

A CHINESE WEEKLY OF NEWS AND VIEWS

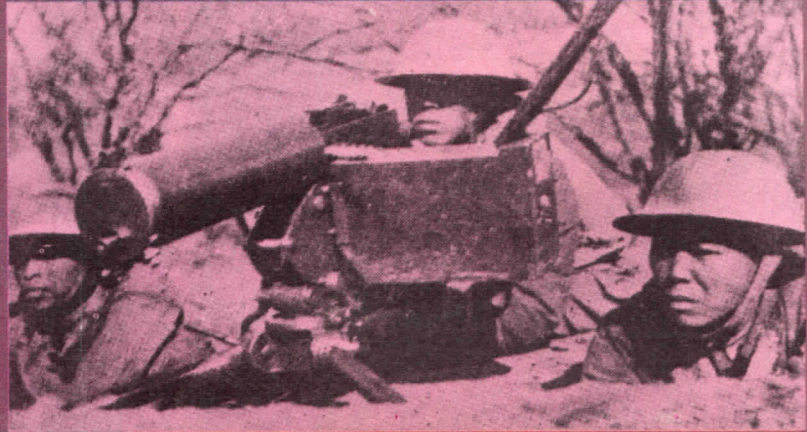
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Chinese Leaders on Sino-Japanese Relations



50TH ANNIVERSARY OF THE LUGOU BRIDGE INCIDENT



Good Friends.

Photo by Li Jing



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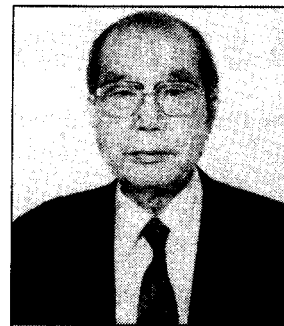
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COVER: The 50th anniversary of the Lugou Bridge Incident.

HIGHLIGHTS OF THE WEEK



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State of Sino-Japanese Affairs Evaluated

■ When meeting Japanese cabinet members, top Chinese leaders said both China and Japan should treasure and preserve their friendly relationship. Both countries will benefit if Japanese authorities remove the obstacles thrown up by a few Japanese to the further development of bilateral relations (p. 5). Specifically, Japan is urged to respect history and properly handle its relations with Taiwan by strictly observing its pacts with China (p. 18).

Past Experience— a Guide for the Future

■ To mark the 50th anniversary of the Lugou (Marco Polo) Bridge Incident, *Beijing Review* corresponded with Hu Sheng, president of the Chinese Academy of Social Sciences, and Ino Ue Kiyoshi, a noted Japanese historian, on such matters as whether the incident could have been avoided, the kind of suffering Japan's invasion of China brought to the Chinese and Japanese people, and the significance of marking this date for Sino-Japanese friendship (p. 14).

Progress in China's Economic Reform

■ China has been reforming its economic structure for eight years. An official from the State Commission for Restructuring the Economic System reviews the progress made (p. 20).

Leasing System Invigorates Small Enterprises

■ Some small state and collective enterprises have been leased out to individuals. Our correspondent Yue Haitao reports on how the new system is working in these enterprises and the problems arising (p. 24).

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Learn From History to Preserve Peace

by Our Guest Commentator Wang Rongjiu

July 7 is the 50th anniversary of the Lugou (Marco Polo) Bridge Incident—the invasion of north China by Japanese imperialists.

In the 50 years since the incident, China, Japan and the whole world have undergone earth-shaking changes. Today we mark the July 7th Incident with the attitude that “the past not forgotten is a guide for the future.” We must recognize, understand and correctly interpret history in order to learn from it and prevent the world from being flung into disastrous wars.

From the viewpoint of history, the incident which took place half a century ago was no accident. The Japanese aggressors first moved into northeast China on September 18, 1931, and spread steadily southward, in an attempt to occupy the whole north and east China. The Japanese militarists, thinking that China was in their hands, dared to unscrupulously attack the Lugou Bridge on July 7, 1937, and then attacked Shanghai on August 13, thus starting a full-scale war against China.

Fifty years ago, China—poor and divided—became an object to be carved up by imperialist powers. At that time China had almost no friends. Japan's imperialist rivals objected to the invasion only when Japan's war against China directly damaged their own interests. The powerful Japanese state, availing itself of all these factors, launched World War II in collaboration with German and Italian fascists. In this war, China was a major battlefield.

The world war ended in the victory of the anti-fascist powers, including China. In the 42 years since the war, there have been continual changes. China and Japan have both changed. Today

China is unified and powerful and has friends everywhere in the world. If there is anyone who wants to deal with China in the manner of 50 years ago, he has no understanding of the times and is making a miscalculation.

Since World War II, Japan has made an economic leap. The consciousness of the Japanese people has been raised and their field of vision has been broadened. They have seen that the war was an equally great disaster for Japan, and realized that Sino-Japanese friendship is the trend of the times. This is very valuable.

As the people of China, Japan and other countries that suffered from the catastrophes of World War II build new lives on the ruins of the old, they all look back and ask: How did the fascist forces bring such great calamities upon mankind? How is it that at first only a few people could manage to stir up the war? The answer is that if people lose their vigilance against the forces that are moving towards war, and even connive with such forces and appease them, the disaster of war will unavoidably follow. This is a crucial lesson. From the end of the war on, European countries have been searching out and trying escaped Nazi war criminals; the Asian countries have been on guard against acts of militarism and at all times point out their danger. The objective is to prevent a repetition of the historical tragedy. Because of the unremitting efforts and hard struggle of the world's people, there have been 42 years of peace since the war.

In commemoration of the 50th anniversary of the July 7th Incident we should make this point: The old generation has the responsibility to tell the new

generation the truth about history and their own sufferings and personal experience and to pass on the lessons of history. This is an important step towards maintaining peace and preventing war.

However, it is a pity that in Japan, where the war was launched, there are still some people who have not woken up from the dream of the “Great East Asian Sacred War.” They disregard facts, brazenly distort history and defend the bloody aggressive war. How can China and other Asian countries and the people who suffered from the calamities of Japan's war of aggression tolerate their behaviour? People have to ask: What are they trying to do after all?

China and Japan are neighbours, separated only by a strip of water, and have a history of more than 2,000 years of interaction. The war against China launched by Japanese militarism contrary to the will of the Japanese people, represents only a passing adverse current in the long river of Sino-Japanese friendly relations. In the spirit of looking forward, the Chinese people are willing to bury their hatred and work towards the development of friendly relations with Japan. At the same time it must be stressed that friendly relations must be based on the recognition and correct treatment of history. To review the history, correctly analyze it, look to the future and develop Sino-Japanese friendship for generations—these are the aims of our commemoration of the 50th anniversary of the July 7th Incident. Such a commemoration is of great significance. Through looking at and thinking about the past, people can better see the road ahead. ■

Chinese Leaders On Sino-Japanese Ties

Chinese senior leader Deng Xiaoping said China's general policy of maintaining friendship with Japan will not change, and certain unpleasant aspects should be handled in a way that benefits the two countries and their peoples.

Deng said the general policy towards Japan was laid down by the late Chairman Mao Zedong and Premier Zhou Enlai. During the time when the two countries had no official relations but frequent person-to-person contacts, Mao and Zhou frequently reiterated this policy.

The policy will not change because of the change of personnel in China's leadership, Deng said, adding that there is no reason for the two countries and their peoples to be at loggerheads over anything.

Deng, chairman of the Central Advisory Commission of the Chinese Communist Party, made these remarks at a meeting with Japanese Foreign Minister Tadashi Duranari and several other cabinet members of the Japanese government on June 28. The Japanese officials were attending the fifth meeting of the cabinet members of the Chinese and Japanese governments held June 27-28 in Beijing.

Referring to past hitches in Sino-Japanese relations, Deng said, "Frankly speaking, the responsibility was never China's. Not one of the past and present troubles was caused by China. We stress the attitude of looking ahead, avoiding any more unnecessary disputes."

Trouble may come from any direction and in any form, he said. For example, he went on, it is definitely wrong to put up a legal smokescreen in the Kokorio case (concerning China's ownership of a student dormitory in Kyoto,

Japan). He said the real estate dispute actually involves the question of one China or "two Chinas," and is not simply a question of money.

"We hope the problem will be solved as soon as possible, without any delay," he said. It is not true that the Japanese government can do nothing about it, he added. "Contacts between our two countries have grown, but, frankly speaking, are not so satisfying to our side. Japan could and should have done a lot more in terms of both the present and future," he said.

"In considering our relations with Japan, we have to take into account what may happen not only in the next few years but also in the next century or more. Each side should take a long-term view, remain cool-headed and make a joint effort promptly to solve problems that may crop up in the future," Deng added.

In response, Duranari said he agreed with Deng, adding that Sino-Japanese relations should be

considered from a long-term, not a short-term, point of view. The Japanese people share this opinion, he said.

Japan's concept is that there is only one China and this stand has remained unchanged, Duranari added. He also said a few Japanese who are impervious to reason have created problems between the two countries. But on the whole, he said, the Japanese people are willing to expand friendly relations with China.

On June 27, Chinese Premier Zhao Ziyang told the same group of Japanese officials that both China and Japan should treasure the friendly relations they have established through years of effort and take action to promote these relations. Zhao said he was glad to hear that the meeting was going well and expressed the hope that each similar meeting will turn out better than the last.

He reiterated that Japan should not change its China policy, which is based on the 1972 China-Japan Joint Statement, the 1978 China-

Deng Xiaoping meets Japanese cabinet members.

WANG XIAOBIN



Japan Treaty of Peace and Friendship and the four guiding principles (namely, peace and friendship, equality and mutual benefit, mutual trust and long-term stability).

The development of relations between the two countries in the 15 years since the normalization of the diplomatic relations should be fully appreciated, Zhao said. Great progress has been made in various fields as a result of the two countries' joint efforts. And the development of Sino-Japanese relations has brought major benefits to the people of both countries.

However, Zhao pointed out, "We should not ignore the existing problems, both political and economic, between the two countries just because their relationship is in the main good." He said the political problems are more important and sensitive. "If the political problems are not handled correctly, they could do greater harm to Sino-Japanese relations than the economic problems," Zhao said.

He added that Deng's recent remarks at a meeting with visiting Japanese Komei Party leader Junya Yano were totally in the interests of Sino-Japanese friendship. Deng made the remarks on behalf of the Chinese government and people and had the warm support of the whole nation, Zhao said.

The Chinese and Japanese foreign ministers agreed that the fifth meeting of cabinet members of the Chinese and Japanese governments was successful. Chinese Foreign Minister Wu Xueqian described the meeting as having "gone off smoothly, been successful, and achieved expected goals." Noting that the two sides have differing views on current problems in bilateral relations, Wu said they must continue to exchange views so as to promote mutual understanding. ■

NPC Session Passes Documents

The 21st session of the Sixth National People's Congress (NPC) Standing Committee closed in Beijing on June 23 after approving a number of documents and appointing three new ministers.

The session approved the Sino-Portuguese Joint Declaration on Macao, which agreed on China's resuming sovereignty over Macao on December 20, 1999. The pact was signed by Chinese Premier Zhao Ziyang and Portuguese Prime Minister Cavaco Silva on April 13.

