

A CHINESE WEEKLY OF NEWS AND VIEWS

# Beijing Review

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## HOUSING: UP TO 2000



**Peng Zhen Answers  
Journalists' Questions**



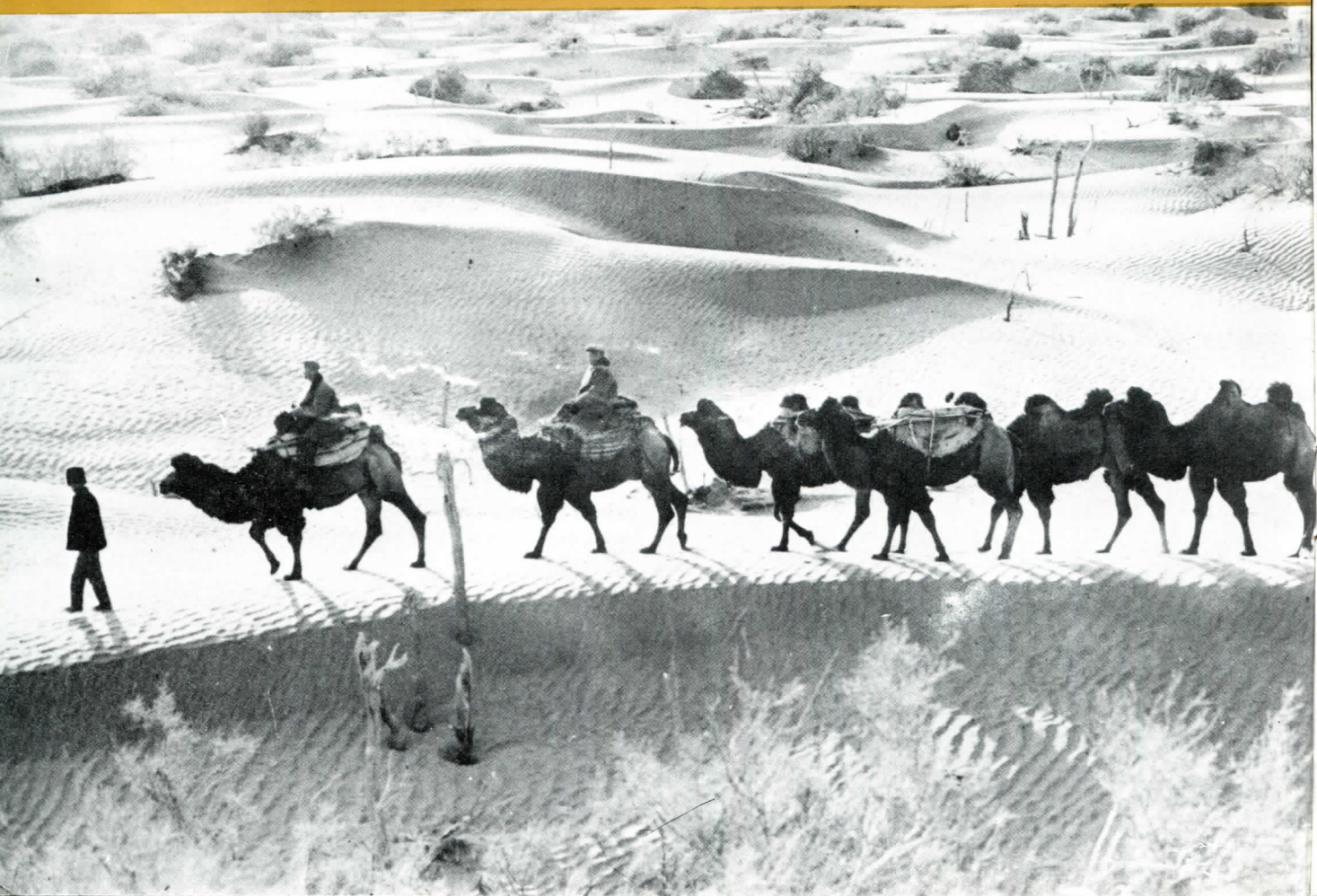
Xinjiang countryside,  
donkey traffic.

*by Xu Xiangjun*



Camel train in Xinjiang.

*by Wu Chunzhan*



## CONTENTS



### NOTES FROM THE EDITORS 4

The 'Conservative/'Reformist'  
Myth

### EVENTS/TRENDS 5-9

No Change in HK Policy  
Macao Pact, A Historic Event  
Foundation Helps Tibet Develop  
Swapping Jobs at Talent Centre  
Weekly Chronicle (April 13-19)

### INTERNATIONAL 10-13

Arms Control: Sun Peeps Through  
The Clouds  
Zimbabwe: Achievements Since  
Independence  
Turkey: Applying for Full EC  
Membership  
Chad: National Unity in Sight

### Peng Zhen Answers Journalists' Questions 14

### Housing Prospects for the Year 2000 (Residential Houses, Pictorial in Colour) 16

### Facts and Figures: Foreign Investment Up in 14 Coastal Cities 20

### Insurance Gains Ground Under Reforms 21

### Deng Xiaoping on Democratic Centralism 23

### Report on the Draft 1987 Plan For National Economic and Social Development (Excerpts) (Centrefold)

### Report on the Implementation Of the State Budget for 1986 and on the Draft State Budget for 1987 (Excerpts) (Centrefold)

### TOURISM 27

### FROM THE CHINESE PRESS 28-29

### BUSINESS/TRADE 30-31

### CULTURE/SCIENCE 32-33

### BOOKS 34

**COVER:** Apartment buildings under construction in Beijing **Chen Hai**

## HIGHLIGHTS OF THE WEEK



p. 14



p. 18

### The "Conservatives" / "Reformists" Myth

■ Recently some foreigners have alleged that there has been a factional struggle between Chinese "conservatives" and "reformists." Except for a few who deliberately try to create confusion, most of these people do not know that China's reform and the four cardinal principles are two aspects of the same political line: build socialism with Chinese characteristics. In China there is only one Marxist faction and there is no social basis for complicated factional struggles as exist in the capitalist world (p. 4).

### Peng Zhen Answers Questions

■ In his meeting with journalists from Hong Kong and Macao, Peng Zhen, CPC and NPC leader, confirmed that there is no "factionalism" in China's leadership. He also discussed the NPC's more prominent role in China's political life and Hu Yaobang's resignation (p. 14).

### Deng on China's HK Policy

■ Deng Xiaoping reassures members of the Hong Kong Basic Law drafting committee that Hong Kong, Macao and Taiwan can keep their capitalist systems after reunification with the mainland (p. 5).

### What Does Democratic Centralism Mean

■ Taken from Deng's speech delivered at the Enlarged Working Conference of the CPC Central Committee in 1962, this article argues that without democracy there could be no centralism. It stresses the necessity of respect for minority opinions and expounds the principle of collective leadership and individual responsibility (p. 23).

### NPC: Economic Plans for 1987

■ The NPC endorsed the draft 1987 plan for national economic and social development, delivered by Song Ping, minister in charge of the State Planning Commission, and the draft state budget for 1987 delivered by Wang Bingqian, minister of Finance. Extracts are reproduced in the supplement (centrefold).

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# The 'Conservative'/'Reformist' Myth

by Dai Yannian

In a recent meeting with foreign guests, Chairman Deng Xiaoping of the Central Advisory Commission of the Chinese Communist Party said, "Some look upon me as a 'reformist' and upon others as 'conservatives.' I am a reformist, that's true. But if one who advocates upholding the four cardinal principles (the socialist road, the Communist Party leadership, the people's democratic dictatorship, Marxism-Leninism and Mao Zedong Thought) is a conservative, then I'm a conservative. So, under the circumstances, I'm neither a reformist nor a conservative. To be more exact, I am an advocate of seeking truth from facts." What he said is both witty and thought-provoking.

Since the struggle against bourgeois liberalization was launched and the change of personnel in the Party Central Committee took place in China, there has been much speculation abroad to the effect that the "conservatives" in the Chinese leadership have waged a struggle against the "reformists," and that "the 'conservatives' have the upper hand" while "the 'reformists' are suffering setbacks." These statements, however vociferous, are ill-founded.

It is known to all that Deng Xiaoping is the initiator of China's reforms. He was the first to stress the need to uphold the four cardinal principles at the Party's theoretical work meeting held in March 1979. At the time he perceived, within society and the Party, the presence of an erroneous trend where a handful of people spread doubts about and opposition to the four cardinal principles. He called people's attention to this trend. Over the last eight years, he has spoken, more than anybody else, of the

need to combat bourgeois liberalization and to adhere to the four cardinal principles. At the end of last year, to counter the spread of bourgeois liberalization and remedy the weak leadership, Deng emphasized the need to take

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***There are no "conservative" and "reformist" factions in China's leadership. There is only a Marxist "faction." To be more exact, they are advocates of "seeking truth from facts."***

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a clear-cut stand and firm attitude towards the struggle against this erroneous trend. If this were an attack launched by the "conservatives" against the "reformists" as alleged by certain people abroad, wouldn't it mean that he launched an attack against himself? This argument simply does not hold water.

Premier Zhao Ziyang has been a strong executant of the policies of structural reform, invigorating the domestic economy and opening to the outside world over the last few years. That also is a well-known fact. Recently he became acting general secretary of the Party Central Committee, taking over the post of his predecessor who had resigned. If this change is arbitrarily described as the "reformists" suffering setbacks and 'conservatives' gaining the upper hand," such an assertion is equally untenable.

Those who allege that there is a factional struggle in the Party

leadership set China's reform against the four cardinal principles. In their eyes, the two are as incompatible as fire and water. They stick the label of "reformists" on those who spoke about reform and opening up and stigmatize those who advocate upholding the four cardinal principles as "conservatives." That is their logic. They do not understand the truth as confirmed by the Chinese: The two complement each other, rather than contradict each other. They are two aspects of the one and same political line China has been following over the last few years. This line is: In the light of China's actual conditions, build socialism with Chinese characteristics. China's original defective structure must be reformed to fit China's reality and speed up the country's development. Reform is aimed at improving the socialist system, not deviating from or abandoning it. This is because the Chinese people have come to see from their long-term experience that only the socialist system can solve China's problems. Whether at the time when China emphasized opposition to the shackles of the "leftist" ideology which had led to inadequate understanding of the significance of reform and opening up, or at another time when China stressed the need to combat the rightist trend of bourgeois liberalization, and to correct mistakes in work, this country's aim has been to comprehensively carry out this line. This political line was formulated collectively by China's top leaders who are neither "conservatives" nor "reformists." As Chairman of the NPC Standing Committee Peng Zhen said in his recent meeting with journalists from Hong Kong and Macao: "In reality, we only have a





## No Change in HK Policy

**H**ong Kong will be allowed to keep its capitalist system for at least 50 years after the Chinese government recovers jurisdiction over it, and this can remain unchanged even after that 50-year period, China's top leader Deng Xiaoping said in Beijing on April 16.

The same will also apply to Macao and Taiwan after they are unified with the mainland according to the policy of "one country, two systems," added Deng, chairman of the Chinese Communist Party Central Advisory Committee. Deng made these remarks during a meeting with members of the Hong Kong Basic Law Drafting Committee. Deng congratulated the members of the committee for its progress since founding in 1985. The committee has had four sessions so far.

The drafting of the Basic Law "is unprecedented in world history" and will serve as a model for Macao and Taiwan, he said.

Deng said that the law should not be bogged down in too much detail. "The political system in Hong Kong cannot copy that in the West. The present system has gone through one and a half centuries. It is not feasible to copy the parliamentary system of Britain or the United States and to judge on that basis whether it is democratic or not," he said.

Deng said the Western parliamentary system is not practised in China's mainland. "Our legislative body is the National People's Congress, which is in conformity with China's actual conditions," he added.

"In future, Hong Kong will be administrated by the Hong Kong people. The qualifications for the administrators should be: they must love the country and love Hong Kong," he said.

Deng warned against the belief that everything will be all right if

all Hong Kong's affairs are to be governed by Hong Kong people without any control from the central government. "Such an idea is not realistic," he said.

Of course, the central government will not interfere with the management of day-to-day affairs in this special administrative zone; there is no need for this. "But how can Beijing be expected to sit back if something happens in Hong Kong that might jeopardize the fundamental interests of the state or those of Hong Kong itself?" Deng asked.

It is the policy of the central government that the interests of Hong Kong should not be harmed and it also hopes that nothing will happen in Hong Kong that harms the interests of the state and Hong Kong itself.

"Our policies, including special policies towards Hong Kong and Macao, are made on the basis of the four cardinal principles. Ours is a socialist country under the leadership of the Communist Party," he said. To keep Hong Kong's system unchanged, it is imperative to maintain socialism with China's characteristics under the leadership of the Communist Party, he stressed.

While discussing the reunification of Taiwan with the mainland under the concept of "one country, two systems," Deng said that the only stipulation to be made is it must be made clear Taiwan is part of China, and everything in Taiwan, including its current system, will remain the same.

He said, "Some American journalists have asked why Taiwan should be reunited with the mainland since the economic level on the mainland is lower."

"My answer then was, first, the reunification of China has been the desire of all Chinese people, a common wish shared for the past

Marxist 'faction,' or as Deng Xiaoping has noted, they are advocates of seeking truth from facts, which is the essence of Marxism.

In the capitalist world, struggles between political parties and between factions within them are quite common, because these parties and factions represent different interest groups. Conflicts between these groups lead to constant strife between their political representatives, that is between the various political parties and factions. People have become used to such phenomena. This view conforms with the situation over there. But when someone uses the same framework for analyzing China, then he can only have a distorted view of the country, and the conclusions he draws simply do not tally with China's reality. In China there is no social foundation for complicated factional struggles as in the capitalist world, because the fundamental interests of Chinese workers, farmers and intellectuals are identical.

To Chinese who are familiar with things in China, the above-mentioned allegation made abroad is, according to an old saying, as incongruous as "a horse's jaws in a cow's head." Many of those who believe or spread this myth lack understanding, and when they learn the real situation, they will eventually reach the correct conclusion.

As for those who deliberately create confusion, facts will refute their alarmist remarks. ■





Chinese Premier Zhao Ziyang and Portuguese Prime Minister Cavaco Silva at the signing of the Sino-Portuguese joint declaration on Macao on April 13.

century and a half, rather than that of a party or a faction," Deng said.

"Secondly, without reunification, Taiwan's status is not stable, and some day it might be taken away by others."

China wishes to increase its per-capita income to US\$1,000 by the end of this century. And more importantly, on this basis, it plans to quadruple the figure to \$4,000 in 50 years. By then, the country with a population of 1.5 billion and gross national product at \$6,000 billion will rank among the medium-developed countries in the world.

For this goal, China needs a stable political situation and continuation of current policies. "China cannot sustain any turmoil," he stressed.

He said some have asserted that China's open policy may be changed after Hu Yaobang's resignation. They neglect that China's policy consists of two aspects: One is the open policy and the other is the four cardinal principles. When we say there will be no change in the policy, we refer to both aspects, not just one.

"It is absolutely certain that our policy of opening to the outside world will continue and that China has not opened wide enough," the Chinese leader said. ■

## Macao Pact, A Historic Event

**O**n April 13, the joint declaration regarding Macao of the governments of the People's Republic of China and the Republic of Portugal was officially signed in Beijing by Chinese Premier Zhao Ziyang and Portuguese Prime Minister Cavaco Silva.

Deng Xiaoping, chairman of the Central Advisory Commission of the Chinese Communist Party, and Li Xiannian, Chinese president, attended the signing ceremony which was held at the Great Hall of the People.

According to the declaration, China will resume sovereignty over Macao effective December 20, 1999.

Macao consists of a peninsula and two small islands at the outlet of the Pearl River in the South China Sea. Its present population is over 400,000, of whom 97 percent are Chinese. About 10,000 are of Portuguese descent.

At one time, Macao belonged to Guangdong Province's Xiangshan County. But in 1887, the Portuguese, took advantage of the defeat of the Qing imperial court in the first Opium War, put the whole area under their colonial

rule. They forced the Qing government to sign the Sino-Portuguese Beijing Treaty, which said Portugal would administer Macao permanently. Since then Macao has been a Portuguese-ruled colony. In 1979, when China and Portugal established diplomatic relations, the two governments reached an understanding about Macao and agreed to solve the issue through negotiations.

The settlement of the Macao issue in such a short time is due to the joint efforts of the two governments and also to the policy of "one country, two systems" adopted by the Chinese government.

In his speech at the signing ceremony, Premier Zhao Ziyang told Silva, "The joint declaration has been signed thanks to the joint efforts of our two sides. During the negotiations, our two governments, attaching importance to the overall interests of Sino-Portuguese friendly relations and co-operation and bearing in mind the history and realities of Macao, carried out consultations on an equal footing and in a spirit of mutual understanding and mutual accommodation."

He pointed out that the principle of "one country, two systems" is an important state policy formulated by China to achieve national reunification. The successful settlement of the Macao issue has proved that the concept of "one country, two systems" is realistic and viable. "The Chinese people will continue to firmly follow this principle and work hard for the complete reunification of our motherland," he added.

Premier Silva said the signing of the joint declaration solemnized the compromises made by the two governments about the timing and conditions of the transfer. "The joint declaration also has another meaning—it establishes a new perspective for relations between Portugal and China," he continued.



In their speeches, the two premiers also expressed their hopes of promoting Macao's stability and development.

In recent years, Macao's economy has been developing rapidly. Its growth rate last year reached 6.5 percent, compared to 2.5 percent the year before. Prices remained stable and the inflation rate was below 2 percent.

Due to the Chinese government's open policy, economic relations between Macao and interior China have grown greatly. Many factories set up by Macao firms in the mainland have gone into operation, and many commodities gaps in Macao markets have been filled. In recent years, trade fairs and talks held by China in Macao have attracted many firms from Southeast Asian and other countries. This has helped im-

prove Macao's international commercial standing.

For a long time, China has been supplying Macao with necessities, industrial raw materials, semi-manufactured goods and building materials. According to available statistics, the total value of goods and materials imported by Macao from interior China in 1986 exceeded 1.4 billion Macao yuan, nearly twice as much as in 1980.

Before the signing, Chinese leader Deng Xiaoping said in talks with Silva that the solution of the Macao issue on the basis of the "one country, two systems" policy could be a model for settling international disputes and eliminating the world's hot spots, he said.

Deng described Silva's visit as opening new vistas for the development of Sino-Portuguese relations. ■

The foundation, initiated by Bainqen Erdini Qoigyi Gyaincain and Ngapoi Ngawang Jigme, both vice-chairmen of the Standing Committee of the National People's Congress, plans to put the financial support it receives into economic, cultural, educational, public health and scientific development of Tibet. "It will help the region shake off poverty and catch up with economically developed areas," said the Bainqen Lama.

Since the peaceful liberation of Tibet in 1959, the central government has always shown great concern for the development and progress of the region, and provided the region with financial subsidies totalling 8.8 billion yuan (about US\$2.4 billion), not including investment in construction projects funded directly by other State departments. "This has helped boost the economic, cultural, educational, health and scientific development in Tibet," said the Bainqen Lama.

