regulate foreign exchange, and supply materials to foreign-funded enterprises. These too have helped 3M-China.

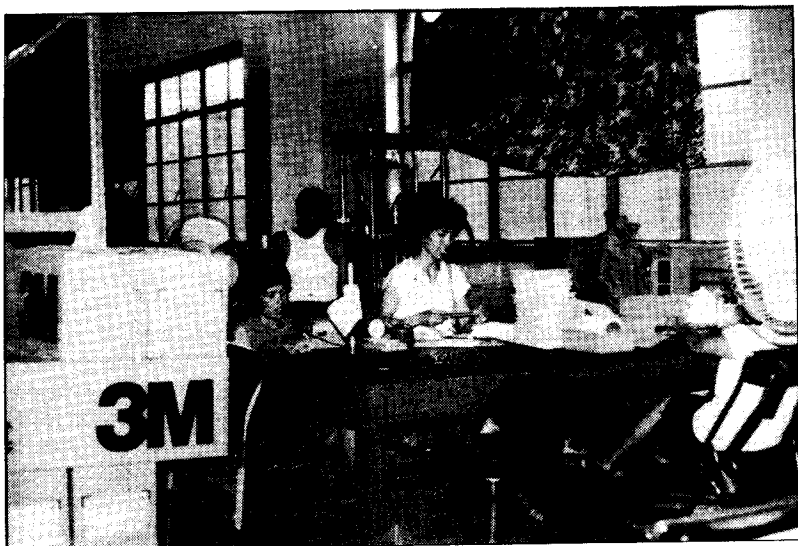
Seeking Agent

According to the Law on Enterprises Operated Exclusively with Foreign Capital, the production and business programmes of wholly foreign-owned enterprises in China must be handed to the authorities. Given this, when 3M-China was inaugurated, the municipal government designated the Electrical Machinery Industry Administration Bureau as the department in charge of the company, and a manager of an affiliated company was appointed as the Chinese representative on the US company's board of directors. But, as the 3M-China had no business relations with either the bureau or the affiliated company, the department in charge only existed in name, and the Chinese director could hardly contribute much to the company.

The company later asked the

Building of the Shanghai Investment and Trust Co., agent of the 3M China Co. Ltd.





Packaging room of 3M-China Co. Ltd.

YAO JIANGUO

Shanghai Trust and Investment Co. to work as its agent to help it solve some of its problems, coordinate its relations with other Chinese entities, and purchase local products for export in Renminbi. The agent performed well, and found it much easier to deal with the Chinese authorities and solve problems than the company had done alone.

For instance, the company bridled at having to pay for Chinese employees in foreign currency. Although it had often complained, it got no results and put it in the hands of its agent. The Shanghai municipal government proceeded to stipulate that all Chinese employees of Sino-foreign joint ventures and wholly foreign-owned businesses should be paid in Renminbi.

Wholly foreign-owned businesses purchasing Chinese products in Renminbi for export is still a trial practice. As China's foreign trade is still monopolized by the government, foreign businesses must always clarify what products they can export, what they cannot, what products need quotas and what need export licences. After lengthy negotiations with export companies and customs, the agent facilitated the

company exporting US\$7,200 worth of Chinese products in a first deal. By the end of last year, it had helped the company strike six export deals valued at US\$20,000.

"Of course, not everything went our way," said a spokesman for Shanghai Trust and Investment Co. "Because of the differences in social systems and management methods, we came across many problems. We must consider the interests of the foreign business and common international practice. At the same time we must also see to it that China's laws and statutes are followed."

Zhou Yuanji, an official of the Shanghai Foreign Economic Relations and Trade Commission, thought the use of an agent a good idea, especially while China is still in the process of improving its economic systems and policies, and there are still inadequacies in its investment environment.

Technology vs Market

Few of 3M's advanced technology has arrived in China. Most of the work in the Shanghai company is still done by hand. Workers here simply cut, paste and pack semi-finished products

shipped in from the United States. A worker there said that the company's equipment and technology are no better than in his old factory.

Ronald G. Harber, general manager of 3M-China, said the company was very cautious in importing technology. Before China fully opens its door, he said, the company has no plan to introduce its most advanced technology to China or invest profusely in the country. An official at the Ministry of Foreign Economic Relations and Trade said that given the company's production and management level, it cannot for the moment enjoy the favourable terms offered by the government to advanced export-oriented enterprises. The company's future development depends on the importation of advanced technology and the expansion of the market for its products abroad.

Currently the company is preparing to make a stride forward in importing technology. It has already drawn up an ambitious five-year plan for the years between 1986 and 1990. According to the plan, it will establish three production bases, three selling centres, six training centres and three joint ventures in Beijing, Shanghai and Guangzhou to produce more 3M products.