The session also approved the 1986 state budget and the report on the budget by Tian Yinong, vice-minister of finance.

The meeting extended condolences to the families of those who died and to those injured in the Greater Hinggan Mountains forest fire, blaming "mismanagement, slack discipline, and serious bureaucracy of the forestry leaders" for the fire.

"All departments, sectors and localities should draw lessons from the fire and resolutely oppose and overcome the bureaucratic style of work. All persons responsible for major incidents in the future will be severely dealt with, either by imposing administrative punishment or pursuing criminal charges according to law," a decision made at the meeting says.

Gao Dezhan, 55, former governor of Jilin Province, was appointed as minister of forestry, replacing Yang Zhong, dismissed for his irresponsible attitude during the disastrous forest fire in northeast China which raged from May 6 to June 2.

Meanwhile, the State Council has decided to dismiss Dong Zhiyong from the post of vice-minister of forestry, Dong is said to have neglected his duty as a

leader in charge of forest-fire prevention.

The 12-day session passed the Technical Contract Law, which is to come into force on November 1. The law is aimed at guaranteeing the legal rights of contractors and maintaining order in China's technical markets, as well as promoting science and technology.

The meeting decided that China will join an international agreement established in 1973 called the "Convention on the Prevention and Punishment of Crimes Against Internationally Protected Persons, Including Diplomatic Agents," despite reservations over Article 13, section 1, on arbitration arrangement.

The session also adopted the "Decision of the People's Republic of China on Exercising Criminal Jurisdiction Over Crimes Referred to in International Treaties Which China Has Signed or Entered Into." China will regard such crimes as ones set out in China's domestic laws.

The session named Vice-Premier Yao Yilin, 70, to take over the State Planning Commission. The commission's former Minister, Song Ping, has been appointed head of the Organization Department of the Party Central Committee.

And the former head of the Organization Department, Wei Jianxing, 56, has been appointed China's first minister of supervision. The newly established Ministry of Supervision is in charge of monitoring the performance of government departments, government officials and government-appointed factory managers. ■

China Objects To 2 US Amendments

Two amendments, one on human rights in the People's Republic of China and the other

on "the violation of human rights in Tibet by the People's Republic of China," adopted on June 18 by the House of Representatives of the United States, are a serious distortion of the true situation in China and constitute a gross interference in China's internal affairs, thus hurting the feelings of the Chinese people.

These remarks were made by a Chinese Foreign Ministry spokesman on June 25, when asked by reporters to comment on the amendments.

The spokesman said, "We hereby express our strong indignation and resentment at this."

In Washington, Tang Shubei, interim charge d'affaires of the Chinese Embassy to the US, demanded that the United States take measures to diminish the serious consequences of the amendments and prevent similar incidents in the future, during a meeting with US Acting Assistant Secretary of State William Clark on June 23.

On June 17, Tang wrote to congressmen saying the amendment on Tibet contains fabricated stories and urging them to take a fair and just position on the question.

"Anyone who knows something about what things were like in Tibet before 1951 would not deny the progress made since then," Tang said.

The Tibet amendment repeated the disputed accusation that China "imposed its rule over Tibet through military force." Tang said the amendment "grossly violates China's sovereign rights and territorial integrity, and runs counter to the foreign policy of the US government itself." The fact that Tibet is part of China is "universally recognized by the world, including the governments of India and the United States," Tang said.

"To dispute this fact does not accord with history, and at least demonstrates one's ignorance of Chinese history," he pointed out.

The amendment, submitted by congressman Charlie Rose, alleged, among other things, that "over 1 million Tibetans have perished" since 1951.

Reviewing human rights in Tibet, Tang noted the population of the region in western China has grown to 1.98 million from 1.2 million in 1951, the year of its peaceful liberation.

In 1951, China ended serfdom in Tibet, so "Tibetans now live as true human beings, with their democratic rights being steadily expanded," Tang said. He told the congressmen the serfs could be tortured and butchered at their master's whim.

China's central government has adopted special policies towards the Tibet Autonomous Region since 1951. The government has appropriated large amounts of money for the region's development without taking a single penny from it for state revenue, Tang explained. As a result, marked progress has been made in the region's economic development and living standards of Tibetans, he said.

The US House of Representatives passed the two amendments in a single vote. These and several dozen other amendments were attached to the 1988-89 State Department authorization bill. ■

China, Pakistan Good Neighbours

Before leaving Pakistan, Chinese Premier Zhao Ziyang described his four-day visit to the country, his second in six years, as a successful one which had fully attained its objectives. He said he shares identical views on a wide range of major international issues with Pakistani leaders.

Since China and Pakistan established diplomatic ties 36 years ago, the good-neighbourly relationship of the two countries has become a model for relations

among states based on the Five Principles of Peaceful Coexistence, Zhao said on June 22 at the banquet in his honour hosted by Pakistani Prime Minister Mohammad Khan Junejo. The five principles are mutual respect for territorial integrity and sovereignty, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence.

"The Chinese people will remain trustworthy friends of the Pakistani people no matter what the vicissitudes of the world," the premier said. It is the Chinese government's firm policy to continue to develop and consolidate Sino-Pakistani friendly relations and co-operation. The Chinese government and people will, as always, firmly support the Pakistani government and people in their just cause of safeguarding national independence, upholding state sovereignty and promoting economic development, he added.

Speaking at a dinner given by Pakistani President Zia-Ul-Haq, Zhao said he found that both China and Pakistan not only share identical views on major world issues but are also satisfied with the development of their friendly bilateral relations. "Sino-Pakistani friendly relations are beneficial for both countries and the entire world," he said.

In an interview with a Pakistan TV reporter, Zhao said China has always stood for a just and reasonable settlement of outstanding historical issues with its neighbouring countries in the spirit of mutual understanding and accommodation and through peaceful negotiations. The Chinese government has pursued a policy of good-neighbourliness and friendship and has strived for the establishment and development of friendly and co-operative relations with all its neighbours on the basis of the Five Principles of Peaceful Coexistence.



Chinese Premier Zhao Ziyang visiting Faisal Mosque in Islamabad, Pakistan.

Zhao pointed out that relations between China and certain neighbouring countries have yet to be normalized or improved. However, he stressed, the reason does not lie with the Chinese side.

On the Afghan question, Zhao reiterated China's firm support for Pakistan's sincere efforts in calling for the withdrawal of foreign troops from Afghanistan and seeking a just settlement of the Afghan question.

On June 23, China's Vice Foreign Minister Qian Qichen, on behalf of the Chinese government and the Red Cross Society of China, asked Pakistan to deliver relief materials provided by China to Afghan refugees living in Pakistan.

Qian, who accompanied Zhao on his visit to Pakistan, handed over a list of the relief materials, which included rice, trucks, cotton cloth and medicines. ■

A Banner Year For Summer Crops

Despite abnormal weather and a drop in the sown area, Chinese farmers are expecting to harvest

93.2 million tons of summer grain, at least the same amount as in the record year of 1986, Chen Yaobang, vice-minister of the Agriculture, Animal Husbandry and Fisheries says.

The total output of rapeseed is estimated at nearly 6 million tons,

After a windstorm, a farmer of Hualikan Village in Beijing's Shunyi County is reaping wheat with a combine. The estimated output is 4,500 kilogrammes per hectare.

YANG LIMING



an increase of 220,000 tons or 4 percent over last year, he told a press conference in Beijing. This is mainly because extra 420,000 hectares were sown.

The bumper harvest has been hard won, Chen said. During the sowing season last winter, unusually dry weather forced a reduction of sown acreage of summer grain crops by more than 200,000 hectares and also stunted sprouting. And since the beginning of spring, south China has been hit first by drought and frost and then by a long wet spell with unseasonable hail and snow storms. Northwest, southwest and north China have been plagued by protracted droughts.

Compared with last year, Chen said, summer grain output will increase in Anhui, Henan, Hubei, Hunan, Zhejiang, Fujian, Yunnan, Guangdong and Guangxi, but will decline in other areas, including Shandong, Jiangsu, Sichuan, Hebei, Shanxi, Shaanxi and Gansu.

But the vice-minister warned against the loss of summer grain in the coming harvest season. In recent weeks, hail storms and

heavy rains powered by high winds have hit many areas, including Guangdong, Guangxi, Hubei, Hunan, Shandong, Henan, Shaanxi, Hebei, Beijing and Tianjin, causing serious waterlogging. He called on local governments to take active measures to prevent wheat plants from sprouting or rotting in the current wet weather to ensure a bumper harvest.

This year, China is striving to raise its total grain output to 405 million tons—the level of 1984—and the cotton output to 4.25 million tons. Attaining this target largely depends on the autumn grain harvest, Chen said.

He added that to meet the 1987 plan, the country has increased its autumn crop fields to 71.2 million hectares and has to raise its yield per hectare by 187.5 kilogrammes.

In south China the total area of hybrid rice fields has been expanded to 10 million hectares this year, 1.06 million hectares more than last year. The hybrid maize fields have also been enlarged, to 15.33 million hectares, an increase of about 1.66 million hectares.

The vice-minister also drew attention to the abnormal weather conditions in the country. There might be more floods this year in the major grain-producing areas on the middle and lower reaches of the Changjiang (Yangtze) River in the south, the Huanghe (Yellow), Huaihe and Haihe river basins in the north, and in the Songhua-Liaohe river plain area in northeast China. The serious drought in northwest and southwest China might continue. He called on all localities to do careful field management and be well prepared against possible natural disasters, trying everything possible to mitigate potential losses. ■

CORRECTION: On the back cover of issue No.24, FLP's two branch publishing houses should be DOLPHIN BOOKS and SINO-LINGUA.

Weekly Chronicle (June 22-28)

POLITICAL

June 24

■ "China supports the coalition government of Democratic Kampuchea headed by Samdech Norodom Sihanouk and will continue its support for the formation of a four-sided coalition government headed by Sihanouk after the total withdrawal of Vietnamese troops from Kampuchea. China also continues to support the Kampuchean people's efforts to build their country into an independent, peaceful, neutral and non-aligned state under the leadership of Sihanouk."

The remarks are made by Wan Li, acting premier of the State Council, when he meets Madame Monique Sihanouk, wife of President Sihanouk of Democratic Kampuchea in Beijing, Xinhua reports.

June 24

■ A Foreign Ministry spokesman says in Beijing that the political structural reform in Hong Kong must converge with the basic law of the Hong Kong special administrative region of the People's Republic of China. Any other course would adversely affect Hong Kong's prosperity and stability, the spokesman added.

ECONOMIC

June 22

■ The Shenzhen Zhonghua Auto Industrial Corporation has mass-produced five kinds of all-plastic motor vehicles recently, and 3,500 such vehicles are expected to be turned out this year, the overseas edition of the *Renmin Ribao* (People's Daily) reports.

June 25

■ Courtyard production is helping tens of thousands of

households in the countryside of Ganyu County in Jiangsu Province become well off, *Renmin Ribao* reports.

About 62 percent of the household courtyards in the county are being used for fruit trees, domestic animals, fowl, fish-farming, food processing, weaving and knitting. In 1986, the county achieved a total net profit of 140 million yuan from courtyard production, with 958 households earning more than 10,000 yuan each.