At the same time, he added, the life of the Tibetan people has been much improved, and economic construction and various other undertakings have entered a new phase of development.

However, to speed up Tibet's development, it is hoped that additional channels for funding will be tapped.

Bainqen, also chairman of the fund, noted that the foundation is to be an unofficial, non-profit organization responsible for raising funds for Tibet's economic and cultural development from friendly world organizations, foreign governments, overseas Tibetans, Hong Kong and Macao compatriots, and people from all walks of life at home. "We welcome all Tibetan compatriots living abroad, including the Dalai Lama, to provide financial support based on their feelings towards their native home," he said, adding that it will receive donations of money and materials attached with no any political conditions.

He told a press conference held

## Foundation Helps Tibet Develop

In an effort to boost Tibet's advances, a preparatory committee to lay the groundwork for a

Tibet Development Aid Foundation was established in Beijing on April 15.

**Ceremony marking creation of the Preparatory Committee of the Tibet Development Aid Fund.**

CHEN ZONGLIE







## New Bank of China—Open for Business

XUE TIEJUN

The new building of the Bank of China in Beijing recently opened for business. The bank is directly under the State Council and is responsible for conducting the entire country's foreign exchange business, including the management of foreign capital and the handling of revenue and the expenditure of foreign exchange (including those in Renminbi which are related to foreign exchange). The bank has already established contacts with more than 3,400 branches of 1,200 banks from more than 150 countries and regions. With a total floor space of 27,200 square metres, the building is 82 metres high and has 22 floors on the ground and five floors underground.

for the establishment of the preparatory committee that the foundation will use the first donations to set up new schools, give financial aid to some existing schools, repair a number of monasteries and temples and set up orphanages and homes for the aged.

Tibet now lags behind many other regions in China, a situation unsuited to the development of the country's modernization drive, Bainqen noted. However, because of its remoteness and unique character, it has attracted many overseas friends who are concerned with its development and are willing to provide aid to the region.

"Therefore," Bainqen said, "the foundation will also act as a liaison between local and overseas investors and provide the necessary supplementary financing for the development of Tibet."

## Swapping Jobs at Talent Centre

Chen Jiao was overjoyed when she finally found work at Dianyong Advertisement Corporation Ltd., a joint venture. Because of a complicated family background, Chen, 23, had had trouble being accepted by a work unit even though her English was good. It was the Beijing Service Centre for Talent Exchange that helped her find the job.

The centre, a service organization for talent exchange, development and training, was established in June 1984, when trial implementation of the regulations reforming the cadre system passed by Beijing's municipal Party committee went into effect. The centre is part of the city's Personnel Administration Bureau.

The centre's 1987 Spring Personnel and Intelligence Exchange Fair took place April 8-10 at the Agricultural Exhibition Centre in eastern Beijing. It was the seventh and largest job fair sponsored by the centre since it was inaugurated three years ago. More than 400 work units, including local factories, schools, hospitals, hotels, industrial companies, research institutes, and enterprises in the city's rural areas, as well as some units from Hebei Province, came to the fair seeking suitable additions to their workforce, and more than 14,000 individuals in a bid to find new jobs to their liking.

Job fair benefit both individuals and units that badly need specialists. Individual workers can learn about many jobs in one place during a short period of time, while units can choose the most suitable workers from among

those interested. Some units think job fairs are much cheaper and more fruitful than advertising for recruiting workers.

Han Guangyao, director of the service centre, said that in the past two years the centre has received 25,500 inquiries from specialists in various fields and has helped more than 1,400 find more suitable jobs within their specialized fields.

The centre also has the power to arbitrate disputes that arise in talent exchanges and has arbitrated 28 so far. "We are not willing to use this right often," Han said. "It is only an administrative method, after all. We hope for improvements in the exchanges of talent through reform of the personnel system."

But China's attempt to reform the personnel system still falls short of the needs of the economic reform, he said. Also, the problem of "ownership of talent by departments and units" has not been resolved. For example, there are now 557,000 staff members in the units under Beijing municipality. Of these 294,000 are specialized and technical personnel of various kinds, and about 24 percent of them cannot give full play to their skills. About 70 percent of the specialists who come to the centre looking to job changes are in positions unsuited to their special training, he said.

Han said that the contract system should be developed to put relations between individuals and units on a reciprocal basis. China should also pass laws granting that specialized personnel the right to resign, he said.

China's personnel departments are now facing the challenge of new concepts of personnel management, he added. However, some people still believe talent exchanges are a practice unique to capitalist countries. "They should rethink this," said Han. "Enlightened, scientific methods of personnel management should be introduced to make better use of talented people."

by Wang Yanjuan

## Weekly Chronicle (April 13-19)

### POLITICAL

April 17

■ The fourth session of the Basic Law Drafting Committee of the Hong Kong Special Administrative Region closes in Beijing with an announcement that the fifth session is to be held August 22-26.

### ECONOMIC

April 13

■ Four more ports—Wuhu, Jjiang, Huangshi and Wuhan—on Changjiang (Yangtze) River are now open to foreign vessels, according to the overseas edition of *Renmin Ribao* (People's Daily).

April 15

■ A Labour and Personnel Ministry official says 600 Chinese cities and counties have adopted a new pension and retirement system in which enterprises pay a certain percentage of their employees' wages to a local labour insurance department which then takes over the enterprises present task of paying out pensions.

### CULTURAL

April 14

■ Wan Mingfu, a doctor in Chongqing, Sichuan Province, has found that acupuncture can help fat people lose 7 to 20 kg after a 25-day treatment, Xinhua reports.

■ China's universities and colleges will enrol 620,000 new students this year, an increase of 8.4 percent over 1986, according to Liu Zhongde, vice-minister of the State Education Commission.

April 15

■ About 80 Chinese and foreign opera experts from the United States, Britain, France and the Soviet Union come to Beijing

for the first international symposium on traditional Chinese opera.

April 16

■ Xinhua reports that China has introduced a Lu Ban Prize, named after a legendary Chinese architect, to reward outstanding construction projects.

April 17

■ China sets up a national cuisine association to codify cooking techniques over the centuries, do research on improving dishes and snacks, compile cook books and train chefs.

### SOCIAL

April 13

■ Vice-Premier Li Peng urges all levels of governments to be well-prepared for possible flooding.

April 17

■ At a meeting on public health in Harbin, leading medical experts and managers call for urgent reforms of present hospital management systems, Xinhua reports.

### FOREIGN RELATIONS

April 15

■ Chinese leader Deng Xiaoping tells former president of Tanzania and head of Julius Nyerere that China actively supports establishment of the South Commission to promote co-operation among developing countries.

April 17

■ Premier Zhao Ziyang meets visiting President of the Congo Denis Sassou-Nguesso and assures him that a major facet of China's foreign policy is strengthening its unity and co-operation with African countries.



**ARMS CONTROL**

## Sun Peeps Through the Clouds

*United States Secretary of State George Shultz's Moscow visit led to progress in arms control and eased recent tensions between the two countries.*

**T**he deadlock in US-Soviet arms control negotiations seems to have finally been breached. During his three-day visit to the Soviet Union, US Secretary of State George Shultz offered a formal response to Soviet leader Mikhail Gorbachev's proposal to open talks on removing short-range missiles from Europe, which would pave the way for an agreement to reduce medium-range nuclear weapons in Europe. He explained the American stance on this matter in detail. Though differences remain, both sides say they are closer to an accord on this issue and agreed to leave Euromissile reductions and verification to negotiators at the Geneva talks, which are to open next month.

The Euromissile deal, which has taken shape since last October's summit in Iceland, means removing Soviet SS-20 and US cruise and Pershing II missiles from Europe, but each side would retain 100 warheads elsewhere. In February, the Soviets dropped their demand for a link between Euromissiles and the US Strategic Defence Initiative (SDI). Despite the change, the US insisted on linking the Euromissile pact to a deal on short-range missiles in the belief that removing Euromissiles would leave the Soviets with a great advantage in short-range weapons.

On the eve of Shultz's Moscow visit, a message came from Gorbachev in Prague that negotiations on short-range missiles should run concurrently with talks on the intermediate nuclear force (INF) in Europe. Gorbachev's new overtures received a reserved welcome from US President

Ronald Reagan, who said, "We have never believed in linking those two weapon systems, but we have believed negotiations should be simultaneous."

The main block to a complete success of the Moscow talks is the US reservation about Gorbachev's new offer. Shultz said at a press conference following his Moscow visit that Washington has the right to develop short-range missiles and deploy them in numbers approximately equal to those of the Soviet Union before an agreement to set ceilings on the number of such missiles is reached. The US side has long referred to destroying all INF worldwide instead of removing only Euromissiles. But this time Shultz said that if the Soviets insist that each side retain 100 warheads outside Europe, the United States might have to keep the Soviets company. Finally, it is most important for the US to consult with its allies about Gorbachev's new offer before any accord can be hammered out.

During this US-Soviet talks, Gorbachev also made a new suggestion about SDI, saying Moscow would not object to any

sort of land-based testing of the system. In addition, he explained clearly for the first time the meaning of the term "laboratory," which has been the subject of wrangling by both sides since the Iceland summit. Gorbachev pointed out that it meant SDI research work could be carried out on the ground—"in institutes, at proving grounds, at plants." Gorbachev's statement on SDI was a response to Reagan's decision just before Shultz's visit to trim the time limit for observing the 1972 Anti-Ballistic Missile (ABM) treaty from 10 to five years. Gorbachev called his new offer a compromise decision and final effort.

Gorbachev replied to an invitation by US President Reagan to visit Washington by expressing interest. He said he hoped for a summit this year but needed "serious business" to justify the trip. He said that since he was not near retirement, he could not travel just for pleasure. Observers noted that Gorbachev would only go to Washington to sign an accord on medium-range missiles, otherwise he would not.

Shultz's visit was shadowed by quarrel over "penetration" of each nation's embassies, the outgrowth of a sex-and-spy scandal in the US embassy in Moscow. But when he left for Western Europe to inform allies of his talks with the Soviets, the climate seemed brighter, thanks to new hopes for arms control.

**by Wan Di**

## ZIMBABWE

### Achievements Since Independence

*Since achieving independence in 1980, the Zimbabwean people have met with successes in economic development and foreign affairs.*

**Z**imbabwe won independence on April 18, 1980. Since then, the Zimbabwean people under

Prime Minister Robert Mugabe have made great strides in building the country and in diplomacy.

For seven years, the Zimbabwean government has pursued national reconciliation and unity, stressed development of science and technology, and improved the level of production and management of state enterprises, co-operatives and private businesses.

The government has also concentrated on developing social services and basic facilities, and encouraged national enterprises to join strategic industrial departments. A number of new state and co-operative enterprises have been established, including such industrial sectors as chemicals, fertilizers, construction and capital goods.

Regarding industrial development, the government has focused on establishing and consolidating the bases of science and technology, making better use of human resources, and strengthening its workers' education and training. It has also improved its revenue and financial systems to suit the new order. Export trade has increased with the establishment of a national trade corporation.

The Zimbabwean government has paid special attention to the issue of land for the peasants and rural settlements. It has worked out a three-year plan for rural development. Thus far, the government has settled more than 1 million refugees and assigned 2.5 million acres of land to 18,000 peasant households. It has also actively supported the peasants and raised their living standards. There is free primary education and free medical care for low-income families, and wages for workers and staff members have risen somewhat.

The above policies have promoted economic development. Zimbabwe had a bumper harvest in 1980-1981, with a maize output of 2.8 million tons. Although the Zimbabwean people suffered from droughts between 1982 and 1984, which resulted in smaller harvests, they survived this difficult period because of large grain reserves. In

1985-1986 they had another bumper harvest, with a maize output of 2.9 million tons. The 1987 maize in store is expected to amount to about 2.5 million tons.

In the field of mineral production, the output value of mineral products in 1984 was Z\$ 546 million, and in 1985 Z\$629 million, a 15.2 percent increase. Zimbabwe has some foundations for manufacturing and a balanced mix of light and heavy industrial goods. Food, hardware and chemical industries are fairly developed. Zimbabwe's level of production technology is higher than that of other African countries. However, there are still some problems in Zimbabwe, such as unemployment and shortage of foreign exchange.

In the area of world politics, the Zimbabwean government has pursued the policies of peace, neutrality and non-alignment, it is boldly against imperialism, colonialism, racism and power politics. In September 1986, Zimbabwe hosted the eighth non-aligned summit conference. It has stressed friendly and co-operative relations with Mozambique, Tanzania, Zambia and Botswana. Zimbabwe has engaged in frequent political consultations with the

other front-line countries and has taken an active part in regional economic co-operation. It is a member of the Southern African Development Co-ordination Conference and the Preferential Trade Area for Eastern and Southern Africa.

Zimbabwe opposes South Africa's racist policies, which threaten the peace and stability of neighbouring countries. It urges the international community to adopt comprehensive, mandatory economic sanctions against the Pretoria regime and has called for an end to apartheid. It supports the efforts of the African National Congress of South Africa, Pan-Africanist Congress and other liberation organizations, as well as the South West Africa People's Organization for Namibian independence. Its stand is based on the United Nations Security Council's Resolution 435 on self-determination for the Namibian people, and it opposes South Africa's attempt to tie Namibian independence to withdrawal of Cuban troops from Angola. Zimbabwe has been developing diplomatic and trade relations with Eastern and Western countries.

by Shi Fei

## TURKEY

### Applying for Full EC Membership

*Turkey is knocking at the door of EC, but it will probably not open until the next century.*

**T**urkey has formally applied to join the European Community (EC) as its 13th member, Leo Tindemans, current president of the EC Council of Ministers, announced on April 14.

Tindemans said the application would be examined objectively when EC foreign ministers meet

before the end of April. The ministers will decide by a majority vote or by consensus on whether to approve the application.

Turkey's minister of state in charge of relations with EC described the application for full membership as a "solemn and historic moment for Turkey,"



saying that his government would ensure the integration of Turkey into the EC and that the Turkish people would share in the EC's destiny. He expressed hopes for an affirmative response in the near future.

Links between Turkey and EC can be traced back to the 1960s. Turkey, which regards itself as a European country although 97 percent of its territory is located in Asia, signed an association agreement with EC in 1963 and became an associate member the following year. A supplemental accord reached in 1973 said Turkey would officially become a full member of EC 22 years later, by 1995. However, EC froze aid to Turkey in 1980 after the country's armed forces seized power in a coup and declared the martial law. The strain in relations did not ease until last year.

The Turkish government has always given priority to its entry into EC. Since Prime Minister Turgut Ozal came to power in 1983, he has followed a free economic policy, reforming the tax system, making changes in state enterprises, fostering private business and encouraging exports. These measures have slashed the country's inflation rate from 130 percent in 1981 to 38 percent in 1986, expanded export trade, and improved the lagging economy, with the economic growth rate reaching 5 percent a year over recent years. Such economic momentum has given Turkey the confidence to apply for full EC membership. Analysts said Turkey would receive great trade and economic benefits from full EC membership and would not suffer any political or economic losses in its relations with its oriental trade partners.

However, EC is unlikely to approve Turkey's application. Although the organization's foreign ministers agreed to give objective consideration to Turkey's application, they also said it would be difficult for EC to approve it for the moment. The

main reason is said to be Turkey's economy, which lags far behind that of the EC member nations. The nation's per-capita income is US\$1,000, less than half that of Portugal, a full EC member with the lowest per-capita income. The big economic gaps among EC members—the so-called "South-North contradiction"—pose many problems to the organization, including how to assign financial shares and farm-product quotas for its members. In addition, internal and external problems brought about by Spain's and Portugal's entry make it impossible for EC to accept now yet another country with low level of economic development.

EC's reluctance to admit Turkey is heightened by fears that its entry into the community would mean heavy influxes of Turks into other EC member countries. The 1.8 million Turks in EC countries, mainly in West Germany, has contributed to unemployment rates. In 1976, EC and Turkey signed an agreement allowing free entry of Turkish labourers into EC countries

starting December 1, 1986, but the community's foreign ministers vetoed the accord at a meeting last December because of the pressures caused by Turkish immigrants. Moreover, Greece, which has a long-standing territorial dispute with Turkey, has voiced strong objections to Turkey's entry into EC.

Newspapers in Western Europe have pointed out that Turkey has a long, difficult road ahead before the EC door opens and that this is unlikely before 1990.

Turkey also made a formal application for full membership in the Western European Union (WEU) at the same time. The Turkish foreign ministry noted that Turkey wants to join WEU because it attaches great importance to the defence of Europe as laid out in the North Atlantic Treaty Organization (NATO) alliance and because of its interest in the integration of Europe. It appears that Turkey is keenly interested in forging strong links with Europe, especially given its strained relations with Greece, a member of NATO and EC.

by Zheng Yuanyuan

## CHAD

### National Unity in Sight

*On March 27, Chad's government troops captured Faya-Largeau, the biggest town in northern Chad, and drove Libyan troops to the north. The Chad civil war, which has lasted for more than 20 years, seems to be drawing to a close.*

**T**he capture of Faya-Largeau was another brilliant victory for the Chadian government since its troops began the attack four months ago. The victory marks a practical end to Libya's occupation of northern Chad, which has lasted for four years.

In November 1986, the Chadian government troops launched an attack across the 16 degrees north

latitude, which divided Chad into southern and northern sections in 1982. On January 12 this year, they first recaptured one town in northern Chad, and then, on March 22 took Ouadi Doum, the second largest Libyan army and air force base in Chad. Libya owned the 3,800-metres runway and advanced air monitoring equipment and had 5,000 troops

stationed there. The capture of Ouadi Doum was a turning point for the Chadian government troops. It removed the natural protective screen sheltering Libyan troops in Faya-Largeau. Air and ground connections with Libya's north bases were cut off and the town was isolated. Under such conditions, the Libyan troops had to retreat to the deep north bases near the Chad-Libya border without returning fire.

The victories by the government troops in the north have greatly inspired the Chadian people, who have been thirsting for the peaceful unity of the country. When the news that Faya-Largeau had been liberated spread over the radio, people in the capital took to the streets to hail the victory. At night, signal flares shot into the sky from everywhere.

However, the victory was hard-won. Chad gained independence in 1960. Five years later, the Christian minority in the south came into power. The Muslims in the north refused to obey and began carrying out anti-government struggles. By 1968 the struggle had enveloped the whole country. By 1973, anti-government forces, supported by Libya, occupied half the country's territory. In 1978, the government had to come to terms with the anti-government forces and established a Transitional Government of National Unity (GUNT) with Goukouni Oueddei as president. But soon the two main forces within the government, one headed by Goukouni and the other by Hissene Habre, divided into warring factions and began armed confrontation. Backed by Libyan troops, Goukouni forces in the north marched to the south and occupied the capital. Later, however, Habre's forces, supported by French troops, recaptured the capital and drove the Goukouni forces to the north. Habre established his own government, which has been generally recognized by the international

community. But Goukouni, not taking his defeat lying down, launched a massive attack, supported by Libya, on Habre forces in June 1983. This put Habre's forces in a critical situation. In response to Habre's appeals, the French troops in Chad joined in, taking military action and establishing a security line along the 16 degrees north latitude. This finally halted the attacks of Goukouni and Libyan troops. The line that divided Chad into two parts had never been broken through, although there were some battles between two sides.