Since it started business more than a year ago, the company has established production bases and opened sales channels in China, and its deficit has dropped month by month. By the end of 1986, the company had achieved a profit rate of 6 percent and a favourable balance in its foreign currency. In addition, to support the opening of the Shanghai Foreign Exchange Regulating Centre, the company sold it US\$100,000.

Tsang said: "We are confident of fulfilling our five-year plan. If we can make money in these five years it will not be remitted abroad. We will reinvest the money to expand our business in China." ■

Changing Ideas About Employment

"LAODONG RENSHI BAO"

(Labour and Personnel News)

The reform of China's labour system is changing the prospects for employment of China's urban young people in several respects:

1. Opinions about the desirability of working in different types of units have changed in recent years. In the past, the overwhelming majority of urban young people looked down on collectively-owned and individual enterprises and preferred working in state enterprises. For example, a 1982 survey by the Academy of Social Sciences indicated that 6.9 percent of urban young people questioned planned to work in collectively-owned units and fewer than 0.3 percent wanted to be self-employed labourers, while the remaining 93 percent said they wanted to work in state-owned organizations or departments.

But, the idea that state enterprises are superior to collective or individual ones has changed since 1985. According to a recent survey of vocational school students in Shandong by the province's Communist Youth League, 21.5 percent of those questioned said that they would be willing to be self-employed if it was impossible to find a better job after they finished their studies.

2. The idea that industry is superior to commerce has changed with the recent rapid growth of the service trades. For instance, many examinees in vocational schools now want to specialize in studying foreign trade, tourism, accounting, secretarial services and computer programming as well as electronics and small electrical appliances. Fewer students entered the examinations for courses

in mechanical engineering, textiles and construction.

3. Opinions about the best way to employment have also changed. In the 1982 Academy of Social Sciences survey, more than 90 percent of the young people surveyed said they preferred either the system of state assignment to jobs or to replace their parents; only 6 percent said they wanted to depend on their own efforts to get jobs. However, a 1985 survey by the Beijing College of Economics of university and middle school students in the city's Chaoyang District indicated that 73.3 percent of the students felt that units wishing to recruit new members should hold public examinations and then hire the best examinees; 46 percent—most of them university students—preferred state-assigned work; 17 percent said they believed real ability and learning would guarantee them a good job; and only 4.4 percent preferred the old system of stepping into their parents' shoes.

4. Ideas about the status of occupations have changed. In a 1985 survey on the status of occupations by the Institute of Chinese Economic Structural Reform and China Youth Magazine, cadres in the administrative units and institutions and scientific workers ranked first and second, while farmers and individual enterprises ranked last in social status. However, when it came to economic status, individual households ranked first and cadres and scientific and technical workers in enterprises ranked second, while workers in specialized fields and cadres in administrative units and institutions ranked last. Nevertheless, when young people were asked to choose occupations, individual enterprise was at the bottom of the

list. It is thus clear that social status takes precedence over economic considerations when Chinese young people choose occupations.

5. Young people usually prefer occupations that require advanced education and knowledge of technology and do not want to engage in hard, dirty or tiring physical tasks. The survey by China Youth Magazine indicated that the ideal occupation chosen by young people was to be a cadre in administrative offices, institutions and state-run enterprises. Manual occupations were seldom chosen, indicating difficulties in recruiting new labourers.

6. Most young people hoped to enter professions that matched their interests. The 1985 survey by Beijing College of Economics indicated that more than 50 percent of the students questioned wished to put their ability to good use and to accomplish something in their careers.

7. New hopes of being able to change jobs more freely have emerged and ideas about the life-tenure system (the "iron rice bowl") have changed. Although many young people have transferred from collective and individual enterprises to state-run enterprises, the reverse has also begun occurring: Some young people have begun moving out of state-run and into collective and individual enterprises.

These trends indicate that China's reforms in the economic structure and labour system, changes in industrial structure, and the technological revolution have greatly influenced young people's occupational values.

On the other hand, the findings also show that values embedded in the old economic structure, especially the idea of the "iron rice bowl" and overall state planning of lives, remain deeply rooted in people's minds and are continuing to hamper the progress of reforms. To overcome old ideas, young

people should be helped to correct their values regarding employment. This is very important for the reform of the economy and the

labour system and for the construction of socialist material and moral civilizations.

(Feb. 4, 1987)

Revolution of 1911, the bourgeois democratic revolution which overthrew the Qing Dynasty. He also offered a plan for the development of capitalism in China.