CULTURAL

June 23

■ Five episodes of the "China's Rara Avis," a TV series covering a wide range of strange and rare things and customs in the centuries-long and brilliant Chinese culture, are premiered in Beijing, the overseas edition of *Renmin Ribao* reports.

SOCIAL

June 24

■ All forest fires in the northern part of the Greater Hinggan Mountains, in the Inner Mongolia Autonomous Region, have been extinguished, the region's fire fighting headquarters reports. Fire fighters all return to their units.

The fires, caused by lightning on June 12 and 13, burned off 1,320 hectares of forest.

FOREIGN RELATIONS

June 24

■ In a message to the 5th African Regional Conference of the World Federation of United Nations Associations, which opens in Accra today, the China UN Association says the Chinese government and people support the Namibian and South African peoples in their just struggle against colonialism and racism and are fully convinced that victory belongs to the heroic African people, Xinhua reports.

ASEAN

Key to Settlement of Refugee Problem

The member states of the Association of Southeast Asian Nations have recently urged Viet Nam to take urgent measures to stop the continuing exodus of refugees into the region and tackle the problem at its source.

At the recent 20th foreign ministers' meeting of the Association of Southeast Asian Nations (ASEAN), one of the major subjects discussed was the problem of Indochinese refugees. In a joint communique at the conclusion of the meeting, the ministers expressed deep concern about the situation, saying the refugees have caused serious economic, social and security problems in the Southeast Asian countries, particularly in Thailand and Singapore. Speaking at the Bangkok Airport on June 21, Thai Foreign Minister Siddhi Savetsila said the Indochinese refugees are closely associated with the presence of Vietnamese troops in Kampuchea. The solution of the problem depends on a Vietnamese withdrawal from Kampuchea, he said.

In the year after Vietnamese troops invaded Kampuchea in December 1979, some 200,000 Kampuchean refugees fled to Thailand alone. Since then the flow of refugees has continued. Today in Thailand there are more than 298,000 refugees from Viet Nam's aggressive war and barbarous rule.

Thailand has accepted a large number of the refugees from neighbouring Kampuchea out of humanitarianism and has shouldered a heavy burden. In June 1980, the Thai government began to implement a programme to send the refugees back and 9,000 were returned to Kampuchea. However, the Thai programme has been rejected by the Vietnamese occupation troops in Kampuchea. Moreover, the Viet-

namese troops have attacked and encroached on Thai territory. The attacks have frequently been followed by the bombing of Kampuchean refugee camps inside Thailand, forcing the refugees to withdraw deep into Thailand. Since the beginning of this year, Vietnamese troops have on three occasions shelled Kampuchean refugee camps within Thai territory, causing heavy casualties among the innocent refugees.

There are many Vietnamese among the Indochinese refugees. These people have lost confidence in Viet Nam's leading clique, because of its persistently aggressive and expansionist policy. As a result of this policy, soldiers are conscripted for war every year and the country's economy is in a mess. In these circumstances, and with no means of livelihood, many have fled.

According to a recent statement

BHUTAN

Joining the Modern World

The landlocked Kingdom of Bhutan, once known as a mysterious, forbidden land, is now gradually opening up to the outside world.

The Kingdom of Bhutan, nestled in the Himalaya Mountains, has been gradually giving up its traditional policy of isolation. As it opens up, Bhutan has also started to play a role in international affairs. It is a member of the Non-Aligned Movement and the South Asian

from the United Nations High Commissioner for Refugees, the number of refugees fleeing Viet Nam is on the increase. In March alone, 2,531 Vietnamese people fled to Southeast Asian countries by sea, of which 930 entered Thailand. In the first four months of this year, 2,745 Vietnamese refugees left for Thailand, 1,300 more than in the same period last year. These statistics suggest that if the Vietnamese authorities continue to pursue their policy of aggression and expansion, the exodus of Vietnamese people will increase. The only way to solve the refugee problem is for Viet Nam to stop its aggressive war, concentrate its efforts on building its economy and let its people live and work in peace.

Thailand and other ASEAN countries have asked other countries to share the burden and accept more of the refugees. But their requests were turned down because of various factors. In any case, this would not be a fundamental solution to the problem. If Viet Nam continues its occupation of Kampuchea, there will be no peace in Indochina and Southeast Asia, and the refugee situation will continue to deteriorate.

by Liu Aicheng

and Kuwait. But the only countries with embassies in Thimphu, capital of Bhutan, are India and Bangladesh.

A high-ranking Bhutanese official said his country does not want to establish diplomatic relations with the United States and the Soviet Union. "We do not like to be involved in power politics and superpower confrontation," he said.

The official said Bhutan stands for strengthening world peace and international security. The country's five-member mission to the United Nations is always ready to take on tasks aimed at safeguarding peace and international co-operation.

"Where there is no peace there is no development. Peace and development are most important for Bhutan, a country whose per-capita national income is among the lowest in the world," he said.

The economy of Bhutan is predominantly agrarian. An estimated 94.3 percent of the economically active population is employed in agriculture, forestry and fishing. Bhutan is basically self-sufficient in grain. Its main crops include rice, maize and wheat. The country abounds in apples, nuts, pears and other fruits, which are exported in large quantities.

Bhutan also has some small-scale industries, producing textiles, soap, matches, candles, carpets and other products. The government has been encouraging entrepreneurs to set up small factories, and some small industrial estates have been established, producing a variety of consumer goods and materials for industry.

Bhutan's sixth five-year plan started this year. The country's economic development target is to provide its people with the means to live a life of dignity at the turn of the century. Gross domestic product has been growing at an annual rate of 6 percent, according to official figures.

Bhutan's economy has under-

gone a remarkable change as a result of the five-year plans. Hydroelectric stations are now supplying electricity to the entire country. Major towns are linked with asphalt-surfaced roads, along which speed trucks loaded with timber and other goods. Bhutan's own airline operates regular flights from Paro, about 80 kilometres southwest of Thimphu, to Calcutta, India and Dacca, Bangladesh. Thimphu now has telex facilities, in addition to an

international telephone service.

In the past, students seeking higher education had to go to India, or other countries. Now, Bhutan has its own college.

Despite the economic progress, the authorities are doing their best to preserve Bhutan's political system and traditional culture. "We are trying to achieve social and economic progress, but not at the cost of our distinctive identity," the official stressed.

by Tan Renxia

NORWAY

Looking to the European Community

With the EC's economy growing and Norwegian industry staggering, Norway is contemplating joining the European Community.

It's interesting to see that the Norwegians are inclining towards the European Community (EC) now. Fifteen years ago, the country's Labour Party was driven out of office partly because of its support for joining the EC. In a national referendum in 1972 on whether to take part in the EC, most Norwegians cast a negative vote. Norway's life is good enough; don't let Brussels destroy it, they argued. On May 21 this year, however, the Norwegian government published a 120-page white paper advocating a closer relationship with the EC. The country's business community has made it even clearer that Norway may not be able to maintain its industrial development unless it participates in the EC.

The attitude shift in Norway can be attributed to the development of the EC. Since 1972, the organization has been expanded three times to become the largest trade and economic group in the world. Its 320 million people

produce US\$2,600 billion worth of gross national product per year. Its aim—to establish a large internal market with free circulation of population, commodities, capital and labour service by 1992—is an enormous attraction to Norway.

In international politics, the EC is playing an increasingly important role. Having stepped up political co-operation among its member nations, it has voiced a united stand on many important international problems. It is also holding more frequent consultations among its members on the security of Europe in the hope of reaching a common stand in dealing with the United States and the Soviet Union. This intensified co-ordination among EC members has instilled in Norway the fear of being isolated.

Economically, the distance between Norway and the EC has been shortened as their economic exchanges grow. Since the mid-70s, Norway has become the EC's major oil and natural gas supplier.

Last year, Norway signed the largest export contract in its history—to supply several West European countries with natural gas worth US\$65 billion. About 70 percent of Norway's exports (including oil and gas) go to EC nations.

The slump of oil prices during the past two years has also awakened Norway to its economic problems. In 1985 the country had a foreign trade surplus of 25 billion kroner, a year later it ran a deficit of 36 billion kroner. Experts from Norway's industries pointed out that between 1974 and 1984, industrial production was almost stagnant. The development of oil and gas concealed the economic problems. By participating in the EC, the country's industrialists argue, Norway would be able to co-ordinate research with its European allies, get industry back on its feet and catch up with

scientific and technological developments.

In its white paper, the government says it is paying close attention to the establishment of the EC's internal market, which should not have a negative impact on Norway's economy. The government hopes to participate in the process and bring Norway into harmony with EC developments in order to avoid bilateral trade frustration.

The Norwegian government has not made a formal proposal to enter the EC because it remembers the 1972 vote. The government is acting cautiously and is more likely to let the issue develop naturally. The present discussion on whether to join the EC is designed to promote greater understanding of the EC's internal market.

by Yao Li

FRANCE-FRG

Idea of Joint Combat Unit Discussed

In the face of a possible US-Soviet agreement to eliminate all Euromissiles, Bonn and Paris are considering stronger Western European military co-operation, including the possibility of a joint Franco-German combat unit.

France and the Federal Republic of Germany (FRG) have been talking since mid-June about how to strengthen military co-operation in Western Europe. One proposal under discussion is the creation of a Franco-German joint army brigade. The idea came from West German Chancellor Helmut Kohl and was immediately supported by French President Francois Mitterrand, who said such a brigade would be an "embryo" for stronger West European defence.

Kohl put forward the proposal at a forum held by his party, the

Christian Democratic Union. The initiative was applauded in French political and military circles. Mitterrand expressed his approval of the idea, saying that "our goal is to bring about the integration of conventional forces." French Defence Minister Andre Giraud said Kohl's idea represents an answer to Soviet leader Mikhail Gorbachev's proposal on removing Euromissiles. French Foreign Minister Jean-Bernard Raimond praised the proposal, saying it sets an example for fundamental co-operation in working for the future of Europe.

Kohl made the proposal against a background of growing fears within his party that the envisaged US-Soviet agreement on the removal of Euromissiles will lead to a denuclearization of Western Europe and a decoupling of US-European defence, thus exposing Western Europe to the threat posed by the superior conventional and chemical weapons of the Soviet Union and its allies. West Germany would be most vulnerable to Warsaw Pact attack in such a scenario, they thought.

The idea of setting up a joint force dates back to 1963, when then French President Charles de Gaulle and FRG Chancellor Konrad Adenauer met to sign the Elysee Treaty. At that meeting they began discussing the possibility of forming a European defence community.

In 1983, when US President Ronald Reagan announced his plan to develop and build a space-based weapon system called the Strategic Defence Initiative, Western Europe became concerned that the United States would hide behind its "space shield" while exposing Western Europe to attack by Soviet intermediate and short-range missiles as well as Warsaw Pact conventional forces.

In October 1986, when Reagan met with Gorbachev in Reykjavik, Reagan almost agreed to abolish all the intermediate-range missiles (those that can hit targets between 1,000 and 5,500 kilometres away) deployed in Europe without first consulting Washington's allies in Western Europe.