The present dramatic changes of military situation in Chad have been attributed to the Habre government's policy. While containing Goukouni and Libyan troops north of the dividing line with support from the French troops, it has been striving for the national conciliation on one hand and preparing to recover the northern territory from Libya on the other. Early last year, more than 3,000 anti-government guerrillas in the south walked out of the jungle and gave allegiance to Habre forces, which made the south first to realize peace. In the north, there was discord between Goukouni and the Libya troops. On October 16, Goukouni declared that he was willing to hold unconditional consultations with Habre government. The Chief of Staff of Goukouni forces led the main forces converted to fighting against Libyan troops together with Habre forces, which put the Libyan troops in an unfavourable military situation. Libyan troops in an unfavourable military bases in Tibest Highlands were caught in a pincer attack between Chad government troops from the south and Goukouni forces from the north.

The recent victories of Chad government troops have also been due to logistical support of the French troops and a large amount of military aid from France and

the United States.

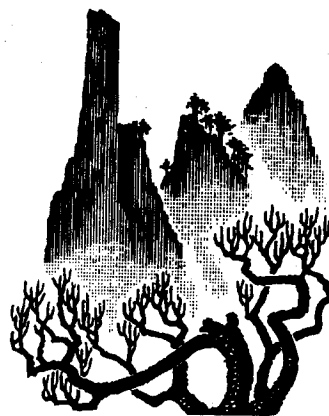
The Libyan troops have now retreated to the northern mountains and Aozou Strip of Chad. Military co-operation between Habre and Goukouni forces has paved the way for ultimate recovery of the northern territory occupied by Libyan troops.

On April 16 Goukouni said in Libreville, capital of Gabon that current President Habre should be recognized as the country's legitimate head of state. Goukouni had just held a two-hour talk with Gabonese President Omar Bongo, who is playing an important role in promoting reconciliation between the factions of Chad.

He said that Habre should make concessions to all leading rebels so that they could rally to him without feeling humiliated. He also said that he was prepared to return to Chad under certain conditions. Although he did not specify, it is understood that one of these is the establishment of a multi-party system in Chad.

Goukouni was deposed as president by Habre in 1982 and stayed in Libya for several years until he left Libya for Algeria last February.

by LI LI





# Peng Zhen Answers Journalists' Questions

**O**n April 8, Peng Zhen, member of the Political Bureau of the Party Central Committee and chairman of the NPC Standing Committee, answered questions raised by reporters from Hong Kong and Macao who came to cover the Fifth Session of the Sixth NPC and Fifth Session of the Sixth CPPCC. The following is a report by our correspondent Lu Yun.

**Question: There has been much talk abroad about Chinese leaders being divided into a "reformist faction" and a "conservative faction," and that you are not a "reformist." What do you think of this?**

**Peng:** People abroad are free to say what they like. If there were any "faction" in China, it is the "faction" of Marxists. As Lenin said, Marxism is, in essence, critical and revolutionary. To make revolution implies going through reforms—from capitalism to socialism and then to communism. Such reform requires a very long period of time. To practise socialism, we must have the leadership of the Communist Party. Simultaneously we must enforce the people's democratic dictatorship and persist in Marxism, Leninism and Mao Zedong Thought. The proletariat can only emancipate itself after the emancipation of all humanity. With the disappearance of classes and the state, the political party of the proletariat—the Communist Party—will wither away. This entails a very long process, and nothing can be achieved without reform. Some people set Marxism against reform. A majority of them have done so out of misunderstanding, but some have ulterior motives. The Communist Party acts according to dialectical materialism and historical materialism.

Dialectics presupposes constant reform and constant progress.

Comrade Deng Xiaoping said that if you talk about reformists he is a reformist; if one insists that adherence to the four cardinal principles is conservative then he is a conservative. To be more exact, he said, he belongs to a "faction" seeking truth from facts. This is well said. We Communists represent and serve the common interests of the 1 billion people of all nationalities in China. Be it the National People's Congress, the State Council, the Chinese People's Political Consultative Conference or the democratic parties, the common interests of the Chinese people are what they discuss and where their primary concern lies. Some people see things distorted and arbitrarily divided us into reformist and conservative factions. They say I am a conservative, I don't care a hang. They can say what they like. Our purpose is to serve the majority of the people and eventually move from socialism to communism. To achieve this

objective is the wish and honour of the state and us Communists.

**Q: It has been said that you want very much to be on the Standing Committee of the CPC Political Bureau. Is it true? Will Deng Xiaoping retire at the 13th National Party Congress?**

**Peng:** Before the 12th National Party Congress in 1982, many comrades suggested I enter the Political Bureau Standing Committee. Comrade Deng Xiaoping said at a meeting: "Comrade Peng Zhen is fully qualified to be a member of the Political Bureau Standing Committee. I'm all for it." I was getting on for 80 at the time. I told them they should consider comrades in their 50s and 60s. What I meant was that they should select some younger comrades when many old ones are still alive. I'm for the combination of the old, the middle-aged and the young in our leading bodies. Older comrades have more experience and can pass on their knowledge to the younger cadres and help them take over from the veterans later. This will also help ensure

Peng Zhen (centre back) at the press conference.

QI TIEGUAN



stability for the state. Old comrades pass on their experience to young people and young people excel the old people—that is the way history advances.

As for Comrade Deng Xiaoping, he is very fit, his mind is alert, he can go on working for some time to come. I have been thinking that we old comrades should retire, but he should remain. I am not advocating personality cult. We of the Political Bureau have also played our part in the decision of major issues. Nevertheless, there should be a chief engineer and a chief designer. In my opinion, Deng should not retire, he should stay in the Political Bureau and continue to be a Standing Committee member. But he said that he would persuade the others to let him step down. Whether he can convince them or not I can't say. He hasn't convinced me.

**Q: How will the NPC and its Standing Committee improve their work?**

**Peng:** A very important task for the National People's Congress is to develop socialist democracy and perfect the socialist legal system. In this respect we still have much to do. For instance, the Draft of the Organic Law on Villagers' Committees examined and discussed at this NPC session is quite a big issue. It will allow the 800 million farmers to exercise autonomy over their own affairs according to the principle of democratic centralism. In fact it is a very large democratic training course, and a place where they practise democracy.

The Law on State-Owned Industrial Enterprises will also be eventually passed. Some people abroad asserted that our National People's Congress is conservative and put the law on the shelf. I don't know what they will say after the enterprise law is adopted. Actually it is I who proposed the director responsibility system. A director made mistakes which he admitted. But later he said all these mistaken decisions had been

made collectively by the Party committee. There were so many people in his Party committee. How can you take him to court, how do you punish him?

Under the old director responsibility system under the leadership of the Party committee, nobody could assume full responsibility. So I suggested a new system in which the director of a factory assumes full responsibility, and canvassed opinions about this in Hangzhou, Shanghai, Nanjing, Dalian, Shenyang, Jilin and Heilongjiang. I'm not taking credit for myself. Some people say that the NPC is conservative, that I am a conservative. In fact, before the NPC Standing Committee decided to postpone the adoption of the enterprise law, I had discussed this question with Premier Zhao Ziyang.

The director responsibility system is a major project. Although our people's deputies agreed with most of the clauses, differences remain. Further investigation is needed. But the NPC Standing Committee meeting has confirmed the director responsibility system and decided to carry it through. We already have the new Constitution and 57 laws. There are still many laws to be made in the future, particularly laws concerning economic and administrative affairs. The work ahead is still very arduous.

Old China did not leave us much in the way of democratic traditions. To develop democracy it is necessary to foster among China's 1 billion people the habit of acting in a democratic way and knowledge of the law. We must also institute democratic systems in conjunction with the reforms of the economic and political structures, and strengthen the supervision of law. Of course, the National People's Congress and the people's congresses at all levels will also improve their own work and keep on studying Marxist theory and knowledge of the law. The NPC Standing Committee will also strengthen its ties with its

members and people's deputies.

**Q: Some foreign reports said that you played a very important role in General Secretary Hu Yaobang's resignation. Any comment about this?**

**Peng:** Basically this is not true. The work of Comrade Hu Yaobang as General Secretary of the Party Central Committee may be divided into two stages. It is hard to say he made no mistakes in the first stage. But, on the whole, he did his work alright and he himself was quite modest. Problems occurred in the latter stage. He not only erred on the question of combating bourgeois liberalization but also failed consistently to adhere to the four cardinal principles. Sometimes he abided by them, sometimes he didn't. The basic problem is that he could not adhere to the four cardinal principles from the beginning to the end.

Our Party follows the principle of democratic centralism. All our decisions are made collectively and carried out separately. Individuals should submit to the decisions of the organization, and the minority, to the majority. Comrade Hu Yaobang failed to obey collective decisions on some major issues and thus violated the principle of democratic centralism. So people had a lot of complaints about him. We had warned him long before, but he turned a deaf ear to our warnings. Later he found that he could hardly carry on his work and applied to resign. After discussion, the Standing Committee of the Political Bureau of the Party Central Committee agreed to his resignation. The Political Bureau did the same. After all this, the decision to accept his resignation was made at the enlarged meeting of the Political Bureau of the CPC Central Committee and it was agreed that the decision will be submitted to the next plenary session of the Party Central Committee for confirmation. The Political Bureau has the right to do so. ■



# Housing Prospects for the Year 2000

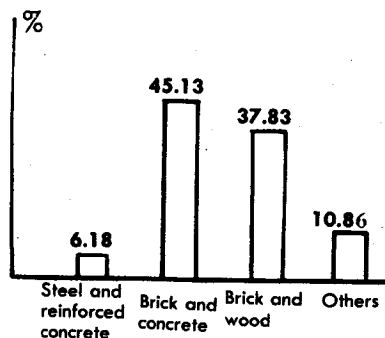
*The author, Zhu Yi, is deputy director of the Urban Housing Bureau, Ministry of the Urban and Rural Construction and Environmental Protection.*

A survey of urban housing, conducted in 1985 for the first time in China's history, brought forth the basic facts and figures of housing in cities and towns.

The survey indicated that by the end of 1985, the construction area for each urban resident averaged 15.24 square metres, the average area actually used by each person was 10.04 square metres, and that by each household, 37.94 square metres. Apartments with kitchens and toilets accounted for 26.05 percent of the total area of housing.

However, limited resources have prevented China from conducting a nationwide survey of its total housing. So data of rural housing were based on the statistics provided by the department concerned.

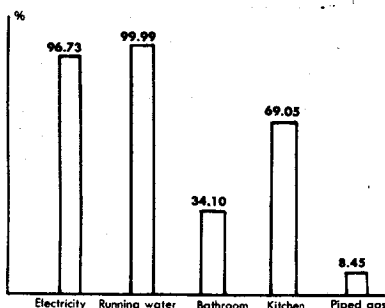
**Chart I: The Structure of Urban Houses**



(Steel-concrete structured houses 6.18%  
 Brick-concrete structured houses 45.13%  
 Brick-wooden structured houses 37.83%  
 Others 10.86%)

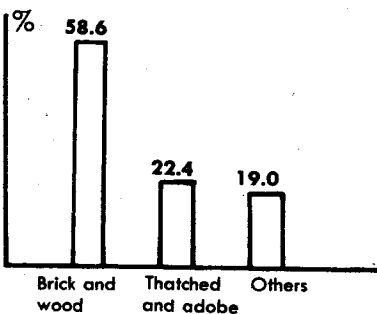
By the end of 1985, the average per-capita construction area in China's countryside was 17.80 square metres and the area actually used by each farmer averaged 14 square metres and

**Chart II: The Equipment of Urban Houses**



(With electric lights 96.73%  
 With running water 99.99%  
 With toilet 34.10%  
 With kitchen 69.05%  
 With pipe gas 8.45%)

**Chart III: The Structure of Rural Houses**

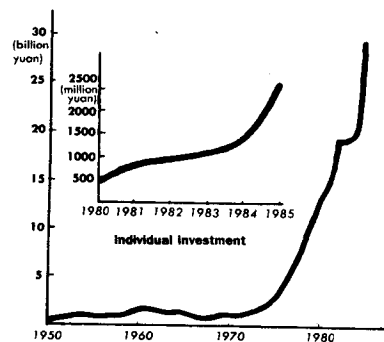


(Brick-wooden houses 58.6%  
 Houses with adobe walls and thatched ceilings 22.4%  
 Other kinds 19.0%)

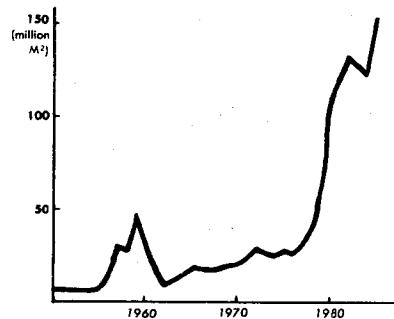
that by each household, 62 square metres. The statistics also showed that 54.2 percent of the villages have electric lights; 13.8 percent of the farmers have running water; and 40 percent of the rural households have access to purified water.

Since the founding of New China, the central government has given much attention to housing construction which has developed rapidly in the past seven years.

**Chart IV: Increased Investment in Urban Houses, (billion)**  
 Individual investment (million)



**Chart V: The Increase of Finished Urban Houses**  
 (million square metres)



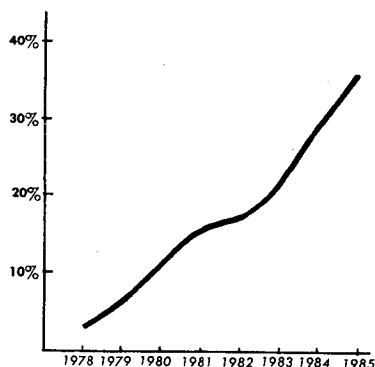
## Housing Boom

There has been a rapid increase in housing investment and finished houses in China since the late 1970s, which is a result of the Chinese government's policy of using all possible financial resources of the central and local governments, enterprises and individuals to solve the housing problem.

From 1950 to 1985, the state, including state-owned businesses, put in 91.83 percent of the total investment in urban housing, while the proportion of investment from collective-owned businesses and individuals was very small. However, since the end of the 1970s, individuals have gradually increased their investment in housing. In 1980, their investment accounted for only 3.14 percent of the total investment in urban housing. The figure jumped to 10.92 percent in 1985. Before the early 1970s, it was the central government that invested directly in housing construction. This phenomenon has changed considerably, though, since the end of the 1970s, when local governments and enterprises began to pour more money into the construction of houses. From 1981 to 1985, funds invested by enterprises amounted to 60 percent of the total investment in urban housing.

As in the cities and towns, rural housing construction has developed dramatically since the end of the 1970s.

**Chart VI: Increased Investment in Rural Houses**



Before 1978, about 100 million square metres of new houses were built in the countryside each year. While in the five years from 1981 to 1985, some 3.2 billion square metres of new houses were erected in the rural areas with a total investment of 120 billion yuan, averaging 640 million square metres of houses and 24 billion yuan of investment each year. Besides, there was an obvious improvement in the quality of the newly built houses. Brick-wooden houses and brick-concrete houses took up 56.6 percent and 28.5 percent respectively of the total newly built houses in 1984, comparing with 61.22 percent and 28.72 percent respectively in 1985. Of the newly built residences in 1985, 26 percent were two-storey buildings.

In the rural areas, high-quality and better-structured houses are on the increase, replacing adobe walls, thatched roofs, and paper-pasted windows. In some relatively wealthy villages, farmers are now able to afford sanitary equipment, heating, and high-grade cooking equipment. Apart from these, solar energy and marsh gas have come to be of increasing importance to rural life.

During the Sixth Five-Year Plan (1981-85), the newly built urban houses accounted for 48 percent of the total building area from 1950 to 1985, with an average of 16 apartments for 1,000 people per year. At the same time, the newly built houses in the rural areas amounted to 47 percent of the total houses set up from 1950 to 1985, with an average of 11 houses for 1,000 people per year.

## Goal of Housing by 2000

As a developing country, China is still economically backward. The achievements made so far in no way mean the end of the housing problem. In fact the standard of housing is still low in China, with about a quarter of its

population having insufficient housing. Besides, the modestly equipped houses and the limited number of apartments fall far short of the demand of the people.

Now that a strategic goal has been set for the Chinese people to enjoy a comfortable standard of living by the year 2000, it is expected that by then, most of the urban families will be housed with decent apartments and the farmers will live in practical, hygienic and compactly laid-out courtyard houses.

The key to solving the housing problem lies in economic development. The target of housing development must be set in line with economic conditions. In light of its economic and social conditions, China will achieve the above goal in two steps. The first step is to help families solve their serious housing problem before 1990; the second step is to provide better apartments and courtyard houses for both urban and rural residents by the year 2000. To attain their goal, the central government will invest directly in 650 million square metres of urban houses from 1986 to 1990, and 3 billion square metres of rural houses are expected to be completed in the same period.

The Chinese government stands for solving the housing problem by relying on the joint efforts of the state, enterprises, and individuals. It is with the effort of the whole society, the individuals in particular, that the steady development of housing is possible and the goal can be reached.

## Ways and Means

### (a) Policy

Summing up historical experience and considering the existing problems, China has adopted a housing policy for solving these problems. Its main points are as follows:

1. Reform urban housing system

For quite some time, China has introduced a low-rent system,



Outside and Interior view of new house built by a better-off farming family in southern Jiangsu Province.

ZHOU ZHONGYAO

under which all urban housing has been provided by the state. However, because of the state's limited financial resources, this system actually cannot meet the growing needs of housing for urban dwellers and so the shortage of housing can hardly be eased. The state not only has to spend a huge amount of investment in housing construction but, because rents are far lower than construction costs and are far from enough to pay maintenance fees, it has to allocate extra funds as subsidies for maintenance. The more houses are built, the heavier the burden the state has to bear.

Now in China, rents account for only 3.08 percent of an urban resident's total annual consumption. Thus, the low rents have encouraged people's housing demand. Inadequate financial resources and unreasonable demand have widened the gap between supply and demand of housing. Under such circumstances, solution of the housing problem will not be in sight. So the state has decided to reform the urban housing system. The guideline for the reform is to enlarge the proportion of personal investment in urban housing projects, introduce new housing rent standards, and encourage individual families to buy housing. Of course attention must be paid to citizen's incomes and society's financial support. A few cities have begun this reform.

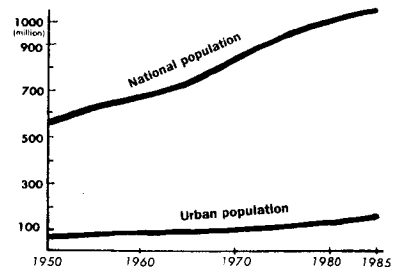
## 2. Control urban population increase

Rapid population growth brings pressure to bear on housing development. It is obvious that China's family planning policy has played a positive role in controlling the population increase. From 1975 to 1985, the average annual growth rate of China's population was 12.36 per thousand, but from 1965 to 1975 it was 24.52 per thousand.