Under the leadership of the Communist Party of China, the Chinese proletariat carried out the new democratic revolution. From beginning to end, it regarded national independence and resistance to imperialist aggression as its own duty. After a 28-year struggle, the People's Republic of China was founded in 1949.

During this entire period, the peasant class never ceased their own struggle against imperialist incursions.

(No. 6, 1986)

Five Anti-Imperialist Forces

"LISHI YANJIU"

(Historical Research)

Thanks to the protracted resistance struggle against foreign aggression waged by the Chinese people between 1840 to 1949, China was saved from being reduced to a colony. Some historians have interpreted "Chinese people" to mean only the working class, but it is quite evident that this interpretation is incomplete and the term people should include the following groups as well.

Many members of the landlord class took part in the resistance. Resistance from the landlord class raised the curtain on the struggle against aggression. Prior to the rise of the bourgeois reformists, the resisters within the landlord class were the most important force that stopped China from being reduced to a colonial country. Lin Zexu (1785-1850), a statesman of Qing Dynasty, was their outstanding representative figure.

The bourgeois reformists advocated reform of the political structure and raised the slogan "making the country strong and rich" in order to cast off the strictures of foreign capitalism. With the emergence of a national bourgeoisie, Xue Fucheng (1838-1894) called for a trade war to resist foreign capitalist aggression in 1870s. This was followed by the "Constitutional Reform and Modernization" movement started by the reformist group headed by Kang Youwei (1858-1927) and Liang Qichao (1873-1929). It aimed at resistance against foreign invaders and advocated replacing China's

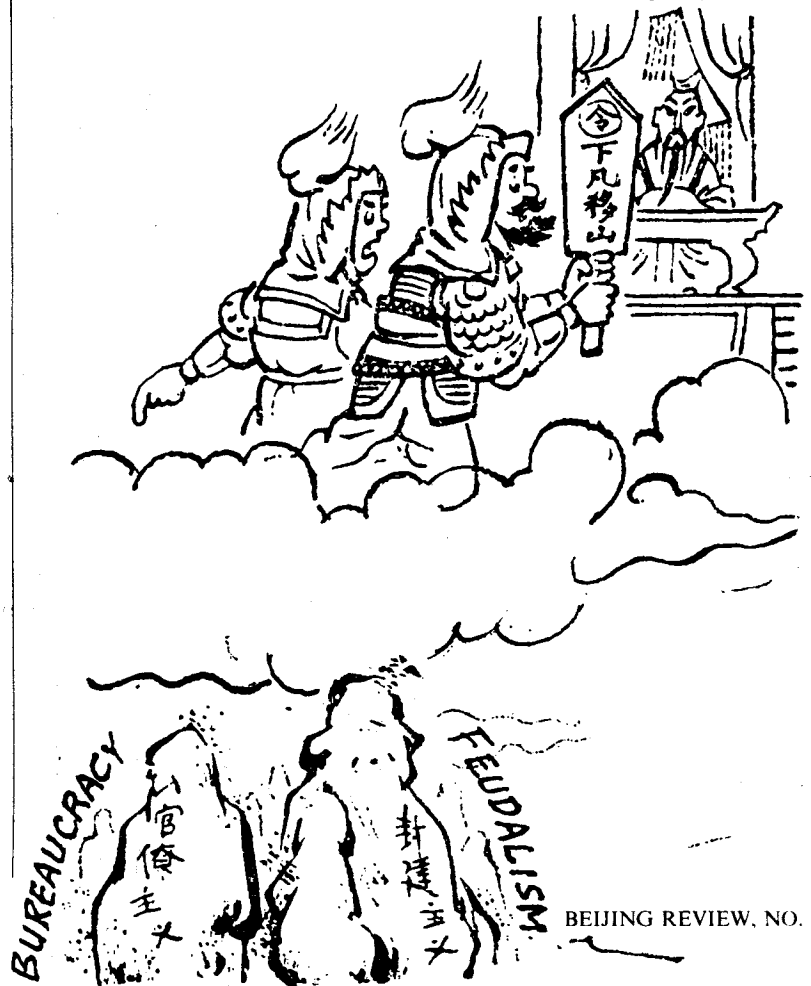
feudal autocracy with constitutional monarchy.

The bourgeois revolutionaries strove to eradicate the feudal regime, to develop the national economy, to stop foreign aggression, and to gain equal political and economic status with the big powers in world affairs. Sun Yat-sen (1866-1925) initiated the Three People's Principles (nationalism, democracy and the people's welfare) and led the

NEW TRENDS IN MOVING MOUNTAINS.