All this added to the worries over Washington's policies and the inequality of security between North America and Western Europe.

As a result, more people in Western Europe began to advocate a West European alliance—an idea popular three decades ago. Some countries, such as France, Britain, and West Germany, expanded co-operation in arms production and increased their military consultations.

French Prime Minister Jacques Chirac has often pointed to the need for France and the neighbouring FRG, which fought each other in the two world wars, to co-ordinate their positions with a view to ensuring West European security. Foreign Minister Raimond said the fates of West European nations are interrelated.

Former French Prime Minister Laurent Fabius even went so far as to propose the extension of France's independent nuclear forces to cover West Germany.

The proposal for a joint force is evidence of the two countries' common desire to co-operate more closely in national defence. Kohl said, "The Bonn-Paris axis should materialize not only in theory, but also in specific steps."

Opinion remains divided, however, over nuclear protection. Although some in France have suggested the extension of its nuclear umbrella to cover West Germany, Kohl has said the US nuclear umbrella is irreplaceable.

Differences over specific issues, however, seem unlikely to stop Western Europe from waking up to the need for self-defence. As the conservative French newspaper *Figaro* said in an editorial, "The creation of a joint force signals the awakening of Europe in defence construction and therefore merits attention. If Europe's sovereignty is to be recognized, then a good job must be done of its common defence."

by Mao Ruiqing

MONGOLIA

Big Strides Made in Animal Husbandry

Animal herding, a major economic sector of the Mongolian People's Republic, has developed rapidly in recent years.

The Mongolian People's Republic has been making major efforts to develop animal herding, which is the basis of its national economy. The animal population rose to 22.6 million last year, up 150,000 from 1985. There were 559,000 camels, 197,000 horses, 2.4 million cattle, 13.2 million sheep and 4.3 million goats.

Mongolia has made headway in herding since animal husbandry was collectivized nationwide. But in the early 1980s, progress slowed and stagnation started to set in. To reverse this trend, the government decided to intensify its efforts in herding by popularizing the results of scientific and technological research; raising the level of mechanization and electrification of animal husbandry; and sending more secondary-school and college graduates, as well as

specialized personnel to the animal farms. In addition, the government has taken the following steps to speed up the development of animal husbandry:

1. Improving the prevention and treatment of animal diseases. Mongolia has made exciting progress in this field. A biological pharmaceutical factory—built with the help of Hungary on the outskirts of Ulan Bator—can turn out 78 kinds of medicines to prevent and cure animal diseases. Twelve of the medicines were developed in the past five years. Mongolia has also wiped out foot-and-mouth disease and epidemics among goats.

2. Focusing on superior breeds with high rates of reproduction. Superior breeds account for 15

percent of the sheep, 10 percent of the goats, and 7 percent of the cattle. All the provinces and some counties have farms for breeding superior animals. The country also imports superior breeding stock from abroad.

3. Carrying out scientific research.

A recent decision by the Central Committee of the Mongolian People's Revolutionary Party and the Council of Ministers aims to strengthen the links between research and production, and raise the efficiency of scientific research in the fields of animal husbandry and agriculture. Between 1987 and 1990, research organizations will be reformed. Some new research stations will be built and some of these will be developed into scientific research institutes so as to raise their capacity and increase their level and range of research.

4. Reforming economic administration.

Mongolia has expanded the range of economic reforms that were started several years ago. New measures adopted this year include: raising the prices of agricultural products to promote the development of agriculture and animal husbandry; making supplementary payments for goods from farms that have low profits because of poor conditions; giving awards for production surpassing the average annual output of the past five years; and buying from private producers at negotiated prices to encourage sideline production. To accelerate the reform, Mongolia also decided to carry out the tasks of perfecting the systems of labour organization, production quotas and labour awards in all the farming collectives. All the state farms will implement economic accounting. Today the work of improving economic administration and developing production is under way on all farms in Mongolia.

by Zhang Jian

Past Experience — Guide for the Future

To mark the 50th anniversary of the Lugou (Marco Polo) Bridge Incident, "Beijing Review" corresponded with Hu Sheng, president of the China Academy of Social Sciences, and Ino Ue Kiyoshi, a noted Japanese historian, on matters concerning the event.

Question: Could the Lugou Bridge Incident have been avoided?

Hu Sheng: Even before the September 18th Incident of 1931 the Japanese militarist forces had embarked upon the aggressive course of annexing northeast China and Inner Mongolia as a prelude to the conquest of the whole of China. In 1927 Japanese Prime Minister Tanaka made this Japan's state policy. By the time of the September 18th Incident, militarist forces had come totally to dominate Japan. While Nazism was spreading in Europe, Japan too turned fascist.



Hu Sheng.

XIA YANG

The "programme of the state policy" set by the Japanese cabinet meeting in August 1936 stated: "When Japan's position is being consolidated in East Asia, its forces should also be extended to the South Pacific region." Japan's expansionism was not content to become master of China and

Japan had spent years arming and preparing for war.

After the Lugou Bridge Incident, Japan launched an all-round aggressive war against China, an inevitable result of the development of Japanese militarism.

The Japanese militarists first hoped and believed that they could conquer China without a fight. However, the Chinese people who had suffered national humiliation for almost a century had a strong tradition of resisting foreign aggressors. Confronted with the danger of national subjugation, the Chinese people rose to fight Japanese aggression to the end. The Chinese Communist Party—the most progressive force in China—was able to lead the Chinese people in that struggle. It was therefore inevitable that the Lugou Bridge Incident should become the starting point of a mass movement of resistance in China.

The Japanese people did not completely accept the militarists' demagogic propaganda. In the 1920s and 1930s, the Japanese labouring people engaged in a series of economic and political struggles against militarism. However, these struggles failed for a lack of strong leadership. There were also some liberals and democrats in Japan who warned that Japan was being pulled by the militarist forces into an abyss. However, they could neither organize a concerted opposition, nor dared to do so. Japanese militarism grew bolder day by day.

From the September 18th Incident, the Kuomintang ruling

clique in China adopted a non-resistance policy which only encouraged the aggressors. While resisting Japanese aggression, the Chinese people also had to fight against the Kuomintang authorities' compromises and concessions. However, in 1936 and 1937, the people's forces were not strong enough to change the Kuomintang's policies. If the Japanese aggressors had met with firm resistance when they occupied northeast China, the situation afterwards would have been different.

But, given the situation in both Japan and China, a battle between the Chinese nation and the Japanese aggressors was inevitable, and the Lugou Bridge Incident was the fuse for this.

Ino Ue Kiyoshi: The Lugou Bridge Incident was an inevitable result of history. As all inevitable events are manifested through accidental occurrences, the Lugou Bridge Incident was also the inevitable result of a number of accidental factors.

If the authorities of both countries could have calmly and prudently treated the event which occurred before troops began battling on the night of July 7, many problems could have been avoided. But that things developed to such an extent might also be considered an inevitable result of history. After 1933 (particularly 1935), the Japanese army headquarters and the Japanese government persisted in seeking to separate the five provinces in north China from the country's domain and turning them into



Ino Ue Kiyoshi.

“autonomous” or “special” regions—de facto colonies under Japanese rule. For this purpose, Japan created a number of “incidents” and imposed its demands on China.

In April 1936, Japan reinforced its “China Garrison Army” and raised its strength from 1,700 people to 5,700 people. It also moved its main military force from Tianjin to places adjacent to Beijing. The so-called “China Garrison Army” was a Japanese army stationed in China under a treaty which the Eight Power Allied Forces compelled the Qing government to sign after they suppressed the anti-imperialist Yihetuan movement. The army’s tasks were to guard the diplomatic quarters and ensure the communications between Beijing, Tianjin and coastal areas. Taking advantage of this old right to station armed troops in China, Japan built up an army to control the whole of north China. This act was a barefaced political and military provocation of China. It was this “China Garrison Army” that staged the Lugou Bridge Incident.

The Kuomintang government made no resistance to Japanese imperialists’ aggression at all after 1931. Instead, it emphasized “internal pacification before resistance to foreign invasion” and

launched an all-out attack against the Communist Party and the revolutionary forces it led. This drove Chinese patriots beyond the limits of their forbearance. An anti-Japanese national salvation movement, which opposed the Kuomintang’s approach, and stood for Kuomintang-Communist co-operation and for the unity of the whole nation to resist Japanese aggression, gathered momentum in 1935. The nation’s awareness resulted in the Xian Incident at the end of 1936, which forced the Kuomintang to make the decision to accept the anti-Japanese national united front at the third plenary session of its fifth central committee held in February 1937.

The formation and development of China’s anti-Japanese national united front panicked the Japanese government and army headquarters. They lost no time in making alternative plans, and even devised “opportunities” to weaken China’s anti-Japanese forces, strengthen the forces of the Manchuria puppet regime, aiming to place north China and then the whole of China under Japanese rule. In the Beijing of early July 1937, the confrontation between Japanese imperialist forces and the Chinese people could have been triggered at any moment. Im I Take O, then Japanese military attache to China, says in his memoir: It was rumoured in Tokyo in June that the second Liutiao Lake Incident would occur in north China on the night of July 7.

The Lugou Bridge Incident eventually broke out following this historical trend. At one stroke, the incident turned the trend into a turbulent current.

Q: What kind of suffering did the war following the Lugou Bridge Incident bring to the Chinese and Japanese people?

Hu Sheng: Before the incident, northeast China was already a colony of Japan. People there

lived under cruel military rule. A large number of people were forced to be coolies and toiled to death, and much property was stolen. Guerrilla forces who rose to resist Japanese aggression were suppressed ruthlessly.

After the incident the Japanese invaders moved north and south to plunder, rape, kill and loot. The Nanjing massacre in December 1937 was one of the many crimes the Japanese aggressors committed in China. The Far East International Tribunal wrote in its verdict on a Japanese war criminal, “The civilians and captives killed in Nanjing and the places around exceeded 200,000, which is confirmed by the fact that 150,000 of them were buried by the burying teams and other organizations.” In fact the figure is greater than this. Based on other materials, a total of 400,000-500,000 soldiers and civilians were murdered in Nanjing.

During the war, the Chinese people lived under the iron heel of the Japanese aggressors and suffered greatly under their policies of economic plunder and enslavement. According to contemporary reports in Japanese and the puppet regime’s papers, 800 people died of cold and hunger in Shanghai in a few days in February 1942 and 300 people were found dead every day in Beijing (Beijing) in 1943.

The military forces under the leadership of the Chinese Communist Party launched a struggle against the Japanese aggressors in areas behind the enemy lines. In seeking to destroy the living conditions of civilians and soldiers in the anti-Japanese bases, the Japanese invaders, through mopping-up and village combing campaigns, adopted the policy of “burn all, kill all and loot all.” The 1946 statistics show that in the Shanxi-Chahar-Hebei rear base 709,000 people (not including soldiers) were killed during the war of resistance. 600,000-700,000 people were captured and most of them were murdered.

The Japanese invaders also bombed rear cities such as Chongqing in order to eliminate civilians.

The Chinese War of Resistance Against Japan succeeded in the end. But the victory was achieved at a very high cost.