With the development of industry, the urban population growth is an inexorable trend. This is so in China as is the case in the developed as well as other developing countries. But efforts should be made to prevent it from developing unchecked. The Chinese government has adopted a series of measures to limit urban population growth and solve the housing and other problems resulting from urbanization. A basic policy is to strictly control the size of big cities, rationally develop the medium-sized cities and promote the development of small cities and towns. In 1985, the urban population in Beijing, Tianjin and Shanghai only increased by 10.79 percent over 1981, but the population in towns increased by 25.11 percent in the same period. The way to control the urban population growth is developing the rural economy. If the rural labour forces can work in the small cities and towns instead of pouring into the big cities, then

the urban housing shortage can be alleviated.

Chart VII Population Growth



## 3. Set new housing standards

Recently the Chinese government has issued the designs and standards for urban housing projects. It includes an independent apartment with sitting room, bedroom, kitchen, toilet and storage area.

It also stipulates the minimum area standard for every apartment:

- bedroom:
  - double bedroom 9 square metres
  - single bedroom 5 square metres
- sitting room: 12 square metres
- kitchen:
  - with gas stove 3.5 square metres
  - with coal stove 4.5 square metres
  - with firewood stove 5.5 square metres
- toilet: 1.1 square metres
- washroom 1.8 square metres

# Report on the Draft 1987 Plan for National Economic and Social Development

(Excerpts)

(Delivered at the Fifth Session of the Sixth National People's Congress on March 26, 1987)

**Song Ping**

State Councillor and Minister in Charge of the State Planning Commission



## I. Implementation of the 1986 plan

Nineteen eighty-six was the first year of the Seventh Five-Year Plan for Economic and Social Development. In this year both construction and reform went smoothly. The Plan for 1986 was fulfilled, there were fresh, encouraging achievements in every field of endeavour and the economy grew steadily. All this has laid a solid foundation for the implementation of the new Five-Year Plan.

**First, the rural economy has been growing on the basis of increased grain production.** In 1986 the production of grain increased. Despite the fact that several major grain-growing provinces suffered serious natural disasters, the overall harvest reaped was fairly good: total output was 391,090,000 tons, representing an increase of 11,990,000 tons over 1985. The total annual value of agricultural output grew by 3.5 percent over the previous year, surpassing the projected growth rate of 3 percent. Other rural undertakings developed much faster: total output value of industry, construction, transportation and commerce grew by 22.3 percent. All this demonstrates that a new step forward has been taken in the restructuring of our rural production.

**Second, industry, which had been developing at a super-high rate in 1985, slowed to a normal pace, maintaining an appropriate rate of growth.** Total annual output value of industry rose by 11.1 percent, or 9.2 percent excluding village industrial undertakings -- that is, slightly more than the planned 8 percent. Light and heavy industries continued to develop proportionately and that the output of both readily marketable consumer goods and important means of production increased rapidly. The output of woollen fabrics, sugar, beer, tape recorders, cameras and household refrigerators grew at rates between 12 and 54 percent. The output of electricity reached 445.5 billion kwh., 8.5 percent more than in 1985. Production of steel was more than 50 million tons and of rolled steel 40 million tons, representing an increase of 11.2 percent and 9.8 percent respectively over the previous year. The state plans for transport, post and telecommunications services were overfulfilled.

**Third, the excessively rapid growth of investment in fixed assets was somewhat slowed, and construction of key projects was accelerated.** In 1986 investment in fixed assets of state-owned enterprises and institutions came to 193.8 billion yuan, an increase of 15.3 percent over the preceding year. Of this, investment in capital construction was 115.2 billion yuan, an increase of 7.3 percent, which was much lower than the 44.6 percent increase in 1985. More funds were invested in the energy, transport and raw and semi-finished materials industries, representing 49.6 percent of the total as against 48 percent in 1985. Ninety-six large and medium-sized projects and 165 single items were completed and put into operation. Capacity for electricity generation, coal mining, oil extraction and steel production as well as the handling capacity of ports all increased more than in any other year in the past decade, as did the mileage of new railroad track put into operation. Technological transformation of existing enterprises was carried out at a higher rate, with 60.1 billion yuan invested in updating equipment and transforming state enterprises and institutions, 33.8 percent more than in 1985.

**Fourth, the domestic market flourished and more commodities were in adequate supply.** The total



value of retail sales in 1986 came to 495 billion yuan, an increase of 15 percent over the preceding year, or 8.5 percent after allowing for price rises. Both in town and country, volume of sales rose by a wide margin for consumer goods of all kinds. The ample supply of commodities on the market helped keep the rise of the retail price index down to the 6 percent level projected in early 1986, as against 8.8 percent in 1985.

**Fifth, economic and technological exchange with foreign countries continued to expand.** In 1986 our foreign trade was confronted with a sharp drop in world oil prices, increasing trade protectionism and many other difficulties. Under these circumstances, we adopted the economic policy of encouraging export enterprises to earn more foreign exchange. We promptly readjusted the proportions of different export commodities and tapped new sources of production, thus facilitating steady growth in this area. According to customs statistics, total annual export volume reached US\$30.9 billion, a 13 percent increase over the previous year. Total volume of import was US \$42.9 billion, 1.6 percent more than in 1985. A total of 4.8 billion dollars' worth of foreign loans was actually used, somewhat more than in the previous year, and many more of the projects funded directly by foreign businessmen were productive ones.

**Sixth, science, education, culture, public health and sports developed further.** In 1986 we started systematically to launch key scientific and technological state projects in accordance with the Seventh Five-Year Plan. More than 4,000 technological development projects were included in the "spark programme" designed to invigorate the rural economy. Nine-year compulsory education was introduced wherever local conditions permitted. Higher and secondary education, vocational and technical education and adult education developed steadily on the basis of readjusted disciplines and improved quality of instruction. Progress was made in the press, publishing, broadcasting, cinema, television, literature, art and other cultural undertakings. Medical care was improved for the masses. New successes were scored in sports.

**Seventh, the people's living standards in both town and country were raised.** A sample survey shows that the portion of average per-capita income that urban residents spent on living expenses came to 828 yuan, an increase of 20.9 percent over the preceding year, or 13 percent after adjustment for price rises. Average per-capita net income of peasants was 424 yuan, an increase of 6.7 percent, or 3.2 percent after allowing for price rises. Housing was improved for both urban and rural residents.

**Eighth, economic restructuring progressed on the basis of the consolidated achievements of the past few years.** Extensive horizontal economic ties were established between regions, trades and enterprises,

and corresponding measures were taken to reform planning, statistics, materials supply, finance, credit and industrial and commercial administration, so as gradually to break down the barriers between different departments and regions. In state enterprises provisional rules and regulations were put into effect for the contracting of labour, the recruitment and employment of workers, the dismissal of employees who violate discipline and the provision of insurance for former employees waiting for new jobs. All this helped to bring about a major reform in the labour system. Measures taken a few years ago to reform prices and wages were improved, and ways to reform the financial system and expand the market for funds were actively explored. Taken together, these reforms have done much to promote the growth of the economy.

That there are still some problems in the economy demanding urgent solution. The chief ones are as follows:

1. Investment by local authorities and extra-budgetary investment exceed the amount set in the state Plan and that there are still too many fixed-assets projects under construction in the society as a whole.

2. Consumer demand is growing too fast. The average wages of workers and other employees last year were raised by 16 percent over 1985 (8.4 percent in real terms after adjustment for price rises), an increase far surpassing the rise in labour productivity, which was 4 percent.

3. Our industrial product mix does not meet the changing demand of the market. The production of many goods consumes too much material and consequently costs too much.

4. There is a deficit in state revenue, the prices of some commodities have soared and there is an imbalance in receipts and payments of foreign exchange. This shows that the problem of making total social supply meet total social demand has not yet been fundamentally solved and that there are still some unstable factors in the economy.

The problems we are confronting in our efforts to develop the economy are those encountered not by a declining economy but by a growing one. But so long as we continue to push the reform and to adopt correct policies and measures, the problems will be solved.

## **II. Tasks and Emphasis of the 1987 Plan**

In accordance with the arrangements and requirements for the first two years of the Seventh Five-Year Plan, and taking into consideration the actual conditions, the 1987 Plan for National Economic and Social Development essentially sets forth two tasks: to achieve a basic balance between total demand and total supply and to maintain a steady development of the economy. These are to be accomplished by conducting a vigorous campaign to increase production, practise economy, raise

revenue and reduce expenditure, and by deepening the reform to further invigorate large and medium-sized enterprises and to strengthen agriculture for continued growth.

**(1) We must strengthen agriculture to bring about a greater increase in the output of grain and other farm and sideline products urgently needed by the society.**

In 1987 we shall try to bring our total output of grain up to between 400 and 405 million tons, 8.9 to 13.9 million more than in 1986. At the same time we must work hard to increase production of cotton, oil-yielding and sugar-yielding crops and high-quality tobacco and to diversify the rural economy so as to bring about all-round prosperity in the countryside. In 1987 total agricultural output value is planned to reach 313.5 billion yuan (calculated in terms of constant prices for 1980), an increase of 4 percent over last year.

**(2) We must readjust the structure of industrial production, emphasizing the product mix of the textile industry and other light industries and of the machine-building and electronics industries.**

We must try to increase production of quality brands and of goods in short supply, while curbing production of inferior and overstocked goods. This year we plan to update 20 percent of the existing varieties of light industrial products and to develop a number of new ones. In the machine-building and electronics industries we should concentrate on the manufacture of special large modular sets needed by the energy and raw and semi-finished materials industries and on the production of railway rolling stock. Where products are assembled in China from parts that are mostly imported at present, we should try to make more of those parts ourselves.

According to the 1987 Plan, total industrial output value will be 1,100 billion yuan (calculated in terms of constant prices for 1980), an increase of 7 percent over 1986. Light industry will grow at roughly the same rate as heavy industry.

**(3) We must continue to strengthen the construction of key projects and increase the capacity of the energy, raw and semi-finished materials, transportation and communications industries.**

In 1987 we plan to complete and put into operation generators with a total capacity of 5.5-6 million kw., of which 1 million kw. will be added to power grids in north China, 1.1 million kw. to northeast China, 1.2 million to east China and 0.9 million to central China. A 500,000-volt transmission and transformer project for these four regions will be completed this year, and testing will begin on China's first 500,000 ultra-high-voltage DC transmission project.

In the raw and semi-finished materials industries, the emphasis will be on accelerating the development of iron and steel production and on expanding the nonferrous metals, chemical, petrochemical and building-materials industries. Specifically, we shall construct the second-stage project of the Baoshan Iron and Steel Complex in Shanghai and provide complete equipment for the

first-stage project. We shall complete the rolling-mill projects at the Wuhan, Panzhihua and Tangshan Iron and Steel Companies and a number of technological transformation projects, with a view to expanding the capacity for rolled steel of different varieties urgently needed at home. We plan to lay an additional 538 kilometres of track, to double-track 532 kilometres and to electrify 677 kilometres. So far as ports are concerned, we shall emphasize the building of off-loading docks in coastal provinces and cities that are short of coal and the construction of ports in coastal cities that are open for foreign trade.

In 1987, 195 billion yuan will be invested in fixed assets of state enterprises and institutions, roughly the same amount as in 1986.

**(4) We must adhere to the policy of opening to the outside world and expand export in order to earn more foreign exchange.**

We shall continue to tighten control over imports, especially consumer durables and ordinary machine-building and electronic equipment. We must ensure that our limited foreign exchange is spent to purchase advanced technologies, key equipment and those raw and semi-finished materials that are in short supply on the domestic market and to increase our capacity to generate more foreign exchange through export. We must do our best to achieve a balance between receipts and payments of foreign exchange this year.

**(5) We must undertake a number of key projects in science and technology and other projects for spreading the application of advances in these areas. We must also train more skilled people in different fields and promote cultural progress of all kinds.**

We must see to it that the bidding and contracting for key scientific and technological projects to be undertaken during the period of the Seventh Five-Year Plan are conducted properly. We should make sure that advanced technologies are applied as widely as possible, that the "spark programme" is carried out and that technological progress in production is speeded up. We should research and develop high technologies. Regular higher education should be steadily developed and teaching conditions gradually improved. In 1987, 620,000 students will enter regular or special undergraduate programmes offered by regular institutions of higher education, and 45,000 students will be enrolled in postgraduate programmes.

People working in the fields of literature, art, broadcasting, cinema, television, the press and publishing and in other cultural areas must uphold the Four Cardinal Principles and take a firm stand against the tendency towards bourgeois liberalization. They must resolutely implement the principle of "letting a hundred flowers blossom, a hundred schools of thought contend" and the principle of serving the people and socialism; they should work hard to make socialist literature and art flourish so as to enrich people's cultural life. They must continue to develop public health and sports.

We must persist in our efforts to promote family planning and control the growth of population.

**(6) We must improve the living standards of both urban and rural residents on the basis of expanded production.**

In 1987 we must arrange to provide jobs in cities and towns. Total wages of workers and other employees will increase over the 1986 figure by 14 billion yuan, the bulk of which will necessarily go to the newly employed and to those who, after a trial period, become regular workers on regular wage scales. We shall build houses for the workers and other employees according to plan, trying to complete 90 million square metres of new floor space. The peasants' income will continue to rise with the growth of agricultural production. We must go on helping poor areas to lift themselves out of poverty and become prosperous.

To keep pace with the growing income of both urban and rural residents, we must increase the market supply of commodities in town and country. Total volume of retail sales in 1987 is projected to be 555 billion yuan, 12.1 percent more than last year.

People's governments at all levels must exercise strict control over the market, ensuring that general retail prices rise no more than they did in 1986.

### **III. Increase Production and Practise Economy, Deepen the Reform and Completely Fulfil the 1987 Plan**

The key to complete fulfilment of these tasks in 1987 is to do well in two major respects: first, to put a brake on spending and carry out the nationwide campaign to increase production, practise economy, raise revenues and reduce expenditures in all occupations; and second, to deepen the economic structural reform, focusing on the further invigoration of large and medium-sized enterprises.

According to the 1987 Plan, industrial enterprises should raise their labour productivity by 4 percent, reduce their material consumption by 2 percent, cut their overall operating expenses and those of their workshops by 10 percent and reduce their losses in the process of production by 30 percent. Commercial enterprises should reduce their costs of circulation by 2 percent and their losses by 20 percent. All industrial, transport and commercial enterprises should reduce the amount of funds tied up and shorten the length of time for turnover of working capital by 2 or 3 percent. In capital construction, 5 percent of total investment should be saved by lowering excessively high

building standards, reducing consumption of materials, cutting operating expenses and eliminating unnecessary expenditures.

To achieve good results in increasing production, practising economy, raising revenue and reducing expenditure, we must do the following in 1987:

**1. Further shift the focus of work to the improvement of economic performance.**

**2. Further readjust the investment pattern and strive to increase returns on investment:** In 1987 we must be sure to follow the State Council's guidelines 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 essential state projects, while restricting projects that are outside the Plan, non-productive and non-essential. One of the important measures that the state will take is to issue through the banks 10 billion yuan's worth of bonds for key construction projects and for key enterprises. This will enable us to muster extra-budgetary funds from the various localities, departments and enterprises for the construction of major projects envisaged by the Plan in the energy, transport and raw and semi-finished materials industries.

**3. Restrain the excessive growth of consumer demand and resolutely cut back unreasonable, non-productive expenditures.**

**4. Strengthen control over foreign exchange and foreign loans and make effective use of them.**

**5. Strictly enforce financial and labour discipline and strengthen economic supervision.**

The State Council has decided that the major tasks of the economic structural reform in 1987 are as follows: to invigorate enterprises, especially large and medium-sized state-owned ones, focusing on the reform of their managerial mechanisms and of their leadership structure; to continue to expand horizontal economic associations; to speed up financial reform appropriately; to further expand the market for means of production; gradually to reform and improve the labour and wage systems of the enterprises and their management of investment in fixed assets; and to make necessary preparations for the whole range of reforms. There will have to be certain reforms in the planning system. In particular: 1) the scope of mandatory planning and the number of materials under unified state distribution will have to be further reduced and the scope of guidance planning and market regulation broadened, and 2) better ways of implementing guidance planning will have to be devised. The State Planning Commission will further investigate and study these problems and will work out methods for the application of guidance planning. ■





A bamboo house in Yunnan Province.

*Qu Weibo*

The United Nations has designated the year 1987 as the Year of Shelter for the Homeless. The government of the People's Republic of China is doing its utmost to improve people's housing conditions, and is issuing commemorative stamps depicting the varied styles of house building in different areas of China.



A house in the Tibet  
Autonomous Region.  
*Shen Yantai*

Houses in a Jiangsu market town.

*Wang Guanmin*







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③



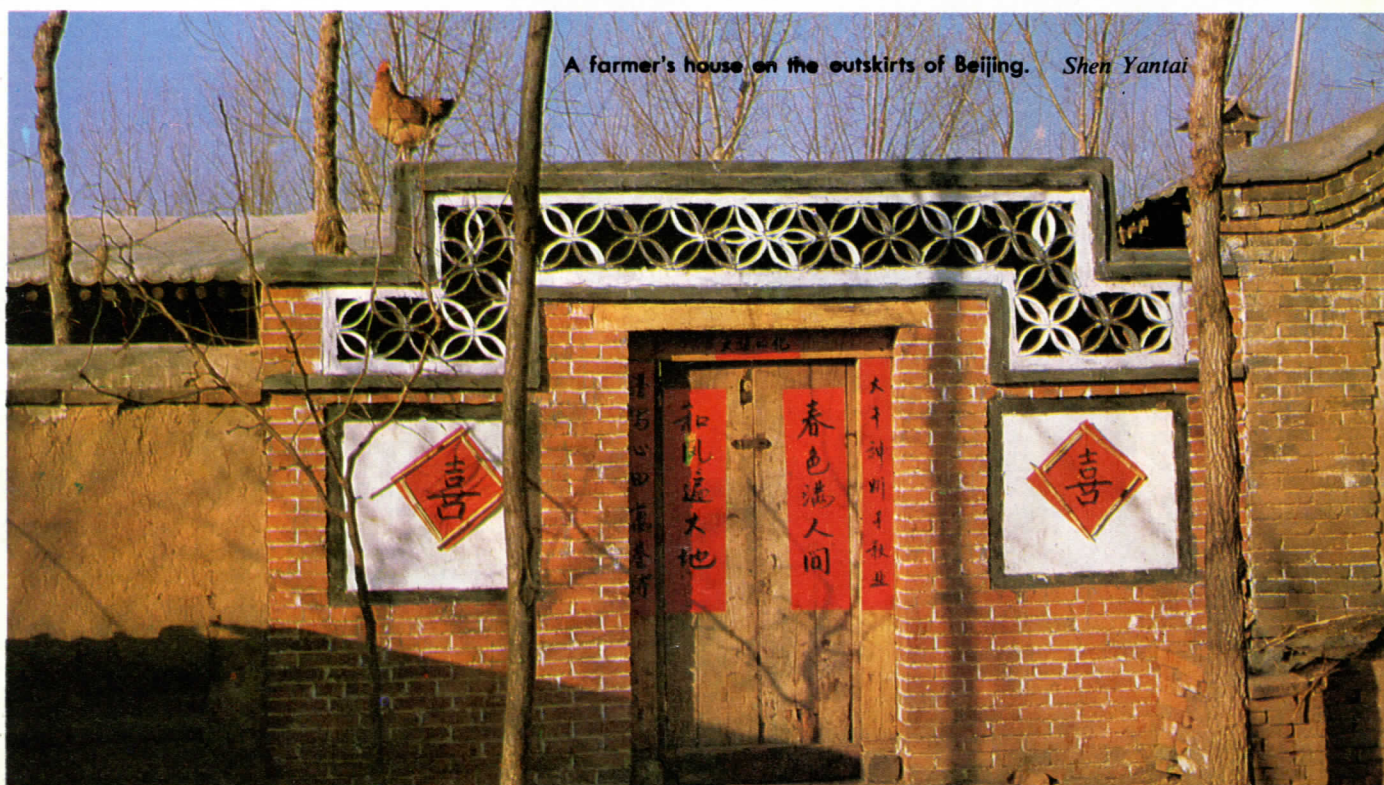
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1. Sichuan    2. Zhejiang    3. Hunan    4. Jiangsu    5. Tibet    6. Inner Mongolia  
 7. Northern Shaanxi    8. Anhui    9. Fujian    10. Taiwan    11. Shanghai  
 12. Yunnan    13. Northeast China    14. Beijing



Newly built houses in Zhejiang Province.