— Your majesty, we can not find any place in the human world to put these two mountains, because nobody wants them.

SHEN TONGHENG



China Improves Its Technology Export

China has made progress in its export of technology. The Ministry of Foreign Economic Relations and Trade statistics show that in 1986 China concluded 20 technology export contracts worth US\$20 million. The number of contracts is equivalent to half of contracts signed in the previous six years and their value equals the total of the contracts signed between 1980 and 1985.

The technology exported by China are in the fields of metallurgy, petrochemicals, electronics and light industry and include the blast furnaces coal dust blowing technology, the

design and manufacture of microwave electronic tubes, the manufacture of tyres and the production of yttrium oxide.

The export of technology has also promoted the export of whole sets of equipment. Last year China exported to Nepal the technology and sets of equipment for producing 88,000 sets of bus tyres a year and to Burundi the technology and sets of equipment for producing gunnysacks and woven bags. This marks a break in the situation in the last few years of only exporting software.

Importers of the Chinese technology include not only the developed countries but also some developing countries. They include Brazil, Italy, Iran, Nepal, the German Democratic Republic and Burundi. ■

period, 79 percent of electricity generated should be run to Hong Kong.

Shen said that earthworks involving 2.3 million cubic metres of earth and stone have been completed since 1984 when work began. Foreign expert dwellings and office buildings with a combined floor space of 2,000 square metres have been built. Last September, Shen said, the Guangdong Nuclear Power Investment Co. Ltd. concluded four contracts with the Electricite de France, the Framatone Co. of France, and General Electric Company Turbine Generators Limited of Britain in Beijing for engineering services, nuclear fuel packages and equipment for the nuclear island, and for the conventional island.

Electricite de France will be responsible for the overall design, technical consulting, bidding for supplementary equipment and trial operation; Framatone will provide two 900,000-kw pressurized water reactors and the British company will supply turbogenerators with capacity of 1.8 million kw. Meanwhile, China has signed loan agreements with seven French banks and 10 British banks.

It has been reported that China

Nuclear Power Plant Under Construction

The contract for the construction of the nuclear island of Daya Bay Nuclear Power Station in Guangdong Province will be signed later in the month. From August to December this year a total of 25,000 cubic metres of concrete are expected to be poured. This was announced by Shen Jiansheng, deputy general manager of the Guangdong Nuclear Power Joint Venture Co. Ltd. early this month.

The project will be handled jointly by China, France's CB Co. and the Japanese Maida Construction Industrial Corp. According to Shen, his company will hold talks this year with France, Britain, Japan, Switzerland and the United States on purchasing 23 pieces of equipment for the transformer substation, chemical water treatment and communications needed by the power station.

Daya Bay is one of two nuclear power stations now under construction in China. It is a joint

venture between the Guangdong Nuclear Power Investment Co. Ltd. and the Hong Kong Nuclear Power Investment Co. Ltd. It is expected to be completed by the end of 1989; the two generating sets should go into operation in October 1992 and July 1993. During the 20-year co-operation

Chinese and foreign experts in discussion at the Guangdong Nuclear Power Station.

LI CHANGYONG



has applied to the International Atomic Energy Organization for safety certification. Prior to this, the State Nuclear Safety Bureau of China set up a safety monitoring station in Shenzhen in order to guarantee the safety of the Nuclear Power Station under construction. ■

China Joins the World With Credit Card

China's Great Wall credit card of the Bank of China merged with the Mastercard International by the end of March to join a worldwide sales network.

The Great Wall credit card now offers accounts of Chinese or foreign currency. The foreign currency accounts were introduced by the Beijing branch of the Bank of China on June 1 last year for foreign residents in China. The card is honoured in hotels, department stores and restaurants offering services to foreigners in Beijing, Shanghai and Guangzhou, and can be used for direct purchases and cash advances in all cities with Bank of China branch offices. The Chinese currency accounts were introduced by the Bank of China's Beijing and Guangzhou branches for the Chinese customers in February 1987.

The Bank of China established ties with Mastercard International in 1981, and after officially becoming a member of the organization, the Great Wall credit card will carry the Mastercard Logo. ■

China Co-Produces Helicopters With US

The first S-55 helicopter will be assembled by Guangzhou Orlando Helicopter Ltd., a Sino-American joint venture, in June

this year. Ten such helicopters will be assembled in the first year of production. They are expected to earn the company US\$500,000.

These helicopters will be sold by Orlando's Far East Ltd. Because of their reasonable price, the helicopters have attracted interest in the Middle East and Southeast Asia, including Saudi Arabia, India and Pakistan. Some of these countries have signed letters of intent for purchasing the helicopters.