About 20 million soldiers and civilians died in the war. The losses in terms of public and private properties as well as the cost of the war are incalculable. The statistics compiled by the Kuomintang government in 1946 show total losses of US\$58,493 million (at the rate of exchange of July 1937) and the liberated areas under the control of the Communist Party calculated losses of US\$30,564 million, a total of at least US\$90 billion. But both figures exclude the northeast and other places which were occupied for a long time.

Ino Ue Kiyoshi: Let us define that the war began with the Lugou Bridge Incident and ended with the unconditional surrender declared by the Japanese emperor on August 15, 1945. The invasion of China following the incident led to Japan's declaring war on Britain and the United States on December 8, 1941.

The sufferings the war brought to the Japanese people is indescribable. The sufferings are unimaginable and seldom discussed in Japanese history. The exact figures of the wounded and dead have not been published, but according to the 1956 report by the Minister of Health and Welfare to the Diet, 2.33 million soldiers and military officers died during the war and 310,000 were wounded, given pensions. Thus when Japan announced its surrender, one person for every five or six families died or was wounded in the war. Outside Okinawa, some 700,000 people died or were wounded in air raids, etc. The death toll in the Okinawa Prefecture (Ken) reached 200,000.

Material lost in the war

accounted for 34.4 percent of Japan's national assets in 1935. About 2.98 million houses were destroyed during the war and 9 million people left homeless.

I am uneasy about these figures because they may have been watered down. Even if they are accurate, they cannot convey the real suffering endured by Japanese who were not officials and not rich. The sufferings the fascist government and military forces brought to the people during the war were immense.

Japan continuously expanded its aggressive war and finally was defeated. As a result, it was occupied by foreign military forces and lost its national independence for a while. This is the greatest calamity the war brought to the Japanese people.

Q: In your opinion what enlightenment can we gain from the occasion of marking the 50th anniversary of the incident?

Hu Sheng: China is now quite different from what it was when the Lugou Bridge Incident occurred. Before the incident, China looked like a tray of loose sand. Because the ruling classes then were opposed to the people and were split, it was impossible to unite the people.

The Japanese militarists therefore believed that it would be easy for them to occupy China piece by piece. Contrary to their expectation, China launched a unified national resistance under the policy of the anti-Japanese national united front proposed by the Communist Party. The Kuomintang had to give up its non-resistance policy. Although the united front experienced twists and turns, the Chinese people won final victory by relying on their united forces. This was the first victory in a national war in modern Chinese history and laid the foundation for the complete victory of the new-democratic revolution, which, turned China

into an independent, free, democratic and united state.

The significance of the unity of the whole nation at a crucial moment is clear.

Today our nation is facing another historical task. We must devote our efforts to socialist modernization. Backwardness means being bullied and vulnerable to attack.

So long as we take the road of building socialism with Chinese characteristics according to the concrete conditions and under the leadership of the Communist Party, we can continuously consolidate and develop the unity of the whole nation. We must unite to build our country and to cope with any eventuality in the world. We must maintain world peace and promote the progress of the humanity together with the people of all countries.

On this 50th anniversary of the incident, we miss our compatriots on the other side of the Taiwan Straits. The anti-Japanese united front was based on co-operation between the Kuomintang and the Communist Party. Resuming sovereignty over Taiwan Province was the final result of the victory in the anti-Japanese war. The authorities on both sides of the straits recognize that Taiwan is part of China and oppose the idea of "two Chinas" or "one China, one Taiwan." There is no reason for us not to adopt practical measures for the reunification of the mainland with Taiwan Province. It would be achieved under the "one country, two systems" policy, the only way for ensuring a peaceful reunification of the motherland and the way most benefiting the people and the authorities in Taiwan Province.

Ino Ue Kiyoshi: I think the most important is that a war of aggression will not be countenanced. In the world today, aggressive wars are bound to be resisted by the invaded nations, and no imperialist power could win a war of resistance. Since World War II,

an imperialist country claiming itself the strongest power in the world gathered together its dependencies to launch wars against weak and culturally backward nations. However, these imperialists met with resistance from invaded nations, and finally came to an end with total defeat. Such examples are not rare in world history.

The Japanese people should have a correct understanding of the war, especially the unjustness of Japan's invasion of China and its disastrous defeat in the war. However, to our shame, these things have not become generally understood by the Japanese people.

In recent years there have been statements about the war which are no different from what people in the Japanese army headquarters and government argued at the time. For example, they assert that Japan did not commit aggression, and that Japan counterattacked for the enemy ostracized and insulted it. Even if they admit that Japan did launch an aggressive war, they argue that wars of aggression against weak nations were being waged not only by Japan, but by all contemporary developed countries, and that without doing so, Japan could not have survived. Many claim that Japan was defeated by the United States, not by China. So, citing history to refute these views is a precondition for the Japanese to draw lessons from the war.

Q: What significance does marking this 50th anniversary of the Lugou Bridge Incident have in the development of the relationship between China and Japan?

Hu Sheng: Japan's aggression against China brought great suffering to the Japanese people. Japanese militarism was a source of suffering to both the Chinese and the Japanese people. It is known to everybody that the rise of Japanese militarism did not begin in 1937. To put out a forest

fire while it is a small flame is easy. However, if the fire spreads it will be a calamity. Therefore, it is worthwhile drawing historical lessons. Under present-day circumstances, many Japanese politicians and people are vigilant against the revival of militarism. This is in the long-term interests of Japan, China and other countries in the Asia-Pacific region.

I have many Japanese friends who respect Chinese culture and admire the Chinese for their drive for socialist modernization. I'm often deeply moved by Japan's regret about its aggression.

Japan can be said to have had 50 years of invasion of China. Compared with the millennium or more of cultural exchanges between China and Japan, that is but an episode. It is now over and a new chapter has opened in the history of relations between China and Japan. The aim of looking back is to look forward.

Both the Chinese and the Japanese people can draw lessons from that period of history, and help maintain and develop that which links the two countries, establishing good relations on a new basis by which we mean the Sino-Japanese Joint Declaration in 1972 and the Treaty of Peace and Friendship signed between the two countries in 1978. The recognition of only one China is a major principle. Violating that principle will destroy Sino-Japanese relations. It could only meet with opposition in both countries.

Though China and Japan have different social systems, both countries should, and can, coexist peacefully. To do this, a great sensitivity should be maintained to factors which impede the friendship between the two countries. Words and actions which endanger the relationship must be rejected firmly. Continuous expansion of economic and cultural exchanges on the basis of equality and mutual

benefit will facilitate the development of both countries and help to safeguard peace in Asia and in the world.

On the occasion of this anniversary, I think, we can be confident that as long as people of both countries work together, another disaster like that will not be repeated. I believe the peaceful and friendly relations will last a long time.

Ino Ue Kiyoshi: At the time when we mark the 50th anniversary of the Lugou Bridge Incident, the Japanese people should do some serious research and stock-taking along the lines I suggested earlier. While recalling the unprecedented catastrophe the war was to the Japanese people, we also should remember what suffering the war brought to the Chinese. We also should examine why Japan did not prevent Japanese imperialist rulers from launching a war of aggression. Only in this way can we turn the unprecedented catastrophe into a force for lasting friendly relations between the two countries.

Fifty years, to a person, or a nation, could be regarded as a "stage," we should ensure that it leads to a starting point for a new future. For this, Japanese-Chinese friendship groups, anti-war and peace organizations, trade unions and people's political parties in all parts of Japan are preparing to hold meetings to mark the date. In the five days from July 7 to 11, academies in Kyoto and Tokyo will receive eight scholars from the Chinese History Society. We will hold symposia about the modern history of relations between Japan and China. The preparations are more or less complete. We feel honoured to have the cooperation of the Chinese History Society in this. ■



Japan Duty-Bound to Observe Treaties

Wu Xueqian, Chinese state councillor and foreign minister, speaking at the recent 5th meeting of cabinet members representing the Chinese and Japanese governments, urged Japan to respect history and properly handle its relations with Taiwan. The following are excerpts from his speech at the first session of the meeting on June 27.

This year marks the 15th anniversary of the normalization of diplomatic relations between China and Japan. Sino-Japanese relations over the past 15 years have been, on the whole, normal and good, with gratifying results in many fields. It can be said that a fairly solid basis has been laid for Sino-Japanese friendship. Bilateral co-operation and exchanges have shown overall development, and the slogan that the people of our two countries should be friendly to each other for all generations to come has become more popular.

The developments in the post-war relations between our two countries show that Sino-Japanese friendship represents the tide of history that no one can resist. Going with the tide and stimulating the healthy and smooth development of relations is not only in conformity with the interests of our two peoples, but also can help maintain peace in the Asian-Pacific region and promote North-South co-operation. China is full of confidence in the future of Sino-Japanese relations and has been working for the establishment of a long-term, stable, good-neighbourly friendship with Japan on the basis of the Sino-Japanese Joint Statement, the China-Japan Treaty of Peace and Friendship and the four guiding principles (peace and friendship, equality and mutual benefit, mutual trust, and long-term stability).

We must note, however, that in the course of the development of the relations between our two countries, some problems have cropped up, especially those that

involve major principles of bilateral relations and that have nothing to do with social systems. These problems, if not handled properly, will have adverse effects on overall Sino-Japanese relations of friendship, so they demand immediate attention and should be dealt with seriously.

These problems roughly fall into two categories: How to correctly approach the unfortunate events of the past, and how to properly handle relations between Japan and Taiwan. Problems in these categories involve the political basis of Sino-Japanese relations and are, therefore, more important than other problems.

As is known to all, the Japanese militarists' invasion of China was only a short-lived adverse current in the long river of our two peoples' interaction of more than 2000 years. But this adverse current brought catastrophe to the people of China and other Asian-Pacific countries, and inflicted suffering on the Japanese people as well. We have always adopted a look-ahead attitude towards that history, but that does not mean tolerance should be shown towards a handful of people who distort history and reverse the verdict on the aggression. It would endanger Sino-Japanese friendship to relax vigilance against such a tendency and let it run rampant. "Past experience, if not forgotten, is a guide for the future." Sino-Japanese friendship is based on deep reflections of the past and on the historical lessons. A correct understanding of the past is necessary for long-term friendship between our two peoples. We are

reluctant to see things happen repeatedly that hurt the feelings of the people of a country which has been the victim of war, and that are also very harmful to Japan's development.

Japan-Taiwan relations are of great concern to the Chinese government and people. According to the Sino-Japanese Joint Statement and related agreements between the Chinese and Japanese governments, Japan and Taiwan should maintain only non-governmental and local contacts. However, there have been repeated violations of the agreements between China and Japan in recent years. The most outstanding issue at present is the well-known Kokorio case, the essence of which is the creation of "two Chinas" or "one China, one Taiwan" in judicial form. Such a political issue concerns China's legitimate rights and interests, and the basic principles guiding Sino-Japanese relations. The Japanese side should fulfil its international duty and solve the case properly and as soon as possible by strictly following the Sino-Japanese Joint Statement, the China-Japan Treaty of Peace and Friendship and other bilateral agreements and the norms of international law, so that Sino-Japanese relations will not be affected.