Xie Jun



A new building in a village in Jiangsu Province.  
*Wang Guanmin*



A Sichuan farmer's bedroom.  
*Di Xianghua*



Yurts.

*Qu Weibo*

Cave dwellings in northern  
 Shaanxi Province.  
*Qu Weibo*

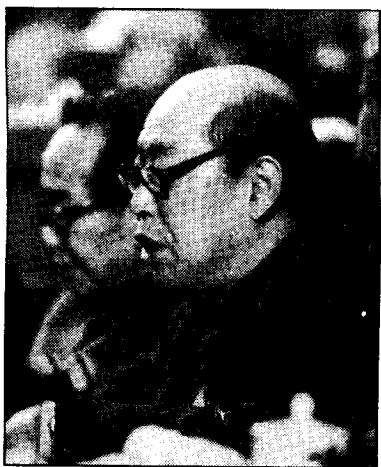
# Report on the Implementation of the State Budget for 1986 and on the Draft State Budget for 1987

(Excerpts)

(Delivered at the Fifth Session of the Sixth National People's Congress on March 26, 1987)

**Wang Bingqian**

State Councillor and Minister of Finance



## I. Implementation of the State Budget for 1986

With the development of the national economy, state revenues in 1986 grew satisfactorily, exceeding the budgeted figures. This guaranteed the financing of scheduled production and construction as well as the development of cultural, educational and scientific undertakings and facilitated the smooth implementation of the measures adopted for economic structural reform. However, for various reasons, expenditures also exceeded the budgeted amounts by wide margins, resulting in a deficit.

According to present estimates, state revenues in 1986 totalled 222.03 billion yuan (including domestic receipts of 214.16 billion yuan), or 103.7 percent of the budgeted figure. State expenditures amounted to 229.11 billion yuan, or 107 percent of the budgeted figure. The balance thus showed a deficit of 7.08 billion yuan.

Of total revenues for 1986, tax receipts amounted to 206.45 billion yuan; receipts from state treasury bonds, 6.2 billion yuan; funds collected for construction of key energy and transport projects, 16 billion yuan; receipts from foreign loans, 7.87 billion yuan; receipts from other sources, 11.751 billion yuan; and funds carried forward from the preceding years, 6.005 billion yuan. Apart from this, subsidies for losses by enterprises amounted to 32.246 billion yuan. These were deducted from total state revenues, as they had been in the 1985 budget.

For total state expenditures in 1986, the breakdown of major items is as follows: Budgetary appropriations for capital construction totalled 65.57 billion yuan. Funds expended to tap the potential of existing enterprises, finance their technological transformation and subsidize the trial manufacture of new products totalled 12.62 billion yuan. Aid to rural production and other operating expenses for agriculture came to 12.032 billion yuan. Operating expenses for culture, education, science and public health totalled 38 billion yuan. Expenditures for national defence accounted for 20.126 billion yuan. Administrative expenses amounted to 16.585 billion yuan. Subsidies to compensate for price rises came to 24.2 billion yuan. Expenditures for amortizing state treasury bonds totalled 1 billion yuan and for servicing the principal and interest of foreign debt 3.4 billion.

As the figures for 1986 show, revenues and expenditures failed to strike a balance, resulting in a deficit of seven billion yuan. Here, I should like to explain a few points:

(1) The receipt of state revenues in 1986 was satisfactory. This was partly thanks to our adherence to the principles of economic reform, opening to the outside world and invigorating our economy, and partly thanks to the excellent development of the economy as a whole. In 1986, China's total industrial output value increased by



11.1 percent over the previous year, total agricultural output value went up 3.5 percent, and the total volume of retail sales rose by 15 percent. As a result, domestic receipts exceeded the budgeted figures and were 3.7 percent greater than in the previous year. State revenues were affected to a certain extent by the steep fall in oil prices on the world market, the decline in the prices of primary products, the rising cost of earning foreign exchange through exports and the decrease in income from customs duties. Even allowing for these special factors, domestic receipts in 1986 increased by 6 percent over the previous year, which is by no means a low growth rate. To push forward the reform and invigorate enterprises, especially large and medium-sized ones, the state raised the depreciation rate for fixed assets of certain state enterprises, reduced their regulatory tax, reduced taxes for a number of trades and enterprises to allow them to keep more profits at their own disposal and increased their subsidies. In addition, efforts were made to supplement and improve the wage and price reforms carried out in 1985. Some of these measures were incorporated in the budget, and many others were taken in the course of implementing it. According to statistics, total amount of reduced tax and increased subsidies in the execution of the budget exceeded 6 billion yuan.

(2) The deficit in 1986 was also attributable to increased expenditures in the implementation of the budget, expenditures that surpassed our financial capability for the year. The major overruns were as follows: Expenditures for capital construction exceeded the budgeted figure by 8.79 billion yuan, of which 7.7 billion went for projects financed by localities out of their own reserve funds. Funds expended to tap the potential of existing enterprises, finance their technological transformation and subsidize the trial manufacture of new products exceeded the budgeted amount by 6.38 billion yuan. Operating expenses for culture, education, science and public health services came to 2.3 billion yuan more than anticipated. Administrative expenses were 2.21 billion yuan more.

(3) So far as the 1986 deficit is concerned, we had foreseen it in the first half of the year when we made an analytical forecast of revenues and expenditures for the whole year, and we had adopted measures to increase income and reduce outgoings. These measures did much to increase revenues, control expenditures and reduce the deficit, but they were unable to eliminate it completely. It seems to us now that the measures adopted at that time were not sufficiently effective and that some unnecessary expenditures were not strictly curbed. This is an important lesson for us.

(4) The financial and economic problems cannot be separated from each other. The deficit is essentially the financial manifestation of problems arising in the economy. For example, investment in fixed assets of state enterprises increased by 15.3 percent in 1986, following a 41.8 percent rise in

1985. In terms of 1986 prices, consumption funds rose by another 12.5 percent, following a 23.7 percent increase in 1985. Both exceeded the growth rate of the national income. Economic efficiency of enterprises was unsatisfactory since production costs rose and losses increased. All these factors were directly or indirectly reflected in finance which upset the balance and disrupted financial stability. It should also be noted that great changes in the structure of revenues and expenditures have taken place in recent years in the wake of economic reform and the delegation of powers to lower levels. The proportion of state revenues in national income was 31.9 percent in 1979. In 1986 it dropped to 25 percent. Furthermore, revenues of central financial departments now make up only about 50 percent of state revenues, a proportion highly incompatible with the tasks assumed by those departments. These changes have created problems in state finance and have adversely affected the balance of revenues and expenditures, especially in the central financial departments. Consequently, if we are to solve these financial problems, in addition to making efforts to develop production, promote economic efficiency, increase revenues and reduce expenditures, we should increase the proportion of state revenues in national income and the proportion of revenues of central financial departments in state revenues, in order to avoid excessive dispersion of funds. Also, we must not overlook the problems in financial work itself, such as the lax management of revenues and expenditures in the past two years when the financial situation had taken a turn for the better, grave cases of tax evasion and losses from wasteful expenditures. We shall sum up our experience and adopt effective measures to solve those problems.

## **II. The Draft State Budget for 1987**

In 1987 we shall launch a nationwide campaign to increase production, practise economy, raise revenues and reduce expenditures. We shall also intensify the economic reform and open our country wider to the outside world, further rationalize the relations between major economic sectors and strive to ensure sustained development of the entire economy. In view of these objectives and of our present economic situation, the 1987 state budget was drawn up according to the following basic principles: 1) We must enhance economic efficiency by increasing production and practising economy and open up new sources of income so as to ensure a steady increase in state revenues. 2) We must firmly reduce inflated expenditure wherever possible and allocate and use funds rationally, in accordance with the principle of guaranteeing implementation of the reform and completion of key construction projects, maintaining adequate reserves for continued development and bringing about self-sustained economic growth. 3) On the basis of increased production and labour productivity, we must continue to raise the living standards of urban

and rural residents. 4) We must perfect the budget control system by strengthening and improving macro-economic control and strive to keep the deficit within the bounds set by the state budget.

The draft state budget for 1987 which I am submitting for examination and approval projects total state revenues at 237.929 billion yuan and total expenditures at 245.946 billion yuan, for a deficit of 8.017 billion yuan.

Of the total revenues envisaged in the 1987 state budget, domestic receipts will account for 223.329 billion yuan and foreign loans for 14.6 billion. The basic breakdown for domestic receipts is as follows. Tax receipts: 219.398 billion yuan; receipts from state treasury bonds: 6 billion yuan; construction funds collected for key energy and transport projects: 17.7 billion yuan; receipts from special items: 4.1 billion yuan; and income from other sources: 12.103 billion yuan. Subsidies for anticipated losses of enterprises are estimated at 35.972 billion yuan, which is a debit in the budget and is already deducted from projected domestic receipts.

The breakdown of major items of expenditure for 1987 is as follows. Budgetary expenditures for capital construction: 65.593 billion yuan; funds to tap the potential of existing enterprises, finance their technological transformation and subsidize trial manufacture of new products: 10.788 billion yuan; aid to rural production and other operating expenses for agriculture: 12.445 billion yuan; operating funds for culture, education, science and public health: 38.778 billion yuan; expenditures for national defence: 20.376 billion yuan; administrative expenses: 15.608 billion yuan; expenditures for amortization of state treasury bonds: 2.32 billion yuan; expenditures for servicing foreign loans: 5.9 billion yuan; and expenditures for subsidies to compensate for price rises: 33.723 billion yuan. In addition, allocations for the general reserve fund total 3 billion yuan, of which half is at the disposal of the central authorities and half is available to local authorities.

When we drafted the state budget for 1987, we deemed it imperative to handle correctly the contradiction between demand and supply of funds, so as to ensure the availability of indispensable sums for our construction projects and the economic reform and to minimize the deficit. To this end, the State Council has drawn up a number of policy measures concerning state revenues and expenditures, and these are listed in the state budget. Chief among these are the following.

**(1) We shall promote the reform, invigorate enterprises and strengthen reserves for sustained agricultural development.** To further invigorate large and medium-sized enterprises and textiles and other light industries, the state will continue to raise the depreciation rates for fixed assets for some state-owned enterprises and will cut their regulatory tax this year. As for enterprises in electric power, forestry, textiles and other light industries, the state

will reduce their taxes so that they will retain more after-tax profits for their own use. Preferential measures will be adopted in particular for textile and other light industrial enterprises in the coastal areas to subsidize their technological transformation and their interest payments. With a view to increasing the capacity for future agricultural development, we shall slightly increase aid to rural production and other operating expenses for agriculture. In addition, we shall take necessary measures to improve the contract system for state purchase of farm and sideline products such as grain, cotton and oil-yielding crops, and gradually straighten out the price ratio between agricultural products. The State Council has decided to reduce the total quota of grain which the state purchases under contract and to raise the prices it pays, whether fixed or negotiated, for certain grain, cotton and oil-yielding crops.

The two above-mentioned measures will require 11 billion yuan for tax reduction and increased subsidies.

**(2) We shall readjust the pattern of investment and ensure the completion of key construction projects.** The state will allocate a total of 65,593 million yuan for budgetary capital construction in 1987, equalling the anticipated final amount for 1986. Of this total, 36.5 billion yuan will be allocated in the form of state loans rather than of appropriations, and 14.6 billion yuan in the form of foreign loans. Moreover, in view of the country's financial difficulties this year, it has been decided that 7 billion yuan of the allocation in the form of state loans will be raised by the People's Bank through loans and the issuing of bonds. Investment in capital construction arranged with local reserve funds this year will be reduced to 5.843 billion yuan, 50 percent less than the estimated final figure for last year.

**(3) We shall rationally allocate funds for the development of intellectual resources and ensure indispensable expenditures for culture, education, science and public health.** In the Sixth Five-Year Plan period, operating expenses for culture, education, science and public health increased at an average annual growth rate of 15.2 percent, and last year they grew by an additional 20 percent. Both figures exceeded the rates of increase for state revenues and expenditures in the corresponding period. With the steady increase in funds, culture, education, science and public health have expanded fairly rapidly. Since the state is faced with financial difficulties this year, it will be impossible to increase operating expenses for culture, education, science and public health by wide margins, as we have done in the past few years. Budgeted operating expenses in these areas in 1987 will be 38.778 billion yuan, an increase of 2 percent, of which 21.858 billion yuan will be allocated for education, an increase of 2.3 percent.

**(4) We shall cut back expenditures and eliminate those that are non-essential.** The State Council has

decided to reduce all budgetary expenditures by 10 percent on the basis of the estimated figures of last year. Excepted from this rule will be appropriations for the following: subsidies for price rises, support for the disabled and families of deceased servicemen and others, social relief, and service of the principal and interest of domestic and foreign debt, together with other necessary appropriations for special purposes.

**(5) We shall introduce new taxes and properly readjust some tax rates to increase revenues.** We plan to levy taxes on the use of arable land for non-agricultural purposes, beginning from this year. Half of these taxes will be retained by localities to set up a special fund for agricultural development, which is to be used for land reclamation, soil preparation and improvement of existing cultivated land; the other half will be turned over to the state. At the same time, to control the scale of investment in fixed assets, we shall put two other measures into effect. One is that, we shall change the uniform rate of taxes levied on construction projects financed by units themselves to differential tax rates. The other is that from this year on, the collection of funds for construction of key energy and transport projects will be extended to collective enterprises in urban and rural areas.

**(6) We shall increase foreign loans.** According to the state budget for 1987, foreign loans will come to 14.6 billion yuan. Of this amount, 3.2 billion yuan is earmarked for foreign equipment needed by the second-stage project of the Baoshan Iron and Steel Complex in Shanghai and 11.4 billion is to be used for other projects under the Seventh Five-Year Plan. There will be a marked increase in foreign loans in 1987. This is mainly because the key projects (in such areas as coal, electricity, port construction, iron and steel, petrochemicals and nonferrous metals) included in the Seventh Five-Year Plan either have already been launched or are scheduled to be started this year. Most of the foreign equipment required for these projects will arrive within a short time, thus causing a rise in payments to be made with foreign loans. This is a new situation this year. Contracting a foreign loan we should borrow only a prudent amount of foreign funds, taking into full consideration our capacity to repay them; we should use foreign funds only for the development of production, and pay attention to the economic results; and in disposing of the additional income gained through the use of such funds, we should first deduct the amount needed to pay the interest and repay the principal and then allocate the remainder to other uses. So long as we adhere to these principles we shall not run any risks, even if we borrow a little more foreign funds within a certain period of time.

The present draft lists a deficit of 8 billion yuan, which of course is a temporary phenomenon. Many things demand our immediate attention. We need adequate state allocations to further invigorate large and medium-sized enterprises, to increase the capacity of agriculture for sustained growth, to speed up the construction of key projects in the energy and transport industries and to increase investment in the development of intellectual resources, all of which have a vital bearing on the economy, the modernization drive and the people's standard of living. At the same time, we also need state expenditures to ensure the continual rise of that standard. We have cut back as much as possible expenditures on certain projects that should not have been undertaken at this time and on others that can wait. In the past there have been times when a small deficit was listed in the state budget of a certain year because of economic readjustment or for other reasons. Providing for a small budget deficit this year will help to ease the contradictions in economic development and to avoid losses that would result from sudden retrenchment and large-scale readjustment.

### **III. Vigorously Carry out the Campaign to Increase Production, Practise Economy, Raise Revenues and Reduce Expenditures and Ensure the Successful Fulfilment of the Tasks Set in the 1987 State Budget**

To ensure the successful fulfilment of the tasks set in the 1987 state budget and put the economy on a path of steady development, we must conduct in breadth and depth the campaign to increase production, practise economy, raise revenues and reduce expenditures. To this end we must do the following:

**(1) We must bear in mind that the key to success in this campaign lies in raising our level of understanding and unifying our thinking on the subject.**

**(2) To make the campaign a success, we must concentrate on crucial points, set clear objectives and work out practical measures.**

**(3) We must integrate the campaign with the deepening of the reform, so as to improve economic performance, which will become the test of the reform.**

**(4) We must strengthen financial supervision, enforce rigorous financial discipline and check all unhealthy tendencies.** ■

It also sets requirements for the public areas, natural lighting and ventilation. The rural housing should pay attention to safety and hygiene and meet the people's needs for living and production.

On the other hand, the government also controls what the highest standards will be. Now nuclear families are becoming very popular in China. According to the first national urban housing investigation, in 1985 the average household has 3.78 persons. In 2000 it is estimated that the average household will have 3.5 persons. In the rural areas, in 1985 the average household had 4.42 persons, in 2000 the average household is expected to have 4.2 persons. So while China's population is increasing, the number of households is increasing even more rapidly. But our land, funds, and building materials are limited. If the housing areas are too large for every household, it will hinder our ability to realize the housing project's aim. Thus the government stipulates that the housing areas should be within 55 square metres for every small and medium-sized apartment. The rural housing should be rational and compactly laid out and the housing areas should be strictly controlled.

#### 4. Establish "youth apartments"

Youth apartment buildings are especially for young people. According to China's population information, by the end of the 1980s and in the early 1990s more than 16 million young couples will come of marriageable age. Of them, 2 million couples are in urban areas. With the improvement of the living standards, young couples hope to live apart from their parents and to establish their own nuclear families. In order to meet their needs, a number of youth apartment buildings have been built in some cities, including Beijing, Shanghai,

Shenyang, and Hangzhou. In Hangzhou youth apartments account for 20 percent of the total housing construction areas built with local government investment.

Now more and more old people have appeared in China. With young couple leaving home, they will form their own aged families, so the government should also provide them suitable housing.