The company should assemble 20 more helicopters in the second year, 30 in the third year, and 60 in the fourth year; 90 percent of them will be exported.

The company is co-managed by Guangzhou No. 3 Machine Tool Factory and Orlando Helicopter Airways Inc., with a total investment of US\$2.43 million and a co-operation period of 20 years. As production develops both partners will make further investment. ■

Contract to Build Refrigerator Ships

China, Federal Germany and Cyprus signed contracts last month, under which the Shanghai Shipyard will build two heavy refrigerator container ships for Arhenkiel of Federal Germany and Cyprus' Colombia Company.

This is the first time China will build such ships for foreign companies. Each ship is to be 120.30 metres long and 18.55 metres wide, with 283,000 cubic feet of refrigeration storehouse large enough for such as meat, fish, fruit and vegetables.

These ships will be installed with diesel engines with 6,650 hp and automatic engine equipment. The first ship will be made available to the users in January 1989. The other three will be delivered every three months. ■

Treasury Reserves

According to the statistics by the People's Bank of China, by the end of 1986, China had 12.67 million ounces of gold in reserve and US\$10.514 billion in foreign exchange. Of all the foreign exchange reserve, US\$2.072 billion is kept by the state, US\$8.44 billion by the Bank of China, and US\$7.572 billion is borrowed from abroad. ■

Trade News in Brief

■ The Shougang-Kanthal Co. Ltd., a Sino-Swedish joint venture, went into operation early this month. With imported technology and equipment from the Kanthal Corporation of Sweden the joint venture annually produces 500 tons of high-resistant and high-heat iron-chromium-aluminium and nickel-chromium alloy wire used in household electric appliances, industrial production and defence.

The company has a total investment of 13 million yuan, half of which comes from Sweden. The co-operation period is 20 years.

■ The construction of the Baiyun Lake fish breeding project was started early this month in Jinan, Shandong Province. Assisted by the World Food Programme (WFG), the project includes the construction of 700 hectares of fish ponds, roads, bridges, ditches and buildings. Jinan invests 8.455 million yuan and the WFG the rest. The construction will be completed in three stages over three years. After its completion, the lake should provide 1 million kg of fresh-water fish every year.

■ China's biggest coal terminal in Huangpu Harbour, Guangzhou, has started operation.

It has a designed annual handling capacity of 6.4 million tons, with two deep-water berths for 35,000 DWT ships, and other facilities. ■

On the Box: A Reminder of the Past

A house, a village and a family of three generations—these are all that are needed for the setting of *Spring Silkworm, Autumn Harvest, And Ruthless Winter*. Based on the *Trilogy of the Countryside* by Mao Dun (1896-1981), one of China's literary tycoons, this TV mini-series tells of the experiences of the Tongbao family in a village in Zhejiang Province over three quarters of a year, a basic cycle of life in the countryside. But in a broader sense the story reflects the social transitions of China's countryside during the 1930s and the 40s, when the traditional, unrushed small-scale farming of individual peasants was changed forever by the onslaught of modern machinery.

A new production by the Zhejiang Television Station, the series is not only an effort to present one of China's most famous literary works on the screen, but also, in the words of Xia Yan, artistic advisor of the series as well as a well-known scriptwriter himself, "to give people an idea of how people roughed it in the bitter old days."

It has been a tradition in that region to raise silk-worms in the spring time. Known for their quality, the silk cocoons give the peasants a good source of income each year, and this year Old Tongbao, the protagonist, is especially counting on this income. The cocoons did not fetch a good price last spring, and the family is destitute.

The immediate endeavour of Cheng Weidong, the scriptwriter and Fu Qiang, the director, has been to create a true-to-life depiction. "You first have to make what you're going to say understandable before telling people anything beyond that,"

says Cheng. The step-by-step ritual for the work is simple and solemn. Everything is done in the traditional way: women wash baskets in a pond near the temple, and people pray vigorously in order to get blessings from the gods. Old Tongbao also exercises the family ritual by planting a clove of garlic on the day when the silkworm eggs start to be hatched by a woman in the family. The eggs are attached to a piece of cloth which is tied to the woman's abdomen, and her body heat causes the eggs to hatch. The garlic is believed to be able to foretell the prospect of the hatching: the more shoots there are, the bigger the worms are going to be.

The season ends with a harvest of super quality cocoons for the Tongbao family. But this only creates more concern. The onslaught of machinery has finally disturbed the peaceful pace of living in this small village. As artificial silk comes into fashion, the price of cocoons on the market has dropped so low that the Tongbao family does not even have enough money to pay back their loans.