Reviewing the development of Sino-Japanese relations in recent years, it can be clearly seen that whenever the Sino-Japanese Joint Statement, the China-Japan Treaty of Peace and Friendship, and the principles and other agreements reached by the two

countries were closely followed, relations between our two countries developed smoothly. Problems, even if they did occur, could be resolved properly. In other cases, Sino-Japanese relations were adversely affected and problems became more complicated. The Sino-Japanese Joint Statement and the China-Japan Treaty of Peace and Friendship, signed by the two governments and affirmed by the legislative bodies of both countries, are legal documents which serve as norms and principles in handling relations between the two countries and transcend differences or similarities in social systems. Neither side should dodge its obligations and solemn duty on any pretext. The Chinese side hopes the two sides will cherish their friendship, which has not come easily, and try to give full play to positive factors in their friendship and eliminate negative ones. Both sides should take an earnest attitude and try to solve, in a just manner through friendly consultation, problems which have already occurred, especially major ones concerning political principles guiding Sino-Japanese relations. Only in this way can we maintain the overall friendship of our two countries and see Sino-Japanese relations develop in a healthier way.

Economic co-operation constitutes an important part of Sino-Japanese relations. The two countries have a mutual need to develop their own economies and can establish long-term and stable co-operative relations based on equality and mutual benefit. It is most important that our two governments take active and effective measures and further make practical efforts in this direction.

The trade imbalance between China and Japan is an outstanding issue in bilateral economic relations. In the 15 years since the establishment of Sino-Japanese diplomatic relations, China has suffered continuous deficits, total-

ling US\$21.5 billion. According to Chinese statistics, in its trade with Japan, China had deficits of US\$5.22 billion in 1985 and US\$5.13 billion in 1986. The 1986 figure accounted for 90 percent of China's gross foreign trade deficit in that year. Such a long-term imbalance at the expense of one side does not accord with the principle of equality and mutual benefit. Such an unreasonable phenomenon, if allowed to continue, will become an obstacle to the expansion of bilateral co-operation. We have always advocated a gradual realization of balanced development in Sino-Japanese trade through the expansion of Chinese exports to Japan, and China will make continued efforts in this regard. At the same time, we also hope the Japanese side will fully recognize the seriousness of the imbalance, open up its market, lower its tariffs and duties, relax quotas and abolish unreasonable restrictions, and do more in a concrete way to reduce the trade imbalance.

Strengthening co-operation in investment and technology transfer is key to furthering Sino-Japanese economic relations. China's policy of opening up is directed to the whole world and

technology transfer is one of our fundamental considerations in choosing partners for co-operation. China and Japan are in many ways natural partners in this field. The level of technological co-operation between our two countries should be an important criterion in the development of our economic relations. To push this co-operation to a new stage, the Chinese side will continue its efforts to improve its investment climate. At the same time, we hope the Japanese government will adopt a positive attitude and will encourage and support private enterprises to invest in and transfer technology to China.

Looking to the future, the Chinese government solemnly pledges that its amicable and friendly policy towards Japan will not change, just as China's independent and peaceful foreign policy, reform and open policy have not changed. China will continue to work with Japan, on the basis of the Sino-Japanese Joint Statement and the China-Japan Treaty of Peace and Friendship, to make greater contributions to the long-term, healthy and smooth development of Sino-Japanese relations and to peace and stability in Asia. ■

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Progress in Economic Reform (1979-86)

At a Beijing conference on June 1, Gao Shangquan, deputy head of the State Commission for Restructuring of the Economic System, reviewed the progress made in China's economic structural reform over the past eight years. Here is an abridged translation of his speech.

by Gao Shangquan

The rural reforms—the introduction of the household contract responsibility system, the abolition of the people's communes (which integrated government administration with economic management), and the establishment of rural administrative organizations—have straightened out the relationship between the farmers and the collective.

Rural Achievements

The state has also considerably raised the purchasing prices for farm produce and readjusted the production structure in the rural areas. In the past eight years, the average per capita income in the countryside rose 2.6 times. Last year, the output value of forestry, animal husbandry, sideline occupations (including village industry) and fishery made up 51 percent of China's total agricultural output value, and the commodity rate of rural industrial and agricultural products reached 68.1 percent.

Since 1985, the policy has been for the state to buy farm produce on contract and allow farmers to sell what extra they produce on the open market. This has enlarged the scope of market regulation and brought the rural economy into the orbit of the planned commodity economy.

Diversified Management

Of the country's total industrial output value for 1986, the state-



Anhui farmers taking their grain to the state granary.

owned part dropped to 70 percent from 80 percent in 1978; the collective sector's share rose from below 20 percent to 28 percent; and the private sector's share went from nothing to 2 percent. Last year's output value of collectively owned industrial enterprises equalled that of the nation's state-owned enterprises for 1975.

Of total retail sales, the state commerce share dropped from 90 percent in 1978 to 40 percent last year; the collective sector's share (including the rural supply and marketing co-operatives) rose from 7.4 percent to 36 percent; and that of private and other businesses jumped from 2 percent to 24 percent.

In the cities, contract, leasing and many other forms of the

management responsibility system, as well as shareholding and joint management, have been introduced where deemed appropriate. Region-to-region and enterprise-to-enterprise economic associations have developed. More than 32,000 various economic associations have emerged throughout the country.

Production Autonomy

In the last few years, the State Council has issued 13 documents and a number of regulations on granting enterprises more decision-making power. These documents have defined the responsibilities, management power and economic interests of enterprises as relatively independent commodity producers, thus changing their status from appendages to administrative departments. The reform has changed the relationship between the state and enterprises. Income tax and state taxes are now paid instead of delivering profits. The proportion of the profits retained by enterprises rose from 3.7 percent in 1978 to 42.4 percent last year (in real terms 25 percent, after deducting energy and communication costs, and construction tax and education fees have been levied by the state). As a result, enterprises began to accumulate funds for reinvestment in their improvement.

Varied forms of contract management systems centring around the director responsibility system have been introduced in all enterprises. In line with the principle of separating ownership

from management power, different forms of the management, contract, responsibility systems have been explored. By the end of last year, over 3,000 state-owned industrial enterprises had instituted a contract or leasing system.

Planning System

In farm production, planning which dictated the acreage and output of grain, cotton and other major farm produce has been replaced by guidance planning. In industrial production, the number

of products controlled by the State Planning Commission's mandatory plan has been cut by half from 120 in 1984 to 60.

The investment structure has also been reformed, and the right to examine and approve investment projects has been transferred to lower levels. A number of central and coastal open cities and some large business groups may submit their plans directly to the central authorities.

Market Economy

The number of commodities controlled directly by the Ministry

of Commerce has been reduced from 188 in 1979 to 23. Any above-quota products an enterprise makes of the commodities under the unified control of the state may be sold on the open market. With the increase in the supply of commodities, the 44 kinds of ration coupons have been abolished (except for grain and edible oil).

In commodity circulation, the principles being followed are to allow different ownership systems, diversified management methods and multiple circulation channels, and to reduce circulation links. This has broken through the closed, multi-tiered, single-channel commodity wholesale system in which goods were allocated layer by layer by administrative means.

A large number of trading centres, wholesale markets and rural fairs have appeared in recent years. Catering and service establishments have multiplied, helping to raise the quality of life. Moreover, markets of the means of production, short-term capital, technology and labour have also developed. As a multi-layered market network has gradually taken shape, the regulatory role of market forces has increased.

Price Reform

For staple farm and sideline produce state guidance prices and negotiated prices have been introduced. The variety of farm produce affixed with unified prices set by the state has dropped from 113 to 25, which now account for 30 percent of the total value of sales. Guidance and market prices have been introduced for other products too. All these efforts have initially solved the problem of price scissors in the exchange of industrial goods for agricultural products.

Lifting the price controls over vegetables, meat, eggs, poultry,

Net weaving households in Xiantao City, Hubei Province, sell their products in 20 provinces and municipalities.

LI YIFANG



aquatic products and other major non-staple foodstuffs in the cities in 1985 has stimulated the production of farm and sideline produce, improved thier quantity and helped reduce state subsidies. The state subsidies on vegetables sold in larger cities dropped from nearly 1.2 billion yuan in 1984 to 700 million yuan in 1986.



HUANG JIANQIU

The Foshan Water Pump Factory in Guangdong Province exported 4,400 water pumps to the United States and nine other countries last year.

As for industrial products, the state has readjusted the prices of capital goods, and decontrolled the prices of some consumer goods. Today, sales of commodities with prices fixed by the state account for only 40 percent of the country's total sales volume. The prices of more than 1,000 kinds of small commodities have been decontrolled. All this has promoted the production and circulation of industrial consumer goods, and improved product mix and supply.

Wage Reform

Between 1979 and 1984, wages were raised, the reward system revived, and enterprises were granted more autonomy in distributing bonuses. Since 1984 varied wage and bonus reforms

have been carried out on a trial basis. In most enterprises, bonus floats with profits. Some larger state-owned enterprises have tried tying the total payroll to their economic returns. In 1985, government organizations began to introduce a structural wage system in which wages vary according to the position held. In the latter half of 1985, the more than 300 wage scales prevalent in various enterprises were reduced to 15. While consolidating these reforms, further explorations were made last year.

Fiscal and Tax Reforms

To expand enterprises' financial

reserves, the profit distribution system has been introduced. First enterprises could keep a small proportion of their profits for reinvestment, welfare and bonuses. Next the proportion of the profits retained was increased, and then tax payments and contract systems replaced profit delivery. Depreciation rates have also been raised and, beginning in 1985, enterprises were allowed to keep all their depreciation funds.

Since 1980, a budget management system has been introduced, whereby revenues are apportioned to central and local governments according to tax categories and the expenditure responsibilities of the

Bamboo hat weaving households in Hualhua City, Hunan Province, export 6 million hats a year.

ZHANG PINGKUAN



central and local governments are clearly defined. The local governments' budgets now dispose of 49 percent of the state budget.

Beginning in 1983, income tax was levied on 55 percent of the profits made by state enterprises. After income tax there was regulatory tax, and the remaining part was retained by enterprises themselves. The second-step reform for replacing profit delivery with tax payment was carried out in 1984. Resources tax and urban construction taxes began to be levied that year. All this is part of regulation through economic levers.

Financial Reform

A financial system headed by the People's Bank of China and supported by the four major specialized banks (the Agricultural Bank of China, the National Industrial and Commercial Bank of China, the People's Construction Bank of China and the Bank of China) has initially taken shape. In addition, more than 50 trust and investment institutions have been established, including the Investment Bank of China, the People's Insurance Company of China, the China International Trust and Investment Company

and the Communications Bank of China.

A number of collective and non-banking financial institutions have also been established. There are now over 50,000 rural credit co-operatives and 1,000 urban credit co-operatives. Primary money markets have appeared. In 1986 funds raised by urban financial institutions amounted to 30 billion yuan. The number of cities having a pilot project of financial reforms has grown from 5 to 27. Experiments include introducing enterprise management to banks at the grass-roots level.

Economic construction funds, which used to come mainly from state budgetary appropriations, now come as credit and loans. Of the total investment in production, construction and circulation, state appropriations accounted for 31.6 percent last year (in 1978, it was 76.6 percent).