#### (b) Financial Measures

Direct government investments promote the housing construction and play an important role in improving housing conditions for the urban population. In Zhejiang Province, for instance, 1 to 2.5 percent of the provincial financial budget is used for housing projects. But the government also mobilizes society as a whole to finance housing projects. The proportion of business investment in urban housing construction is already very large but it should be increased. The state will adopt still more measures to encourage enterprises to build their own housing projects and to improve housing conditions for their staff and workers.

Every year the Chinese People's Construction Bank provides loans to housing development companies for commodity housing construction. Now the Industrial and Commercial Bank is making loans available for deposits on new homes and giving financial aid to individual families for buying or building homes. When an individual's deposit accounts for 30 percent of the price of the house, the Industrial and Commercial Bank will grant a loan. In the countryside, the Agricultural Bank of China and credit co-operatives also grant farmers loans for building individual houses.

As government's investments have played an important role in improving housing conditions for the urban people, so have the

investments from unofficial organizations and individuals; the latter's role will be increasingly important under China's present situation.

#### (c) Better Quality

For a long period of time the urban housing shortage will be a serious problem in China. In order to avoid rebuilding, we are going to pay more attention to improving the quality of the new homes we build.

Now China's housing quality is rather poor with old fashioned design, inflexible construction, irrational room arrangement and simple equipment. In order to encourage architects to design more suitable and beautiful housing, the government has decided to give prizes to the excellent design projects. From 1983 to 1985, five urban housing areas won the engineering silver medals; in 1986 six urban housing areas won the excellent design medals and seven housing projects won the design medals. Several hundred urban housing projects have been built in China. In 1987, Tianjin, Jinan and Wuxi cities will provide three of the latest models of housing projects. Shanghai also held a contest on space-saving ways to decorate the room, and the Shanghai television station introduced residents' views on improving interior decoration. These activities have brought notable result.

Now most of the existing houses have to be used until the year 2000. Some worn-down urban areas have to be revamped. Emphasis will be placed on improving the infrastructure, upgrading the environment and housing equipment. In recent years, Tianjin has rebuilt all the old houses. The Qingnianhu worn-down areas in Beijing and the old land No. 303 in Shanghai have also been rebuilt, which have provided good examples for worn-down urban housing rebuilding. ■



## FACTS AND FIGURES

# Foreign Investment Up in 14 Coastal Cities

Last year saw an increase in direct foreign investment in the 14 open coastal cities (Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang and Beihai), and an improvement in efficiency in foreign-funded businesses already in operation in these cities.

1. Rapid increase in foreign investment. The proportion of contracts for joint ventures in the total number of newly signed investment contracts increased. Last year, these coastal cities attracted US\$354 million in foreign investment, an increase of 21 percent over 1985. They also signed 359 contracts (worth US\$868 million) with foreign businesses. Of these, 215 are for joint ventures (US\$333 million), 143 for co-operative enterprises (US\$535 million) and one for a wholly foreign-owned enterprise (US\$650,000). The proportion of contracts for joint ventures rose from 34.2 percent in 1985 to 38.4 percent while the proportion of contracts for co-operative businesses dropped.

2. Direct investment from West European and North American countries increased. The proportion of agreed investment from these countries went up from 26 percent of the total in 1985 to 42.5 percent last year, while that from other Asian countries and regions dropped from 73 percent to 55 percent. The proportion of investment from Hong Kong and Macao decreased from 60 percent to 45 percent and that from Japan, from 10 percent to 4 percent.

3. The number of productive, technology-intensive and export-oriented enterprises increased and the composition of investment improved. Last year the 14 cities

signed 235 productive project contracts with foreign businesses: up from 51 percent in 1985 to 65 percent of the total. Their value in the total went up from 19.4 percent to 21.7 percent.

The number of export-oriented project contracts Shanghai signed with foreign businesses last year accounted for 60 percent of the total, an increase of 20 percent over 1985. The city also improved the composition of foreign investment. While restricting foreign investment in non-productive projects such as hotels, restaurants and office buildings (a drop of 65 percent), the city increased the proportion of industrial projects to 15 percent from 5 percent in 1985. The number of export-oriented and technology-intensive projects also went up.

In 1986 the city of Yantai signed 15 joint venture and co-operative management contracts with foreign businesses, 14 of which are export-oriented projects with 6 being granted new preferential treatment.

4. Foreign-funded enterprises already in operation have performed well. In the three years from 1984 to 1986 these coastal cities signed 1,540 joint venture and co-operative contracts, and 820 of them (53.2 percent) have gone into operation. In Guangzhou, 70 percent of the 378 foreign-invested enterprises, which have already started paying taxes, earned a total of 110 million yuan profit. These businesses include the China (Guangzhou) Hotel, Guangmei Food Co. Ltd., Xindongfang Kitchen Equipment Engineering Co. Ltd. and the Tele-Art (Guangzhou) Electronics Co. Ltd. The improvement in these businesses' efficiency has strengthened overseas investors' confidence in

expanding their investment in and co-operation with China.

In Tianjin most foreign-funded enterprises have done well and balanced their foreign exchange books. The Tianjin Otis Co. Ltd., the biggest Sino-US joint venture in the city, has been able even to produce a surplus of foreign exchange in the first two years of co-operation. Its earnings in foreign exchange has exceeded the total investment made by the US side and its products are up to Otis standards. Compared with the period before it was operated jointly, the venture's 1986 income went up 127 percent and the taxes and profits it handed over to the state were up by 120 percent.

All but 0.01 percent of the products for export turned out by the Huachang Co. Ltd. in Yantai, a joint venture with Hong Kong (one of the six joint ventures which have already gone into operation in the city), are now up to the quality standards, compared with 67 percent at the beginning period of co-operation. This venture employing 110 people turned out in the seven months after it went into operation 91,800 dozen sports caps and earned US\$624,000 in foreign exchange from export, that is, an average of US\$5,672 per person.

But there are some problems in attracting direct foreign investment. The environment for foreign investment and production should be further improved and legislation should be strengthened in the interests of foreign investors. Actual investment by foreign businesses is progressing slowly in some joint ventures and co-operative enterprises which have gone into operation. Some foreign-funded enterprises are short of capital and the actual investment from foreign investors is less than that was negotiated. ■

# Insurance Gains Ground Under Reforms

**China's insurance industry has made much headway since domestic insurance services were restored in 1979. It is becoming an important compensation system for enterprises and people who suffer natural disasters or accidents, whereas before there were only state subsidies. Overseas insurance services have also advanced rapidly over the last few years.**

by Our Correspondent Li Rongxia

**Y**ingkou County in Liaoning Province was hit by a flood in July 1986. Xue Zhanhua, a farmer turned grocer who took up his household specialization shortly before the flood, lost 37,000 yuan worth of property. This could have meant bankruptcy for him. But he received compensation for his losses from the insurance company.

On May 21, 1985, the Nanjing No.3 Pharmaceutical Factory caught fire and lost 600,000 yuan worth of property. The factory, whose claim was paid by the insurance company, bought new equipment and raw materials and quickly restored production. Meanwhile it updated its production facilities and improved the quality of its products.

Cases like these are not unusual in countries with a developed insurance industry. In China the situation is different. Since domestic insurance was suspended in the 1960s, many young people had never heard of it. Now increasingly the insurance industry is being integrated into the country's economy and the people's lives.

## Rapid Development

Five years ago only one out of the 2.64 million households in

Beijing joined the family insurance plan. By now the figure is 327,000, averaging one in every eight.

Zhao Hongzhang, who lives in 4 Taotiao Lane, says, "My income has increased in the last few years, and I have bought a colour television, a refrigerator and a washing machine. For peace of mind I took out property insurance." His wife adds, "Now we don't worry about them. If they go up in flames or are stolen we will be compensated."

In the last few years, the development of the national economy and the improvement in the people's living standards has provided a huge market for the insurance industry. Taking out property and life insurance is becoming important. Farmers, who first got prosperous and became specialized households, urban enterprises which are responsible for their own profits and losses and enterprises involving foreign investment, they have all sought to insure their

## Insurance in 1985

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House and contents insurance	45 million families
Life insurance	10 million people, or 1 percent of the nation's total population
Enterprise insurance	330,000 enterprises (for 700 billion yuan worth of property) or 70 percent of the stateowned ones
Accident and casualty	3.5 million vehicles or two thirds of the nation's total
Income from insurance services	9.5 billion yuan, averaging a 50 percent increase a year
Compensation paid	3.7 billion yuan
Profit and taxes handed over to the state	1.88 billion yuan

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increasing economic risk.

Since the domestic insurance services were restored in 1979, the People's Insurance Company of China has established 2,400 branches employing 53,000 people and providing 160 kinds of services.

The insurance company compensates losses suffered in accidents and at the same time reduces the burden on the state financial departments and civil administration departments. At the same time it accumulates funds for the construction of the country, benefiting the state, enterprises and the people.

In 1986, the insurance industry developed at record speed and its income reached 3 billion yuan. Yet it is still in its early stages. In the world as a whole there are 12,000 insurance companies, with an annual income of US\$500 billion and accounting for 5 percent of the GNP in many countries; in China it makes up only 0.4 percent. So China still has great potential in this field.

## New Necessities

China is frequently subject to natural disasters. Since liberation in 1949, 3 million houses have been destroyed, another 5 million damaged and tens of millions of people suffered every year as a result of natural disasters. Victims have lived on state subsidies and loans. But since insurance started up the situation has changed.

In the summer of 1985 northeast China was hit by exceptionally serious floods and typhoons and about 1 million houses were destroyed. The local insurance offices ended up paying out 200 million yuan, thus helping local enterprises restore their production and local people to rebuild their houses. That burden did not fall solely on the state.

It is impossible for the state to cover all such losses. As one economist pointed out, "In a

socialist country like China which is large but poor, if losses from accidents are not compensated for by established insurance funds but by the state, its revenue and expenditure will be unbalanced. This is harmful to the socialist planned economy." The insurance industry has remedied this.

In the last few years the practice by which enterprises "ate from the same big pot" of the state has been changed. Now enterprises are economic entities responsible for themselves and can no longer go to the state for compensation of losses incurred in natural disasters and accidents. Obviously they must take out insurance.

According to Cheng Wanzhu, vice-president of the People's Insurance Company of China, "Running the insurance industry in our socialist country is not done for profit but simply to have a reasonable compensation system to guarantee production and management of enterprises, to stabilize the people's life and as a means of raising funds for the construction of our country."

It is taking some time for people to learn the value of insurance. In April last year the ground floor of the Swan Hotel in Harbin caught fire, sustaining 250,000 yuan worth of losses. The insurance company had offered the hotel insurance a number of times but was refused. After the incident the hotel's leader applied for insurance.

There is a need to publicize insurance services more widely. Chen Muhua, State Councillor and president of the People's Bank of China, has said that to develop the insurance industry it is necessary to make it known and emphasize its roles as a guarantor of the stable production of enterprises. She hopes all enterprises will take out insurance.

At present, China has only one state-owned insurance company and in fact its expansion is still lagging behind demand. In Beijing's Chaoyang district which

has a population of 1 million the insurance company has only one office.

## Overseas Business

The People's Insurance Company of China offers expanding overseas services, whose income has increased at an average annual rate of 10 percent in the five years from 1981 to 1985. The company has also established insurance business relations with 1,000 companies from more than 100 places abroad. Last year the company offered to insure satellite launching and nuclear power stations. It also provides 80 kinds of insurance to foreign trade and Sino-foreign economic and technical projects. Basically, it now offers all the insurance services available on the world insurance market.

To guarantee the profit of foreign investors and reduce their risks in China, the company provides insurance for foreign businesses' political risks and the profits they remit back home. The company plans to establish a branch in Western Europe to offer insurance for investment in China. The branch will register in the host country and will abide by its laws.

In its dealings with foreign businesses, the company has improved its settlement of claim services and won itself a good reputation. In 1985 the company paid out HK\$250,000 for losses caused by an accident during the construction of the Jinqiao Hotel in Xiamen involving Hong Kong investment, and thereby guaranteed the smooth progress of the project.

In the same year the company also paid out US\$4 million for a Short-360 plane which was seriously damaged when it landed badly at Enshi Airport in Hubei Province. Through its services the company has helped strengthen the co-operation between China and other countries and increased the confidence of foreign investors in China. ■

# Deng Xiaoping on Democratic Centralism

Following are excerpts from Deng Xiaoping's speech delivered at the Enlarged Working Conference of the CPC Central Committee on February 6, 1962 when Deng was General Secretary of the Secretariat of the CPC Central Committee. The speech deals mainly with Party building, and this part on democratic centralism was translated from the text as it appeared in "Hongqi" (Red Flag), issue No. 4, February 1987. Headings are ours.

Comrade Mao Zedong spoke of democratic centralism from a highly principled plane, saying it is a question concerning whether we want socialism or capitalism, proletarian dictatorship or bourgeois dictatorship.

## No Democracy, No Centralism

It is true that without democracy there would be no centralism. But this centralism must be based on democracy before it can be fully and correctly accomplished. Without proletarian democracy and proletarian centralism, there would be no socialism and capitalism would make a comeback. As far as the method of leadership is concerned, only when "from the masses" (this means taking scattered and unsystematic ideas from the masses — *Tr.*) is observed will "to the masses" (which means bringing concentrated and systematic ideas back to the masses — *Tr.*) be possible. Without centralism which is based on democracy, we can neither take the ideas "from the masses," nor bring them back "to the masses." If we failed to practise democratic centralism, we would be divorced from the people and from Party members, also the

higher level would be divorced from the lower level. Furthermore, such a situation would prevail even on the same level in which a handful of people or one person would become divorced from the majority of the people and those few people or one person would act arbitrarily.

At present, inner-Party life is seriously defective. Of course, there are many reasons for this. Over the last few years targets have been set too high due to over-eagerness, fuelling the growth of both decentralism and commandism, thus greatly weakening our Party's democratic centralism. Superficially, we seem to be more centralized in many areas; but in reality, decentralism is rather serious. Again, many things, when looked at superficially, appear to be more democratic than before; but in reality the practice of commandism and arbitrary actions by the few or a single person is very serious. It was proposed at the conference that we should strengthen democratic centralism, develop democracy, strengthen centralism and unity, and oppose decentralism. That is very necessary and timely.

In the last few years decentralism in our work has been a rather serious problem. Comrades, you may ponder this question care-

fully: How well have we broached the five unifications—in understanding, policy, planning, command and action—on the basis of concentrating correct opinions? Were things more centralized during the revolutionary war period, in the first few years after victory, or in the last few years? It should be pointed out that they have appeared to be far more centralized in the last few years, but when judged by the five unifications, the situation was not as good as in the past! That is to say, decentralism has developed.

Commandism, which often coexists with decentralism, has developed too. Inner-Party democracy has thus been weakened. Without democracy there can be no centralism, hence no unity in understanding and action. We emphasize strengthening centralism and unity, and opposing decentralism, therefore we should further uphold the principle of democratic centralism. Emphasizing centralism, and unity should not be mistaken for abandoning democracy, which is part of democratic centralism. To strengthen centralism and unity and to oppose decentralism, it is all the more necessary to uphold democracy. With democracy (which is one aspect of democratic centralism), centralism has a solid base



and there can be real centralism and unity.

In the future, when drawing up plans we should make them conform with actual conditions, and leave some leeway. In the future, the tasks we set should not be too heavy or too rigid. During discussions, comrades worried that the tasks set by the central authorities would be too heavy. Here I promise that the Central Committee will do its best to ensure that the tasks it set will not be too heavy or rigid. The shortcomings of the Central Committee in the last few years have found concentrated expression in the excessively high targets set. If the targets are worked out according to actual conditions and with some leeway, there should be no target set too high and too rigidly. In the future when we are planning our work, we should, on the one hand, have a unified plan; on the other hand, in the unified plan, we should allow the lower levels to arrange their work according to their own conditions, so that they can suit their actions to local needs and display their own initiative.

In the future when we formulate our specific policies and solve problems, and when we emphasize centralism and unity, we should apply the method Comrade Mao Zedong advocated, "from the masses, to the masses." Through investigation and study, we concentrate the masses' opinions, formulate practical policies and plans and bring them back to the masses for implementation and test them in practice. This method applies to the solution of concrete problems too.

In short, within our Party and our state, we should, as Comrade Mao Zedong advocated, create a political situation in which there are both centralism and democracy, both discipline and freedom, both unity of will and personal ease of mind and liveliness. Such a situation should be created first and foremost within our Party.

Our country needs to create the situation too. However, if such a situation does not exist within our Party, creating the situation within our country will be impossible. Our Party must create a lively political situation, there must be full democracy within our Party.

Our Party is unified, united and has combat effectiveness. Without democracy, there would be no centralism and unity; without centralism and unity, our Party would not have combat effectiveness. Our Party should maintain centralism and unity forever. Only thus could it have real combat effectiveness. However, only on the basis of democracy and of giving full play to democracy will it be possible for us to build up a Party which is united and disciplined and has combat effectiveness.

Of course, we have made some mistakes in this regard in the last few years. Now we reaffirm that we will correct our mistakes whenever they occur and restore and carry forward our good traditions which we neglected before. These traditions are not strange to us. During discussions, many comrades cherished the memory of our past inner-Party life. This shows you all remember these traditions. Then let us make an effort to restore them.

### Relations Between the Party and Its Members

In the future, we will restore and carry forward our Party's fine traditions. We will also establish a correct relationship between the Party and its members in accordance with such traditions and the Party's constitution. All Party members have the right to voice, in light of the Party's organizational principles and within the Party, their criticisms and opinions about the Party, its work, its problems and its leaders. Also, they have the right to reserve

their dissenting views. The Party's constitution stipulates that before any decisions are taken on an issue, all Party members can air their opinions about the issue at the Party's conferences or in the Party's journals. There are only two prohibitions: First, Party members are not allowed not to act upon the Party's decisions. They can voice their opinions if they differ from the Party's decisions and can ask for revision and modification if they find any incorrect point in the Party's decisions. But the Party's constitution stipulates that Party members must abide by the Party's decisions, though they have the right to reserve dissenting opinions while implementing the Party's decisions. If they refuse to act upon the Party's decisions, they violate the Party's discipline. Second, Party members are not allowed to engage in factional activities. (**Mao Zedong:** They are not allowed to engage in clandestine factional activities. But are people allowed to dissent openly?) They are allowed to do so as stipulated in the Party's constitution. Before a decision is made, everybody can voice his opinions openly. But after a decision is taken, he or she must firmly implement it. In the process of implementation, they still can express their opinions. But theoretical and academic problems are quite another thing. They can be discussed freely at any time. In recent years there have been many cases of violation of the principle of inner-Party democracy and they should be corrected.