But Old Tongbao does not understand that it is the artificial silk that has driven him out of business. The issue is too abstract for his universe of comprehension. Rather he blames himself for not catching the right opportunity. More hard work in farming will eventually pay off and bring him the reward, he believes. And why not? He has been pious and honest and has not even agitated a small child. Governed by such virtues, his ancestors have made it for generations. So despite the disaster at the silkworm business, Old Tongbao turns with confidence to rice growing, his best trade.

However, misfortunes never come alone. That summer such a terrible drought befalls the region that traditional water-wheels are no longer powerful enough to bring up water from the river. And for lack of manure, the crops are stunted. So against his will of self-reliance, Old Tongbao makes a concession by allowing water pumps and fertilizers to be used in his fields. He never likes these alien things and calls them monstrous and poisonous, although he

Old Tongbao is losing ground in life day by day.

CHEN YUN



knows well that for this emergency they are more helpful than anything else.

Old Tongbao becomes depressed. He has not done anything against the practice of his ancestors, but he is losing ground in life day by day. He blames his youngest son, Duoduotou for all the misfortunes. Together with other hunger-driven peasants, they break into the huge barns of some local despots. In the eyes of Old Tongbao, this is a sinful violation of his moral commandments. A man would rather die of hunger than commit an act of violence. That winter, Old Tongbao dies of hunger and illness, feeling ashamed of himself for not being able to glorify the image of his ancestors.

The TV version of the *Trilogy of the Countryside* is on the whole faithful to the original, except that the death of Old Tongbao takes place at the end of book two in the *Trilogy*. "The purpose of this change is to create a stronger sense of wholeness to the story," says Cheng. According to Wei Tao, Mao Dun's son who has given enthusiastic support to the TV production, when the story was first started, Mao Dun did not conceive of the story as a trilogy. That is why the death of Old Tongbao occurs at the end of book two instead of book three since the story is about him. It was the editor who urged Mao Dun to add the third book to make it a trilogy. Wei Tao is also happy with the change in the TV series, and is quoted as saying "[the adaptation] is reasonably faithful to the original."

This is the second time Mao Dun's *Trilogy* has appeared on the screen. The first one was scripted in the 1930s by Xia Yan, a long time friend of Mao Dun, and it was a success for its faithful representation of the story. "This time I'm aiming at a new angle," says Cheng. "That is looking back half a century from a point of view of the 80s. And for adaptation of

this story of the 30s, it is only natural to add the consciousness of our present time." the consciousness in this series is to find the causes of the Tongbao's tragical ending more from his internal reasons—Old Tongbao's stubbornness and his unwillingness to accept new things, rather than from external reasons such as the onslaught of machinery as the story has been interpreted for years.

As a typical Chinese peasant, Old Tongbao is hardworking and experienced in farming, which has built up his self-confidence but makes him more naive than anything else. In spite of the advice from his sons, he insists on raising a lot of silkworms at spring time, because he believes only in his super-quality cocoons. Although he finally accepts the water pumps and the fertilizers, he actually hates them, because none of his ancestors has ever used them to guarantee a good harvest. In his adaptation Cheng has tried to show that, in addition to the impact of the machine age, the close-mindedness of Old Tongbao himself is also to blame for his doom.

Wei Jian, who plays the part of Old Tongbao, is known for his portrayal of an old peasant. An honest face and quiet eyes gives him a born likeness to a typical country folk. In order to act out a true-to-life character, Wei spent about three weeks in disguise in a small township teahouse, talking to the local folk. He behaved so naturally like a native that no one was even able to recognize this big-name actor. Wei's acting in the series has pleased Xia Yan, who thinks it "close to the prototype in the story."

"Mao Dun is a master at realism," says Xia. "Any representation of Mao Dun's works should also be realistic, or you lose the flavour of his works." "Realism," Xia goes on to say, "promises a serious, a correct and a bright future for TV dramas." Since realism is a dominating

trend in Chinese creative activities, the crew of *Spring Silkworm, Autumn Harvest, And Ruthless Winter* is determined to make their production a realistic one, more acceptable to the mass viewers. Realism was the guiding principle for both the acting and adaptation. And since one aim of this TV production is to recall some past experiences by representing a literary classic on the screen, realism then seems an appropriate method for bringing the past to life.

by Dong Yuguo

Source for Knowing Chinese Literature

Chinese Literature, a quarterly magazine published in English and French, is intended for foreign readers interested in Chinese literature and art. Its mainstay is contemporary and classical novels, poetry, literary criticism and an art section with high-quality colour reproductions. China now has published 560 literary magazines and periodicals throughout the country, however, *Chinese Literature* is the only one in foreign languages. Since *Chinese Literature* began publication as an English magazine in October 1951, it has carried thousands of masterpieces of classical and modern literary works. In recent years, the magazine has opened the column "Writers and Artists" in which the biographical notes on writers and their works are introduced. *Chinese Literature* is now distributed to 100-odd countries and regions by the China International Book Trading Corporation. In addition, the publication of a German edition is in preparation.