Urban Economic Reform

Economic associations established by breaking long-standing barriers between different regions and enterprises have increased in recent years. These associations have expanded the cities' financial and management power since the

cities are their backing, larger enterprises their central pillars, and product and resources development their task.

Currently there are 72 cities each having a pilot project for comprehensive economic reforms, 16 medium-sized cities which have launched pilot projects for reforming government organizations, and in other cities experiments on commercializing housing construction have been conducted. Cities have become the focus for overall economic reforms.

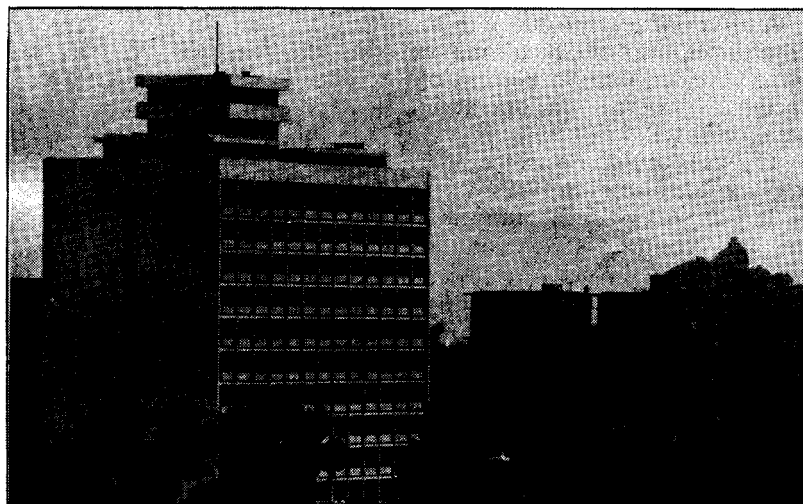
The Open Policy

Since China took on the open policy in 1979, it has taken three major steps: 1) in 1980 it introduced special and flexible policies in Guangdong and Fujian Provinces and established the Shenzhen, Zhuhai, Shantou and Xiamen Special Economic Zones; 2) it opened 14 coastal cities and the Hainan Island in 1984; and 3) it opened the Changjiang (Yangtze) River Delta, the Zhujiang (Pearl) River Delta and the triangle area in southern Fujian Province in 1985. Thus, a belt from north to south has opened up, containing a population of over 200 million and industrial and agricultural output worth 50 percent of China's total. This is of great importance to boosting the country's national economy as a whole.

By the end of last year, China had attracted US\$20.6 billion in investment from abroad; imported 14,000 new items of high technology; and established over 7,800 Sino-foreign joint ventures, co-operative businesses and exclusively foreign-owned enterprises in China. Total volume of trade more than tripled during this period. Meanwhile, China has established 277 joint ventures and exclusively Chinese-funded businesses abroad. More than 50 Chinese companies now contract

The Huyuan Hotel in Xiamen City.

HUANG XINGQUAN



projects in other parts of the world.

In 1985, the Party Central Committee adopted the decision on the reform of the scientific and technological management system and the decision on the reform of the educational system. In 1986, Chinese leader Deng Xiaoping outlined the tasks for the reform of the political structure.

The most important criteria of the success of the reforms are whether they have promoted the development of production and the prosperity of the country, and whether they have improved the people's well-being:

—The growth rate of the national economy. Between 1953 and 1978 China's gross product of society rose an average 7.9 percent a year (the best year seeing a growth of 32.7 percent and the worst year a drop of 33.5 percent).

Between 1979 and 1986, the gross product of society rose an average 10.1 percent a year (the highest being 16.5 percent and the lowest 4 percent).

—The strength of China's economy. Between 1979 and 1986 China's national income rose by an average of 31.5 billion yuan a year, while the period between 1953 and 1978 only saw an average increase of 8.5 billion yuan a year. Compared with 1978, China's GNP was 102 percent higher last year; national income, 95 percent; state revenue, 98 percent; and extra-budgetary funds owned and disposed of by departments, localities and enterprises, 4.8 times more. In the world rating, China as an electricity producer rose from 7th to 5th, as a steel producer from 5th to 4th, as a coal producer from 3rd to 2nd, as an oil producer from 8th to 5th.

—Improvement in people's living standards. The average per-capita income in the rural areas rose from 134 yuan in 1978 to 424 yuan last year and the average per-capita income for living expenses in the urban areas, from 316 yuan to 828 yuan (up 160 percent and 80 percent respectively after allowing for price rises). The urban and rural people's bank savings went from 21.06 billion yuan to 230 billion yuan. A total of 60 million urban people were given jobs in the past eight years, and the proportion of people waiting for jobs dropped from 5.3 percent to 2 percent. The gap between rural and urban consumption levels narrowed from 1:2.9 in 1978 to 1:2.3. Quality of consumption has improved, changes have taken place in consumption patterns, and the number of durable consumer goods owned by households has increased. ■

Leasing Invigorates Small Businesses

By Our Correspondent Yue Haitao

Back in 1982 the first successful leasing of an industrial business to an individual hit the headlines. Wu Jilong, a farmer in northern China's Hebei Province, took over the failing silicon workshop of a big copper works in Shanxi Province and turned it around: from a four-year loss of 1.9 million yuan, the workshop made a profit of 4.2 million yuan in the following three years.

Wu's success captured the public imagination and the idea caught on. In May 1984 Premier Zhao Ziyang declared: "Small state-owned enterprises may be run by collectives or by individuals under contract or lease." (See BR No. 24, 1984)

Since those early days over 10,000 small enterprises, both industrial and commercial, have been leased out in the general

move to separate ownership from management. The enterprises retain their state- or collective-owned status, and are managed by the lessees who pay rent to the lessors and taxes to the state.

A survey of nearly 6,000 of these enterprises in six of China's major cities revealed that 95 percent of them were operating satisfactorily.

Things moved on since Wu Jilong made history in 1982. When in July 1984 Ling Fangqiu signed the first contract for leasing a whole state-owned factory since the founding of New China, he was taking on more than Wu had done. For Wu was only allowed to control supply purchases and production, the rest of the management remained with the copper works.

Ling Fangqiu took on full



Ling Fangqiu

YU HAITAO

management responsibilities for the Shenyang Motor Oil Pump Factory which he leased from the parent company, the Shenyang Automobile Industrial Corp.

Ling had been manager of the factory until that point, but now that it was his under lease. He

multiplied its profits 14 times over in two and a half years. Profits here mean the income minus production costs; all taxes, wages, welfare and other expenses come out of them. While Ling was merely manager the profits were so low as not to allow for taxes, bonuses or even welfare payments.

This scenario has been repeated elsewhere. In Shenyang City as a whole 419 enterprises are under lease. A survey of 63 such factories revealed that for 42 of them average output value in 1986 increased by 12.3 percent and profits by 81.6 percent over 1985. The other 21 did only a little less well, with an average 48 percent growth in profits.



YU HAITAO

Wang Qingfu (right), the paper mill lessee, reporting to LI Xinrong, county Party secretary.

Who Benefits?

Since 1984, the Shenyang Automobile Industrial Corp. has leased out 22 of its subsidiaries. A calculation for 15 of them shows that for every yuan earned by the lessee, the enterprise gains 21.5 yuan and the state 27.5 yuan.

The lessee however comes off best in this deal. Ling has seen his annual income over the last three years go from 23,000 yuan, through 41,000 to 60,000 yuan. His 1986 income was 51 times

higher than his employees' average and 61 times higher than his income before he took on the lease.

This income gap between the workers and the manager has aroused resentment. In February last year 40 or more workers at Shenyang's clock and computer sales company sent a petition to the municipal government demanding an end to the leasing of their company. Last year (the year after it was leased), the company made 690,000 yuan more than the

year before. The manager earned 59,400 yuan and some of the workers saw this as excessive and as an exploitation of their labour.

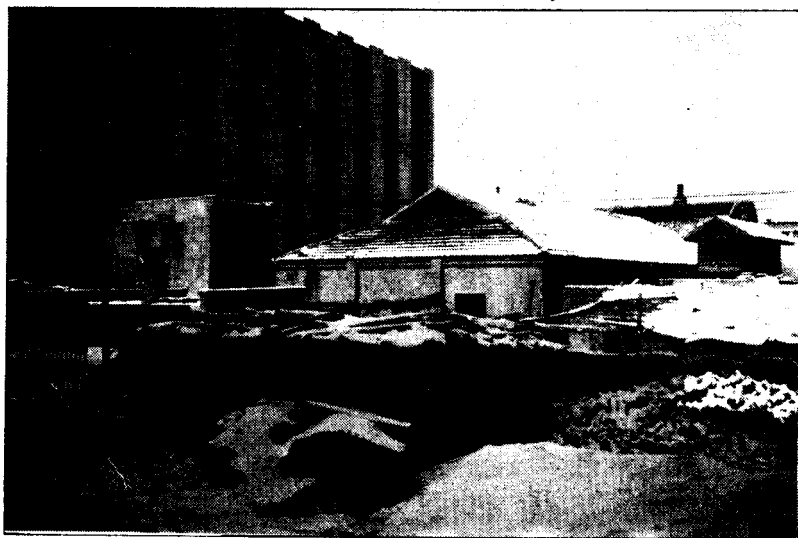
Government officials were moved to come and make personal clarifications. They told the workers that the lessee had to risk his own property, carry the responsibility for the whole enterprise, and work harder than the ordinary worker. He should therefore earn more, on the socialist principle of remuneration according to work. They explained that the lessee's income was carefully worked out and included his wage, a bonus and a risk increment, which could not be withdrawn on a caprice. His income was legally protected, they said, even if it was higher than the workers'.

Although this sort of thing has not happened elsewhere, it alerted reformists to the problem. Wang Qingfu who leased a paper mill in Liaozhong County made 55,000 yuan last year. This was 37 times the average of his workers' income and 46 times his former income. He is pleased his earnings are legally protected, and thinks they are acceptable, but believes the workers are not rewarded properly.

He therefore took action and

A new workshop of the Shenyang Motor Oil Pump Factory.

YU HAITAO





Repair workshop of the Liaozhong Paper Mill.

YU HAITAO

kept only a fraction of his 55,000 yuan. He spent the rest as follows: 14,000 yuan on bonuses for the workers (whose average wage was about 1,000 yuan a year); 12,000 yuan on insurance premiums for the workers and other management expenses; 2,500 yuan in thanks to his three guarantors; 5,000 yuan as a donation to a national symposium on enterprise leasing; and 10,000 yuan went into the enterprise risk fund.

The government too is taking steps to limit the income of lessees. For example it will suspend the usual wage of a lessee for the leasing period. Lessees may borrow from the enterprise up to four times their usual wage to tide them over, and that will be deducted from their year's-end payment.

The lessee will not be allowed to make more than six times his or her employees' average income in any one year. If the lessee is entitled to more, the difference must go to the enterprise risk fund. Only at the end of the lease may the lessee withdraw that money with interest.

Encouraging the floating rental system, so that the greater the profits the greater the rental, is another method adopted by the government to narrow the income gap between the lessee and workers.

Who Else Benefits?

In 1986, 63 of the leased enterprises in Shenyang made profits totalling 23.3 million yuan. These were distributed in the following pattern; 68 percent went to the state, 17.3 percent to the enterprise in the form of rent, 11.8 to the workers, and 2.9 percent to the lessee.