Comrade Mao Zedong has said and Comrade Liu Shaoqi has reiterated the "three no's:" no grabbing by the pigtailed (small errors—*Tr.*), no sticking labels on them and no beating them with clubs. Some comrades still wonder whether this will change in the future. Their worry, a reflection of what has happened in recent years, is understandable. Understandable as it is, their worry is ill-founded, however. They should

have faith in our Party's traditions. Of course, it is all right that some comrades want to wait and see. Even though we have said that it is permissible to reserve differing opinions, some comrades still write anonymous letters. Writing anonymous letters only displays "partial bravery." We have recently received some anonymous letters, offering very good suggestions. Why do the writers want to be unidentified? Since you are Communists, why don't you voice your opinions openly and solemnly and become "completely brave," instead of "partially brave?" We should take the lead. Only when we take the lead can we turn this trend around, restore and carry forward our Party's fine traditions. If we still have fear and dare not speak our mind, our Party's old traditions will not come back. In particular, our "squad leaders" and "deputy squad leaders" should take the lead in restoring our Party's old traditions. These old traditions have been advocated by the Central Committee and Comrade Mao Zedong. Our Party has always had its rules, only to be damaged in recent years. Our Party's old traditions should and can be rapidly restored and malpractice should and can be promptly corrected. Of course, it has to be made clear that to realize this, democracy must be given full play in the Party.

## Unite the Majority and Respect the Minority

The attitude of our Party's leading comrades is very important to restoring and carrying forward our Party's old traditions to the letter. They should be good at listening to dissenting and different opinions. They should listen to honest words by honest people. This is also one of our traditions. This has always been advocated by Comrades Mao

Zedong and Liu Shaoqi and for many years by the Party Central Committee. During discussions at this conference, many comrades said that in the past they could express their opinions freely and found it easy to have heart-to-heart talks among themselves. Then let's restore the old traditions. We must draw the attention of our Party's leading comrades at the various levels to this problem. Leading comrades of our Party, "squad leaders" and "deputy squad leaders" in particular, should submit to and unite with the majority and respect the minority. Comrade Mao Zedong has referred to this many times in the past and reiterated it at this conference. Leaders will find things easy only when they get the consent of the majority. They must not regard what they say as final. The minority should be held in respect as their opinions are not necessarily wrong. Even if their opinions are wrong, they do not exist in isolation. Only by respecting their opinions can we place ourselves in a better position to correct or help them correct their mistakes.

Furthermore, leaders should be broad-minded, tolerant and accessible to dissenting opinions. They should treat others as equals and be more modest and prudent than others.

What should our Party's leading comrades, the important ones in particular, build their prestige upon? They should build their prestige on the correctness of their thinking, work and words, on their democratic style of work, and on a workstyle of criticism and self-criticism. It is impossible for leaders to be 100 percent correct in everything and to make no mistakes at all. The point here is whether leaders have the courage to criticize themselves when they have made mistakes, be open to others' criticism and accept and act upon others' correct criticism. Once someone makes mistakes, he should speak about them without reservation

and at the same time listen to others' criticism, then he has the initiative and everybody has ease of mind. In so doing, they can enhance their prestige rather than tarnish it.

Party leaders at all levels (including all the members of the Party committee) should be subject to supervision. The supervision should come from several directions: from above and below, from the masses and from the Party group they belong to. I have a suggestion for your consideration. I think the most important supervision for the leaders should come from the Party committee or the secretariat or the standing committee they belong to because this is a small collective. If our leading comrades are organized into Party groups with their cooks and orderlies, there can hardly be any supervision. Of course, everybody has to take part in the inner-Party life of his Party branch, as stipulated in the Party's constitution. I wonder whether it is acceptable to get our leaders to take a major part of inner-Party life in the Party committees, secretariat or standing committees, rather than in the Party groups. In the Party committees, time should be made available for heart-to-heart talks and a good atmosphere should be created for conducting criticism and self-criticism. When comrades of equal status or comrades working together have heart-to-heart talks, supervision might be better exercised. (Liu Shaoqi: I'd like to suggest Party committees at various levels hold an inner-Party life meeting once a month to conduct criticism and self-criticism.) Not necessarily once a month. It is all right to have such a meeting once every three months. (Liu Shaoqi: It would be good to have such a meeting four times a year. Is this suggestion feasible that every Party committee, be it a provincial Party committee, prefectural Party committee or a county Party committee, hold a meeting once a quarter for

criticism and self-criticism and for inner-Party life?) (**Mao Zedong:** to review work, sum up experiences and exchange opinions.) To conduct heart-to-heart talks and mutual criticism and to voice opinions. We should pay attention to the problem of mutual supervision within the Party committee. It is impossible to see the superiors or the subordinates every day, whereas leading members of the same rank are most familiar with each other. This is very important for people of the same rank to hold discussion of problems, reach consensus and make decisions.

### Collective Leadership With Shared Responsibility

In the internal life of the Party committee, attention should be paid to collective leadership with shared responsibility. Here the role of "squad leader" is very important. The Central Committee and Comrade Mao Zedong stressed the importance of establishing a core for our Party. Later, as the core was, on the whole, set up, the stress was laid on how to be a good "squad leader." This means that a core has to be erected. Without such a core, a lax and disorganized state would result, the Party committee could hardly do its work well. At this conference, the "squad leader" has been put on the spot. This does not mean we do not attach importance to the role of "squad leader," on the contrary, it means the leader must be a good "squad leader." Where there are no qualified "squad leaders," efforts must be made to train some or have the superior members appoint some good "squad leaders" to whom everybody should lend a hand. Being a "squad leader" is no easy job, involving many problematic tasks. Don't assume that being a "squad leader" is a comfort. As far as I know, many "squad leaders"

complain of hardship. Since a "squad leader" has much to do, no one should expect him to get everything properly handled. So in some cases, it seems necessary to forgive. As far as the "squad leader" himself is concerned, if he knows it is not easy to be a "squad leader," he should learn "how to play the piano," as Comrade Mao Zedong suggested at the Second Plenary Session of the Seventh Party Central Committee. It is not easy to learn "to play the piano." I am afraid we have to learn this all our lives. We'd best say we have to learn every day but not that we have mastered the skill. (**Mao Zedong:** Even though one might master it one might forget again some day) Yes, we do not know what to do when we meet with new things, new problems, new persons and when we come to a new place. It is really not easy. We have to learn how "to play the piano" and how to direct an orchestra. It is not good if the "squad leader" does not have the courage to hold himself responsible. Equally, it is not good if the "squad leader" does not take it upon himself to deal with things. If you are not responsible, whom do you shift the responsibility on to?

Here, the problems can roughly be divided into two categories: one

is of a routine nature and the other of great consequence: matter of policy and of prime importance. How day-to-day problems are handled should be OKed by the persons in charge. It won't do without the approval of the first secretary of the Party committee. However, if every matter, big or small, has to be discussed by the Party committee or the secretariat, the meetings would be endless. Things must be placed directly under the first secretary, or the second secretary or other secretaries in charge. Approval should be given where it should. However, matters of great consequence should be, in light of their importance, submitted either to the Party committee, or the Party standing committee or the secretariat, for discussion before a consensus is reached and a common decision is made. (**Mao Zedong:** If no consensus is reached, the minority should submit to the majority.)

In short, democratic centralism constitutes the fundamental system of our Party and country. It is also one of our traditional systems. It is very important to uphold and improve this system as it concerns the fate of our Party and country. Any violation of this system must be dealt with. ■

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## Sanya: Tourist Spot On Hainan Island

The city of Sanya, on the south coast of Hainan Island, has been described by foreign experts as "exceptionally rich in natural resources, not Hawaii but just as good." During the Seventh Five-Year Plan period (1986-90), it will be built into an international holiday centre where tourists can avoid the winter cold.

Yalongwan, in the east of the city, will be made into an

international winter resort, including a swimming pool, a horse-race course, and a golf course since its air and water temperatures are above 20°C even in the coldest January.

The construction area the city has already given over to tourism has reached 150,000 square metres. The Cuiyuan Hotel has started business and the Xinya Hotel, jointly built by a Singapore business and the local government, will soon be open.

Sanya received more than 200,000 travellers last year, 2.5 times more than in 1985.

A Sanya tourist spot: "the remotest corner on earth."

XU XIANGJUN



## Tomb Museum Opens to the Public

China's first ancient tomb museum in Luoyang was completed at the end of March and is opening to the public this month. On display are the coffin chambers of the imperial and noble dead dating from the Western Han Dynasty (206 BC-24) to the Song Dynasty (960-1279).

Luoyang is famous as "the ancient capital of nine dynasties." There is a Chinese saying: "Happy to be born in Su-Hang (Suzhou and Hangzhou) and buried in Bei Mang (northern Mangshan)." Mangshan, to the north of Luoyang city, is far above sea level and is so dry that remains do not decay.

Situated in the northern outskirts of Luoyang city, the new museum occupies 3 hectares of land. There are four burial halls below ground including the

Western Han (206 BC-24) and Eastern Han (25-220), Wei and Jin (220-420), Tang and Song (618-1279).

## Shooting Range Opened in Beijing

China's first shooting range—the North China Shooting Range—has opened to foreign tourists.

The range provides about 20 kinds of weapons (including pistols, rifles, sub-machine guns, and light, heavy and wide-calibre machine guns for marksmen from Hong Kong, Macao and abroad.

The North China Shooting Range is located to the northwest of Beijing proper, a dozen kilometres from the Ming Tombs and the Great Wall. It contains over 30 shooting platforms and a foreign guest club-house, a changing room, a film and video room and a coffee bar. The shooting range also provides cable television and automatic scoring facilities. There are manikins, moving targets, steel plates and simulated defensive shooting. Foreign guests are welcome to use one or more light weapons and hundreds of cartridges for only two or three hundred US dollars.

## News in Brief

Shandong's Changdao County has 32 beautiful islands on Bohai Strait. It received 350,000 tourists last year.

Changdao has to offer a Banyuewan Park, a bird hall and a history museum. In this museum, the process of change in Chinese history and culture from ancient times to the Ming Dynasty (1368-1644) are traced. In addition to the attractive scenery of the island, travellers can also find colourful round sea-washed pebbles and over 200 species of birds.

## Sunshine City Takes a New Look

**"RENMIN RIBAO"**

(People's Daily, Overseas Edition)

**L**hasa, long known as a city of sunshine, offers many attractions. According to estimates, Lhasa now hosts as many as 40,000 to 50,000 tourists each day, about 40 percent of its total population.

Bajiao Street is one of the busiest sections of the town. It is lined with rows of new buildings in traditional Tibetan style. Shops and stands offer many kinds of goods to local herdsmen and farmers as well as tourists from foreign countries and Han people from inland China. One old Tibetan from Qinghai Province said, "Lhasa has changed so much that I barely recognized it. I came here 10 years ago. The streets were dirty and often flooded in parts. It was very difficult for me to find a place to stay. Now things are different. There are buildings and the roads are smooth. Most of the temples have been renovated. I am very happy to drink in the beauty of the city's scenery."

In the past few years, more than 20 large projects and about 100 Tibetan-style buildings have been completed in Lhasa with the support of the central government. All the streets and lanes have been turned into asphalt or stone-paved roads with drainage systems. The old houses and new buildings complement each other. An American tourist said, "Lhasa is unique. Its ancient temples and new buildings nestle among the mountains and the landscape is very beautiful. Although I have already been here twice, I plan to return a third time."

Lhasa occupies a key position in economic exchanges between Tibet and other Chinese provinces and cities. The livestock market on Chongsaikang Street offers row after row of stands selling beef,

mutton, butter and lambskins. The polo (wool fabric used to make traditional Tibetan costume) market near the Zuglakang (Jokhan) Monastery offers an eye-catching array of handicrafts and special goods for minority ethnic people. In addition, several thousand small retailers from other provinces and cities bring fabrics, clothing, everyday goods, vegetables and eggs from other parts of the country to Lhasa. For

instance, peddlers from Zhejiang Province hang up clothes on lines, Uygurs roam the streets selling dried fruit and skewers of roast mutton, and aromas from restaurants run by people from Sichuan, Hunan and Gansu drift over the streets. One Tibetan said, "We had money but Lhasa lacked things in the past. Now conditions have changed. We can have many different and delicious meals and need not go out of the city to buy new products from other provinces and cities."

(Feb. 20, 1987)

## The State of Student Health

**"XIN TI YU"**

(New Sports)

**A**lmost one-fifth of China's population are university, middle or primary school students. A 1986 survey of their health and physical condition resulted in these findings:

1. Gauged by height, weight and chest measurements, there was a better physique because of improved living standards between 1979 and 1985.

For instance, urban male students were 3.1 centimetres taller, 2.2 kilogrammes heavier and 2 centimetres wider in the chest on the average than students 10 years ago; female students were 2.4 centimetres taller, 1.4 kilogrammes heavier and 1.3 centimetres wider. In rural areas, male students were an average of 4.6 centimetres taller, 3 kilogrammes heavier and 2.4 centimetres broader, while female students were 3.3 centimetres taller, 2.3 kilogrammes heavier and 2.3 centimetres broader. Nevertheless, most Chinese students still rank fairly low in health indicators compared to students in developed countries.

2. The main problem for Chinese students is being underweight. According to World Health Organization (WHO) height and weight standards, 68 percent of male students in China were receiving adequate nutrition, 29 percent were undernourished and only 2.7 percent overnourished. Among female students, 60.4 percent were receiving adequate nutrition, 36.2 percent were undernourished and 3.4 percent were overnourished. Only 0.6 percent of students suffered from overweight.

3. The survey showed that height measurements for all students in all age groups except rural females are increasing faster than weight and chest measurements. This means Chinese students generally tend to be tall, but thin. Some experts expect this tendency to continue.

4. The survey indicated that the most serious disease students suffer from is bad eyesight: 34.3 percent of Han students suffered from bad eyesight, almost 22 percent more than minority students. Generally speaking, vision problems are more common in urban than in rural areas, and among women students than

male students. Vision problems also become more common as students grow older: students aged 13 to 17 are most likely to have bad eyesight. In some areas, the proportion of poor-sighted students reach 4.7 percent.

5. Trachoma (chronic contagi-

ous conjunctivitis) was the second most serious eye disease for the students. It was more common in the countryside than in the cities, among males than among females, and among minority students than among Hans.

(issue No. 2, 1987)

slightly simplified in order to take some burden off the majority of students. It is a step towards improving students' ability in solving practical questions and raising educational quality in an all-round way.

The tendency to let students lose contact with reality should also be overcome. Under the present educational system, students, especially those on top, progress from school to school for more than a decade and then join work units. During their school years, students are out of touch with the masses, society and reality. Therefore, courses on working skills and socially-oriented activities should be included in the curricula so students can understand society and specific condition in China. Thus they can better adapt to their future jobs. ■

## Improving Elementary Education

### "RENMIN JIAOYU"

(People's Education)

A number of problems exist in China's education system below college level, including an overemphasis on intellectual development to the neglect of moral education, physical development and aesthetic education.

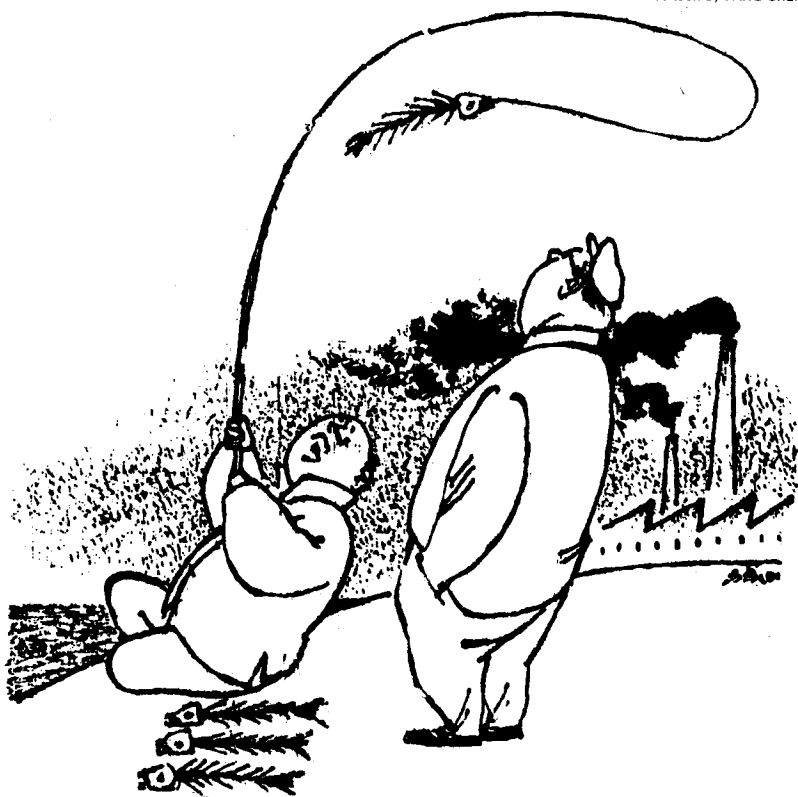
In recent years, the proportion of students who gain entrance to schools of a higher grade has become a top priority in many schools. Under the pressure of educational departments, schools press teachers to leave no stone unturned in stepping up students' intellectual development. Parents demand that their children have excellent academic records. This has resulted in a "polarization of students" because many of them give up their hope of measuring up to the academic standards, which prove too much for them. At the same time, lack of moral and aesthetic education has given rise to moral problems among students. Therefore, schools should adopt measures to enable students to develop morally, intellectually, physically and aesthetically. At present, it is imperative to strengthen moral education, which centres on "five loves" — of the country, people, physical labour, science and socialism.

Education below college level also should be geared to serving the majority. This means that the main purpose of education should be turning out thousands upon

thousands of junior and middle-level professionals and millions of qualified workers. The erroneous tendency to concentrate on the proportion of students entering colleges before all else should be corrected immediately. Newly compiled textbooks for nine-year elementary education will be

These are the kinds of fish we've been getting since your factory started operating!

Cartoon by FANG CHENG





## Disputes Settled With Foreign Partners

**E**arly this year, the Economic Contract Arbitration Committee under the State Administration for Industry and Commerce decided that a photo company run jointly by Hong Kong and a Chinese company should pay 20,000 yuan to a Beijing company to cover losses caused by violation of contract.

From 1979 to the end of 1986, the number of Sino-foreign joint ventures and co-operative and foreign-owned enterprises in China reached 7,700, while the number of contracts signed by these enterprises with individuals and companies enjoying the status of legal persons is increasing day by day. Disputes are also increasing.

Disputes arise from the following situations: Delay in payment (42.69 percent of the total), late delivery (16.15 percent), quality disagreements (13.99 percent), quantity disagreements (11.88 percent), goods rejected (9.01 percent) and price contentions (6.28 percent).

Of all the disputes settled, 56.04 were from collective enterprises, 23.02 percent from individual units, 14.61 percent from state enterprises, 6.33 percent from foreign-financed enterprises.

Zhang Chengquan, deputy director of the arbitration committee, said that foreign-financed enterprises have registered with the Chinese industry and commerce departments. They enjoy the status of a legal person in China. When disputes arise among them foreign enterprises should be governed by Chinese law. While dealing with the disputes they are asked to consult with each other or accept arbitration by a third party. If not successful, within the scope of its control, the Economic Contract Arbitration Committee will make the final decision.

Zhang said that Chinese arbitration departments act not

only in line with China's current laws and policies but also according to international practice and established principles and will solve disputes fairly and reasonably to protect the legitimate rights of the interested parties.

For instance, a factory in Wuhan and an enterprise of West Germany signed last May a contract for purchases of machinery equipment. The German enterprise, according to the contract, delivered promptly, while the Wuhan factory didn't pay according to the contract. The dispute was brought to the arbitration committee, which decided that the factory should pay the total amount for the goods delivered and compensate for the losses caused by delayed payment.