"I really appreciate the role and importance of translations published by the quarterly *Chinese Literature*," said Maria Theresa Lechowska, a Polish scholar. "However, it seems to me that it is

a translator who lives in the same country as the recipients of his translation can best provide pithiness and fertility in the literary texture." She was speaking at an international symposium on contemporary Chinese literature last November. Her views were echoed by many participants at the meeting.

Here are some passages quoted from the foreign press and letters from readers, which show how they appreciate the magazine:

"Your magazine is very exquisite, and rich in contents. It fills me with joy." (Britain)

"I can say that I have learnt quite a lot about your country through the prism of artistic creativity." (Germany)

"It is a pleasure for me to receive your magazine, because each issue will enhance our common belief... Whether in China, or in Australia, we may cry, or smile for the same reason, for there are ups and downs in life." "If you have given up, why not try again? If you never read the magazine, it is the time to read it." (Australia)

Latest Issue

The latest spring issue of *Chinese Literature* has writings by several contemporary well-known writers in the lead.

Among them are Shen Rong, Lu Wenfu, Gao Xiaosheng and Liu Yunsheng. Shen Rong is a woman writer who always uses common people's concerns as subjects of her writing, and has gained an outstanding reputation for her success in the description of the inner world of the characters in her fictions. *Ten Years Reduced* by Shen Rong in the latest issue delineates different frames of mind after the chaotic "cultural revolution." Lu Wenfu has won acclaim for his description of the natural charm of the city of Suzhou and the local residents. However, the story of

Well by Lu Wenfu shows that tongues have edges. Gao Xiaosheng has impressed readers with his vivid portrayal of peasants of today. In his story *Fishing*, he describes an old fisherman's experience one night with clever and impressive strokes. Besides writings by well-known writers, the issue of *Chinese Literature* also gives coverage to *Love* written by young Liu Yunsheng who is a coal-miner.

In memory of the outstanding woman writer Ding Ling who died one year ago, *Chinese Literature* in this issue published Ding's two short stories she wrote fifty-odd years ago. One story tells about a boy's revolutionary experience; the other deals with a woman's love. Also included are two memoirs, one by veteran writer Duanmu Hongliang, which recalls Ding Ling's early life and her writing career. A young woman writer, Huang Beijia, wrote an article remembering how she made acquaintance with Ding Ling which late forged a profound friendship between them.

In this issue, readers also can read essays by late Prof. Zong Baihua, a poet and scholar of aesthetics, and 93-year-old folklorist Zhong Jingwen. Prof. Zong's writings in the issue are *On Chinese Paintings* an aesthetics discussion, *Poetry and I*, which deals with his motives for writing, and 15 of his poems. Folklorist Zhong contributed his *Folklore and Classical Literature* to this issue, which deals with the popular influence on intellectual writing.

Strategies of the Warring States in the issue contains actual anecdotes from pre-imperial China about 2,000 years ago. These are considered the most important surviving literary source for the history of that period.

The cover of the issue is a New Year Picture of Yan Qing, a hero from the classic *Outlaws of the Marsh*. The picture is drawn with rich local flavours.

In this issue, readers can enjoy high-quality colour reproductions of contemporary landscape and genre paintings, as well as pictures painted or inscribed on rocks by hunters of ancient China. An article introducing a Ming Dynasty painting *Hibiscus and Mandarin Duck* is also carried in the issue.

These exquisite paintings add artistic fascination and value to *Chinese Literature*.

In addition, there is a report by Qiu Xiaolong about the third American-Chinese writers conference held in California in 1986.

Panda Book Series

In 1981, *Chinese Literature* launched its Panda Book Series in both English and French, intended to reprint the best of Chinese literature, with works by old and young writers presented in a more balanced way. The series are rich in content and enjoy favourable comments.

"Your Panda Book Series are worth reading." (Canada) "There has been a distinct improvement in your translation and themes since the downfall of the gang of four." (France)

The publication of the Panda Books has benefited from the help of overseas scholars and translators interested in Chinese literature. However, Prof. Leo Ou-fan Lee said, "After reading the Panda Books, in my opinion, the best translations are those done by Gladys Yang." She and her husband Yang Xianyi are both famous editors and senior translators, who have dedicated themselves to the publication of *Chinese Literature* for several decades.

Up to now, Panda Books Series has reprinted more than 60 books of different themes. Comments on the series were carried by *Publishers Weekly*, the book review column of the *New York Times* and *Christian Science Monitor*. ■

Better Than Capitalism Can offer

After reading the article "Official Stresses the Four Principles" in issue No. 3 and other articles on this subject, I was somewhat disturbed by the news that some people were attempting to return to capitalism. But, I am sure you are making an effort to solve this problem and maybe already have done.

I would like to suggest that you strengthen education of the people, especially the young. You can do this through pictures, explanations and articles introducing and comparing life between Latin American countries and capitalist countries. I know life in Latin America, because I live here. The cost in suffering of life in countries dominated by foreign intervention would show clearly that it is not easy even to maintain an ordinary standard of living. Latin America and China are similar in society, material and culture.

Those who want to "catch up with" the standard of developed countries and are trying very hard to gain "free economy, politics and society," are surely mesmerized by the foreign mass media. They should understand that the capitalist system has brought the material and cultural poverty to the vast majority of labourers, and large numbers of Latin American people are suffering as a result of this. I hope they can work hard to build a better society than what capitalism has to offer.

Dr. Rosa Lilia Zamudio Quintero
Guadalajara, Mexico

China and Africa

I have been a faithful reader of *Beijing Review* for many years. I am very interested in Chinese culture, science and art. I would like to give you my suggestions:

1. More space to introduce your whole country. Because China is far away from West Africa and does not have a plethora of radio transmissions like the West, we only hear about China through *Beijing Review* each week. So, your magazine should report on real Chinese problems more in depth and in detail. However, I am not opposed to you providing international information.

2. Improve reporting on science and culture. China has much from which the world could learn.

Through *Beijing Review* we can see the Chinese and African peoples are both eager for peace, fighting against war, apartheid racism and terrorism. You always try your best to support African people, especially the Mali people. After Mali gained independence, you were the first country to help it build factories and provide it with products and medicine. The following are factories you helped Mali with—a sugar refinery, grain mill, pharmaceutical factory, textile mill and a tea plantation, so that Mali people could make a living. Chinese people are indeed close friends of the Mali people.

Chinese people have great sympathy for the disaster-ridden African people. The drought and plague of locusts over most of the African region these last few years have brought about serious difficulties to our African economy. The Chinese people showed concern and helped us overcome these disasters. The Chinese government has provided a large amount of material and financial help. The African people are grateful and would like to understand the Chinese people.

Bacary Rante
Mali

More Reports on Minorities

I am pleased with *Beijing Review's* more interesting and modern style. There has been great progress in the front cover and the contents of the magazine.

Also, you published some reports about minority nationalities, which helped satisfy my interest in the customs and lifestyles of minority nationalities. However, these reports are too few.

In view of current conditions, I think it is necessary for you to continue writing about international development, and analyse the rivalry between the superpowers and their military blocs as they enlarge their spheres of influence. You should explain the consequences of these conflicts.

L. Diaz M.
Madrid, Spain

Good Relations Among Countries

It is important for any nation to have pride in its good and progressive past. It is wrong to develop a nationalism that breeds hatred and animosity for others.

Recent news that the People's Republic of China is improving its relations with the Soviet Union is very good news.

When all of the people of the world learn from each other and help each other out in solid and peaceful development, then shall we all have a true paradise for all upon our earth by whatever name one wants to call it from notions of poetry and philosophy or science.

Killing each other in wars and destroying each other's property is the ultimate enemy.

The nations of the world could by co-operation and dedication to science and technology and positive culture solve any difficulty to all-around benefit.

Conflicts between the USSR, China and the United States breed nothing but trouble for everyone.

George S. Tolmie
Hartford, USA

ART PAGE



Wang Xizhi (303-361), a calligrapher in the Eastern Jin Dynasty.



Zu Chongzhi (429-500), an outstanding scientist in the Southern and Northern Dynasties.

Paintings by Zheng Junli

Zheng Junli, born in Guangxi in 1957, teaches in the Guangxi Academy of Fine Arts and is well versed in figure painting.



Zhang Cao, a painter in the Tang Dynasty (618-907), painting with both hands.



Confucius (551-479 BC), thinker and educator of the late Spring and Autumn Period.

Canna Soap

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Canna soap, produced by the Tianjin Perfumed Soap Factory, was awarded the "High-Quality Product" title by the Ministry of Light Industry in 1979. With a lustrous aroma the soap comes in various colours such as blue, green and rose. Canna soap will keep your skin fresh for hours.

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