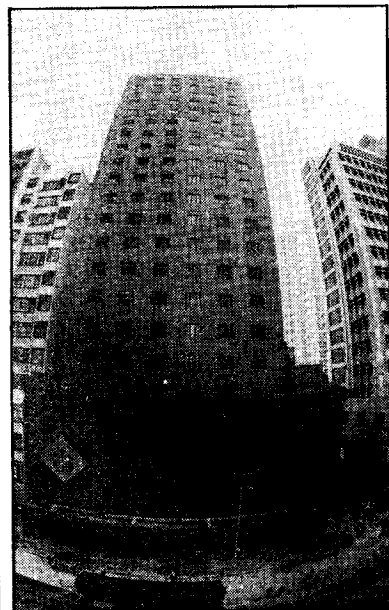
It has been reported that the Chinese government, in order to protect the legitimate rights and interests of foreign investment, is making effort to strengthen its legislative work; and in areas where foreign-invested enterprises are fairly concentrated foreign investment centres will be set up to provide information and legal consultation services.

## CITIC Business Flourishes

**T**he China International Trust and Investment Corporation (CITIC) has made many contributions to the development of China's economy and business since it was established in October 1979. Over the last seven years, it has done the following work.

- By the end of 1986, CITIC had set up 54 enterprises with a direct foreign investment of US\$1.2 billion. It itself made contribution of 1.16 billion yuan.

- By the end of 1986, CITIC joined hands with domestic



The Ka Wah Bank in Hong Kong has 92 percent of its shares owned by CITIC.

enterprises in setting up 123 joint companies (including 8 solely CITIC-owned projects). The corporation made an investment of US\$1.48 billion. Foreign advanced technology and equipment were brought in for the technological renovation of some ageing enterprises.

- Between 1982 and January 1987, CITIC floated 8 bond issues in Japan, Hong Kong and Federal Germany respectively, totalling an equivalent of US\$720 million. Moreover, CITIC secured quite a number of commercial loans.

- Since the end of 1984, CITIC has invested in timber, electrolyzed aluminium and pulp projects respectively in the United States, Australia and Canada. Besides, CITIC participated in the investment in and financing for the second cross-harbour tunnel in Hong Kong, and purchased 12.5 percent of the equity of Cathay Pacific Airline.

- CITIC set up the China International Economic Consultants Inc. In October 1981, and the C & C Law Firm in 1985. Over the recent years, services have been rendered on more than 200

domestic and foreign consignments.

In 1987, CITIC plans to do the following works.

■ This month it signed an agreement in Japan to issue bonds worth 3 million Japanese yen.

■ It will establish the Xinli Energy Resources Investment Company with the Ministry of Water Resources and Electric Power.

■ One of its projects, the Ligang Power Plant in Jiangsu Province, will begin building its first phase project. The plant will be installed with two generating sets, total capacity 700,000 kw.

■ CITIC has taken over a part of Tianjin's development zone. There it intends to finance 40-60 export-oriented, technologically advanced companies.

by Yao Jianguo

## Arthur Andersen Shanghai Office

**A**rthur Andersen and Co., an international accounting firm, opened an office in Shanghai on April 10. It will offer consulting services to foreign-funded enterprises in China and also help Chinese enterprises invest abroad.

During the opening ceremony, Mr. Duanerkullberg, president of the company, said that in recent years, Arthur Andersen's dealings with the accounting companies of China have been very good, and his company has helped train Chinese chartered accountants in London, Melbourne, Hong Kong, Chicago and Washington D.C., and helped China adopt proper computer ware.

Arthur Andersen and Co., said its president, has a number of Sino-foreign joint ventures as its clients; they include the Pingshuo Coal Mine in Shanxi Province, factories and some hotels affiliated with the international hotel chains.

Talking about Arthur Andersen's future business in

China, the president said most big businesses hope to open an office in Shanghai, his company has confidence in China's future development, and will work with China's accounting companies in checking accounts of Sino-foreign joint ventures, improving accounting work and commercial affairs. Meanwhile, he said, it is planning to help some major projects in China design new computer ware for their needs.

This autumn, said the president, Arthur Andersen plans to hold a symposium on use of computer in accounting work together with the Ministry of Electronics Industry and the China International Economic Consulting Company.

Arthur Andersen has some 200 offices in over 50 countries. It established its first office in Beijing in September 1983. ■

## Trade News in Brief

■ The US Zurn Industries Inc. has signed a contract with the Beijing International Service Centre Ltd. to supply four Keystone boilers for the service centre now commencing construction. They are scheduled to be delivered early next year. The boiler, priced around US\$2 million, burns 25 tons of fuel per hour. Steam produced by the boilers will help provide energy for the centre.

BISC will comprise two office towers surrounded by three hotels, apartment buildings, a theatre, clubs and a shopping mall. This centre is expected to be completed by 1990 in preparation for the Asian Games.

■ Construction of the Beijing Poultry-Breeding Co. Ltd. was started in mid-April this year. The company was jointly established by the United States, China and Thailand, and is expected to be completed before the end of 1987.

This is the first Sino-foreign joint poultry-breeding company and also the first producing broiler

chickens in Southeast Asia and China. The company will import advanced facilities and technology for raising poultry. It is expected to raise 12 million chickens, 30 percent of which will be for export, with annual exports amounting to 50,000 tons.

■ In the first six months of this year, border trade between the Soviet Union and the Xinjiang Uygur Autonomous Region in China will increase 75.6 percent as compared with the corresponding period last year. A border trade contract will be concluded in June 1987.

Xinjiang's textile exports to the Soviet Union include shirts, children's fur garments, woollen sweaters, towels, bath towels and thermos bottles, and its imports include means of production and subsistence such as steel products, chemical fertilizers and refrigerators.

■ Guangdong Province exported \$1.29 billion worth of commodities in the first quarter of this year, up 75 percent on the same period last year.

The province exported \$4.29 billion worth of goods last year, accounting for one-seventh of the country's total and ranking first in China.

■ China's stamps are catching the fancy of overseas philatelists and emerging as a potential foreign exchange earner for the country.

China now has 10 offices abroad distributing stamps across the world, with an annual export volume estimated at \$2 million.

■ In the first quarter of this year, China's exports and imports amounted to US\$15.61 billion, an increase of 7.6 percent over the corresponding period last year. Exports accounted for US\$7.28 billion, an increase of 27 percent; and imports for US\$8.33 billion, a drop of 5.1 percent.

Imports exceeded exports by US\$1.05 billion; value difference in the same period last year was US\$1.99 billion greater.

## Springtime for Choral Music

China's choral music has long been in abeyance, but its spring is thought to have shown its first sign last February. The Fifth National Music Competition included a choral section.

This was done to encourage composers to write choral pieces and choirs to start up with good modern music to sing. For China has no long history of choral music. China can pride itself on its beautiful vocal music—but it is single melody music—meant for one voice usually.

Some of China's minorities in the southwest have their traditions of songs for a number of voices, some very beautiful and ancient. But these developed independently, leaving the musical mainstream untouched.

China's choral development took place primarily under the influence of the West. Starting with the May 4th Movement of 1919, musician predecessors set off for Europe, North America

and Japan to study. After they had returned, they began to advocate teaching music in schools and using music to put their message across.

A piece which stands out during that period is the *Charm of the Sea*, composed in 1927 by Zhao Yuanren. It is based on a poem by Xu Zhimo about a girl who loved the sea so much that one stormy day she immersed herself in the sea and became one with it.

During the War of Resistance Against Japan (1937-1945), choral music really took off. Inspired by patriotism many composers set about inspiring others with the fighting spirit. He Luting's *Spring Ploughing* and *Victory March*, and Xian Xinghai's *On the Taihang Mountains* (1938) and *To the Enemy's Rear* were all part of that movement. He Luting's *Song of the Guerrillas* (1937) has survived as a popular piece to this day.

The most admired piece from this period is Xian Xinghai's

*Yellow River Cantata* (1939) which integrates magnificence, militancy, and deep love, with grief and indignation.

During the period of the War of Liberation (1946-49) which followed the expulsion of the Japanese, the *Huai-Hai Campaign Song Cycle*—a hymn to the bravery and victory of the People's Liberation Army—is the best.

The time immediately following national liberation in 1949 brought many new themes to choral music composition. The motherland, Party leaders, looking forward to a new life and new happiness, friendship between peoples of various countries—all were written into choral music. Composers also put their minds to making choral music Chinese by composing choral music based on traditional and folk songs, *Alamuhan* and *Guests From Afar*, *Please Stay Over* are representative of this. When 19 of Chairman Mao's poems were published in 1963 they were made into choral pieces.

During the 50s and the first half of the 1960s, choirs were being set

"56 Nationalities — 56 Flowers" sung by the choir of the Central Song and Dance Ensemble of Nationalities.

XU XIANGJUN





up all over China. Foreign choir masters were invited to train local choirs and Chinese students were sent overseas to train to be choir masters. Related courses were offered in music conservatories. Meanwhile, China's choirs performed Chinese as well as Western classical choral pieces, including Beethoven's *Choral Symphony* and Mozart's *Requiem*.

The "cultural revolution" which undermined every branch of the arts has only one choral piece standing among the musical ruins: *Shajiabang* appeared during that decade (1966-76). It is a piece that drew on China's theatrical melody tradition.

Choral music failed to recover following the fall of the gang of four. Long years of neglect in schools and in the concert hall left the country without qualified choir members. A shortage of appropriate librettos was aggravated by composers turning away from choral music in favour of orchestral music. Besides, the expense of putting on a choir as against a solo singing performance further discouraged its recovery, as did the assault of pop music.

Such being the case, this inclusion of a choral section in the competition was quite important. It yielded 170 pieces, 24 of which won prizes. The themes and styles are varied, and ventures into new techniques were made, such as combining melodies and accompaniment from pop songs. The subject matter of the librettos ranged from classical poems to socialist construction, revolutionary reminiscences, and praise for nature and the motherland.

The divertimento *Yunnan Customs* by Tian Feng is the only choral piece to win a first prize. Tian went together with poet Zhang Donghui and singer Zhao Xianli to areas in southwest Yunnan inhabited by ethnic minorities and studied the local music. The five movements of his piece—"Fishergirls of Erhai Sea," "On the Way to the Fair," "Mosuo Funeral," "Song of Rice

Husking" and "Night of the Torch Festival"—vividly evoke the customs of the Bais, Dais, Naxis, Jingpos and Yis of the province.

Other prize winners include *There Is a Forest in the South*, *Blue Sky*, *Sun and Pursuit* and *Greetings, Halley's Comet?* Each of them is a unique piece. All four songs from the Shanghai Choir were prize-winners. This may be attributed to the long-term co-operation between the choir master, the composers, and the librettists who work on selecting, revising and performing pieces together.

Thus spring has come to choral music, though somewhat stealthily. It has been brought on by the conscious efforts of composers and singers. Although masterpieces are still absent, all the pieces enrich the people's lives in their drive to modernize the country.

by Wang Zhenya

## Standardizing Chinese Characters

Chinese characters are known for their unique structure. Their uniqueness not only distinguishes them from other written languages, but is essential to making them an art form in their own right. However, problems also arise from this structure—many characters need more than ten, and some even more than twenty strokes to complete. Inevitably, this causes inconvenience in memorizing and writing them, therefore, people usually tend to simplify the more complex ones.

Yet, in China, their mother country, some characters have been simplified so much that they are now beyond recognition, as is most obvious in advertisements, posters, etc., in public places. The reason: it is either that some people coin new characters out of their own minds, or some radicals,

i.e., organic parts usually indicating the meaning of Chinese characters, are left out.

There are altogether more than 47,000 Chinese characters according to *Kangxi Zidian*, an authoritative dictionary compiled around 1710. Among them, between 5,000 to 8,000 are commonly used. For years since 1949, great efforts have been made by the Chinese government to simplify and standardize the characters so as to eradicate confusions. Under the principle of "following common practice," the State Council has promulgated several schemes simplifying the Chinese characters. "The General Scheme of Simplified Characters," published in May 1964, is probably the most well-known. Henceforth, people have replaced the more complicated traditional characters with the simplified ones, as the latter are easier to memorize and to use. In December 1977, efforts towards further simplification were made by the State Council, when another draft scheme was issued.

Nevertheless, popularization of the simplified characters is no easy matter. It has met with several obstacles.

1. Disagreement occurs between characters before and after they are simplified. People usually get confused by the two different ways of writing the same character.

2. At present, of all who write in Chinese, only those from mainland China and Singapore are familiar with the simplified characters. People from elsewhere, like Taiwan, Hong Kong, and overseas Chinese in other parts of the world, still use the traditional characters, and this has hampered communication between the various Chinese populations.

3. The Chinese characters themselves are an art form, developed over thousands of years by skilled calligraphers. For calligraphers of today, however, there are virtually no models of simplified characters to follow.

4. Incorrect characters frequ-

AVAILABLE IN ENGLISH

## Life Among the Minority Nationalities

Written by: **Shen Che**

Published by: **Foreign Languages Press**

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

The northwestern expanse of China's southwestern province of Yunnan is crisscrossed with mountains stretching longitudinally, which are paralleled by deep canyons and rapid rivers. In these parts the natural conditions are wild and rugged. Access is difficult due to dangerous peaks and angry torrents. In the mountains and along the rivers, living in their own secluded communities, are such Chinese minorities as the Pumi, Naxi, Drung, Nu, and Lisu.

The photographs and the text of this book are intended as an introduction to the natural environment, ways of life, cultures, art, customs, traditions,

festivals and gala activities in these multinational areas.

Shen Che, the author, began a photographing tour on bicycle together with a friend in September 1980. Setting off from Shanghai, they toured six provinces and an autonomous region. The tour took over 12 months to cover a distance of more than 8,000 miles. So overwhelmed by the customs and culture he discovered through the multinational areas in Yunnan that after the pedalling tour, he returned alone to penetrate deep into the area in Yunnan inhabited by minorities. This book contains 188 colour photographs selected from over 1,000 he took on his two trips.

## Ethnic Costume From Guizhou

— **Clothing Designs and Decorations From Minority Ethnic Groups in Southwest China**

Compiled by: **Huang Shoubao and**

**Liu Zonghe**

Published by: **Foreign Languages Press**

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

The book is a collection of more than 170 of the finest samples of embroidery, weaving, hand-stitching and dyeing patterns for costume decorations among people of the national minorities in the mountainous Guizhou Province in southwest China.

The costume decorations among the Guizhou national minorities are added to garments by nimble female hands and therefore may be considered to be relatively independent from the garments themselves. Such decorations may vary in design, size and colour composition to conform to the requirements of different parts of a garment as well as to the needs arising from changes in seasons. These characteristics of the art give it an artistic value of its own and make it worthy of collection and study by artists.

ently appear in public places, and these, especially ones that are beautifully written, have a negative influence on people.

Problems have already grown out of these factors. In addition to the many incorrect characters in the streets, confusions have also occurred among elementary and high school students. "It is now a serious problem that many students use wrong characters," says Zhang Huizhong, a high school teacher. "Usually there could be as many as ten or more, or at least four or five wrong characters in an essay of about a thousand words."

The Chinese government has already been alerted to such confusions. In the past couple of years, many students have been

sent onto streets to correct wrong characters, and this has proved to be very effective. In one district in Shanghai, about three thousand primary and middle school students have spotted over four thousand wrong characters so far. The activity has at the same time made the students conscious of using the correct characters.

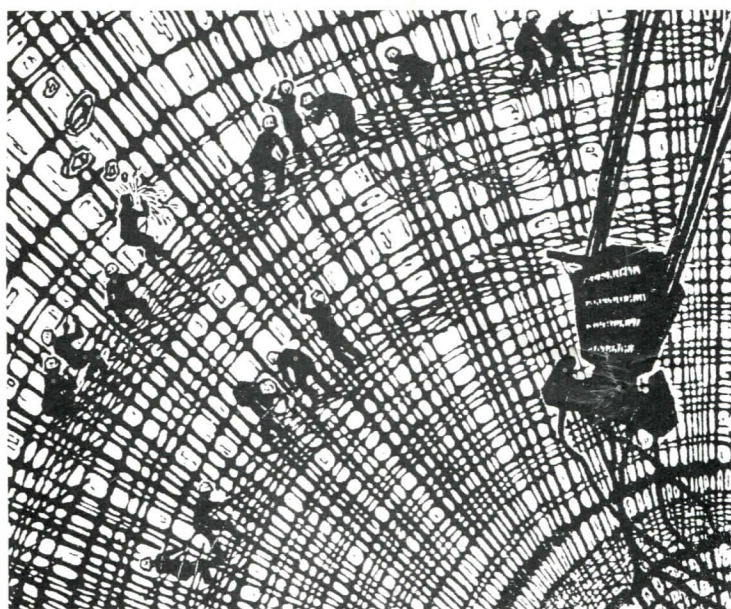
In October 1986, the State Council once again issued a scheme of simplified characters. Its purpose, according to its *Preface*, "is to clarify confusions in using the characters so as to make them easier for everyday use." The new scheme has called for the abandonment of the 1977 scheme, and, except some minor adjustments, it is mainly based on the "General Scheme of Simplified Characters" issued in 1964. "The

structure of the Chinese characters," explains the *Preface*, "should be kept stable within a certain period of time for the purpose of convenience in common practice."

Talking about simplifying Chinese characters, one official from the State Language Commission points out that standardization of Chinese characters requires a complex procedure. The work should be carried out scientifically, and attention should be paid not only to reducing the strokes, but also to pronunciation and meaning. For these reasons, few adjustments, e.g., different pronunciation of the same word in different context, etc., are made in the new scheme.

by **Dong Yuguo**





Worksite.

by Xiao Rifu

## Workers' Woodcuts

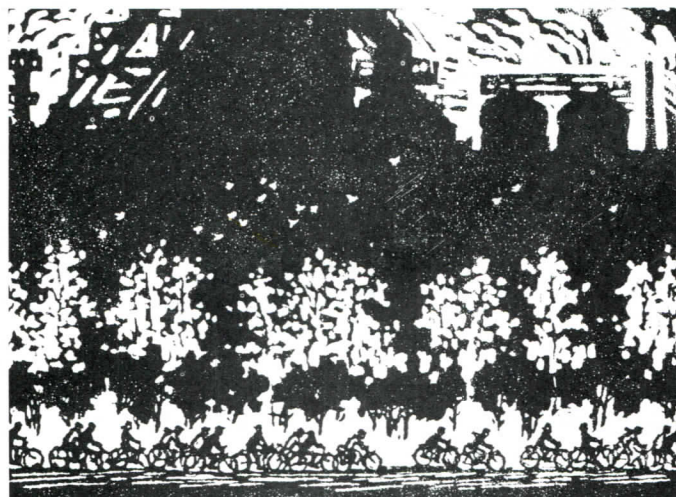
These woodcuts are workers' own, made in their spare time.

### ART PAGE



A furnaceman

by Song Enhou



Coming off duty.

by Song Enhou



Builders.

by Yu Jikai





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