The workers do not suffer economically when an enterprise is leased out and does well. In Ling's pump factory for example, the average wage for the workers was 1,200 yuan in 1985 & 1986, 50 percent increase over the year prior to the factory being leased out.

Experience has proved that the enterprise too benefits from a successful leasing. It had been feared that the lessee would try and push up production perhaps to the detriment of the equipment and the enterprise's long-term interests.

But since most of the lessees are carefully chosen this has not happened. Many of them in fact increase production capacity by bringing in new technology from abroad. When the die-casting factory in Shenyang was leased, the new lessee, Zhao Lusheng, pooled 840,000 yuan of funds to buy new equipment for the factory.

According to Zhang Ti, director of the Shenyang Municipal Economic Structural Reform Committee, about 5.8 million yuan was raised last year to revamp 32 leased enterprises in the city. The figure equals 29 percent of the value of those enterprises' fixed assets. The new equipment remains state property.

Choosing a Lessee

Leases are often distributed through public bidding. To take over the Shenyang Motor Oil Pump Factory, Ling had to defeat 32 competitors from other subsidiaries of the Shenyang automobile corporation.

Notices announcing the offer went up at all the factories of the corporation and nominally the bidding was open to all the employees, but the conditions were stiff. Hopefuls were required to be experienced in enterprise management and have the equivalent of a polytechnic education or higher. They needed to possess a certain amount of private property and have at least two people, each with regular work and a minimum of private property, as guarantors.

After sitting a management examination, the ten remaining candidates had a week or two to observe the pump factory where they had access to details of the factory's performance for the previous five years. They then had to propose their plans for managing the factory.

Ling was the winner offering the highest realistic rent of 60,000 yuan for the first year, going up to 120,000 in the third. Some bid higher but the examination committee, headed by Zhao Xiyou, the general manager of the Shenyang automobile corporation, considered their offers unrealistic.

The Contract

The contracts enumerate the rights and obligations of both

sides. The rental period is usually one or two years for tertiary industry enterprises, and three to six years now for factories. The contract also includes the depreciation rate of the equipment for the lease period.

The contracts stipulate that if the enterprise being leased is in the red for three to six months following the leasing, or its deficit reaches a set maximum, the lessor may discontinue the contract and ask the lessee for compensation. Thus far 50 or so contracts have been prematurely terminated.

The rental is worked out on the basis of the value of the fixed assets of the enterprise, the average profit rate in the business, the state of the market for the

products, the enterprise's record and the highest ever profits the enterprise has registered.

For industrial enterprises, the rent comes out of their post-tax profits, and is divided into fixed rental and floating rental. Enterprises which are on the brink of bankruptcy generally require a fixed rent, paid on an annual basis. After the enterprise pays the state taxes (about 60-80 percent of the profits), the rent is deducted from the rest.

The floating rental depends on the annual profits, and increases as the profit goes above a set figure, but remains fixed if that figure is not met; drawn if necessary from the private income of the lessee.

The rent for tertiary businesses is defrayed from the pre-tax profits.

Regardless of the form of the rental, if the annual profits are not enough to pay the rent, the lessee is responsible for making up the difference, maybe using his private property or that of his or her guarantors.

The enterprise leasing system has been found to be successful in enlivening small enterprises. However, no attempt has yet been made to lease a large, key enterprise since it is felt that it is beyond any individual to be responsible for such an enterprise. The consensus seems to be that the director (or manager) responsibility system would be best applied to such businesses. ■

FACTS & FIGURES

Development of Chinese Cities

The expansion of China's urban areas and the extension of municipal jurisdiction over surrounding areas have promoted the development of and co-ordination between town and countryside.

by the State Statistical Bureau

The history of Chinese cities since the founding of New China in 1949 has been one of expansion, contraction and expansion again.

During the First Five-Year Plan period (1952-57), the construction of China's cities boomed to cater for the socialist industrialization and socialist transformation of handicrafts as well as capitalist industry and commerce. Many new cities were founded and old industrial ones such as Shenyang, Dalian, Harbin, Qiqihar, Changchun, Jilin, Baotou, Wuhan, Taiyuan, Luoyang, Xian and Lanzhou were expanded. In 1957

there were 178 cities in China.

During the three difficult years (1960-62), production and people's lives suffered greatly due to the economic dislocation caused by the "great leap forward" and natural disasters. The state had to cut back the urban population. By the end of 1963, 25 cities had been abolished.

During the chaotic "cultural revolution" which began in 1966, China's economic, cultural and educational undertakings once again declined. The state lacked the resources to provide either jobs or opportunities for further education for its large numbers of

secondary school graduates. Efforts were made to send the urban youth into the countryside so as to depopulate the urban areas. Consequently, the proportion of the urban population in the national total dropped from 11.9 percent in 1960 to 8 percent in 1970 where it stayed until 1978. In the eight years from 1971 to 1978, only 16 new cities were established, averaging two a year.

Since 1979 China has shifted its focus of attention onto socialist modernization, especially economic construction, which unleashed a more vigorous development of Chinese cities.

Table I: Number of Chinese Cities 1957-1986

(registered non-agricultural population)

Year	Total	Cities with population over 1 million	Cities with population of 500,000-1 million	Cities with population of 200,000-500,000	Cities with population under 200,000
1957	178	10	18	36	114
1960	199	15	24	32	128
1961	208	15	22	33	138
1963	174	15	18	54	87
1965	171	13	18	43	97
1970	176	11	21	47	97
1975	185	13	25	52	95
1978	192	13	27	60	92
1979	216	16	27	67	106
1980	223	15	30	70	108
1981	233	18	28	70	117
1982	245	19	29	70	127
1983	289	19	29	73	168
1984	300	19	31	81	169
1985	324	21	31	94	178
1986	353	23	31	95	204

In the years from 1978 to 1986, the number of cities grew faster than at any time since 1949. Within eight years, 161 new cities were declared, an average increase of 20 a year. The number of medium-sized cities (population 200,000-500,000) increased by 20, accounting for 12.4 percent of the new cities, and that of small cities (each with less than 200,000 people) increased by 141, or 87.6 percent.

Today, the ratio of large to medium to small cities has

changed from 1:1.5:2.5 in 1978 to 1:1.8:8.4. Many small towns have become cities, such as Shenzhen, Zhuhai, Zhongshan and Dongguan in Guangdong Province, Changshu and Zhangjiagang in Jiangsu Province, and Jiaxing and Huzhou in Zhejiang Province. New cities also grew out of industrial and mining centres, for example, the coal producing areas in Jincheng in Shanxi Province, Jinxi in Liaoning Province, Liupanshui in Guizhou Province, as well as Renqiu in Hebei Province.

The total area of Chinese cities grew from 517,000 square kilometres in 1978 to 2.388 million square kilometres in 1986. Thus 24.6 percent of the nation's habitable land is urban now, as compared with 5.4 percent in 1978. The total area of city proper, without the outskirts administered by the cities, rose from 195,000 square kilometres in 1978 to 870,000 square kilometres in 1986. Its proportion in China's total habitable areas increased from 2 percent in 1978 to 9 percent in 1986. The area covered by cities with populations of over 1 million constitutes 13 percent of the total urban area. (see Table II).

Table II: The Total Area of China's Cities 1978-1986

Unit: square kilometres

Year	Administrative region	City proper
1978	517,462	195,029
1979	550,603	211,826
1980	577,030	228,382
1981	516,710	206,684
1982	610,644	247,775
1983	1,491,036	530,063
1984	1,868,981	726,602
1985	2,245,494	823,679
1986	2,358,345	869,979

Of China's 353 cities, 150 have been chosen to extend their administration over the surrounding counties, so 694 counties are thus administered (34.4 percent of the total in the country). The system has helped better co-operation between city and countryside, between industry and agriculture, and promoted the overall development of the nation's economy, culture and socialism. ■

Science and Technology

August 4-6. Beijing. Second International Conference on Chinese Information Processing. Sponsored by the China Association for Science and Technology.

August 7-11. Xiamen, Fujian Province. Third China-Japan-US Conference on Fundamental Aspects of Industrial Catalysis. Initiated by the Commission on Catalysis under the Chinese Chemical Society and hosted by Xiamen University and the Fujian Chemical Society.

August 10-12. Beijing. International Symposium on Urban Economy. Sponsored by the China Association for Science and Technology.

August 11. Changchun, Jilin Province. Conference on Agricultural System Engineering. Sponsored by the Chinese Society of Agricultural Engineering.

August 15. Lanzhou. Symposium on Grassland Agricultural Systems. Sponsored by the Gansu Institute of Grassland Ecology and the University of New England in Australia.

August 17-21. Beijing. International Conference on Luminescence. Sponsored jointly by the Chinese Society of Luminescence and the China Association for Science and Technology.

August 17-22. Beijing. International Conference on Biochemistry. Sponsored by the Chinese Biochemical Society and the China International Conference Centre for Science and Technology.

August 24-26. Beijing. International Conference on Communications. Sponsored by the China Association for Science and Technology.

August 26-September 2. Beijing. Asia-Pacific Post and Telecommunications Executive Board Conference. Sponsored by the Foreign Affairs Bureau under the Ministry of Posts and Telecommunications.

August 31-September 4. Beijing. The 11th International Congress of Carboniferous Stratigraphy and Geology. Sponsored by the Chinese Society of Geology, the Chinese Society of Palaeontology and the China Association for Science and Technology.

August 31. Lanzhou, Gansu Province. China-Japan Bilateral Symposium on Organo-rare Earth Chemistry. Sponsored by the China Northwest Normal College and the Gansu Provincial Science and Technology Commission.

Business and Trade

August 10-14. Beijing. International Conference on Electrical Machines. Sponsored by the China International Conference Centre for Science and Technology and the Beijing Society of Electrical Engineering.

August 24-29. Exhibition Centre in Beijing. International Transportation Technology Exhibition (Transportation China '87). Sponsored by the US Cahners Exposition Group and the China Council for the Promotion of International Trade, Beijing Branch. Exhibits include various kinds of highway and railway vehicles and equipment.

August 26. Beijing. International

Agricultural Science and Technology Exhibition. Sponsored by the Beijing Exhibition Hall of Overseas New Products, the China Scientific and Technological Exchange Centre and the Hongkong Aocheng Exhibition Conference Co. Ltd.

August 31-September 5. Fuzhou. Exhibition of Products of Nagasaki Prefecture in Japan. Sponsored by Nagasaki Prefecture, Japan. On display are industrial products, pictures and reference materials.

Cultural Exchanges

June 23-July 5. Urumqi, Xinjiang Uygur Autonomous Region. Turkish Engraving Art Exhibition.

July 7-21. International Arts Hall in Beijing. Swedish Photography Exhibition.

July 8-17. China Art Gallery in Beijing. Cypriot Folk Arts and Crafts Exhibition.

July 8-21. Taiyuan, Shanxi Province. Polish Arts Exhibition.

July 23-August 2. China Art Gallery in Beijing. Exhibition of Pictures of the Development in the German Democratic Republic. Sponsored by the Chinese People's Association for Friendship With Foreign Countries.

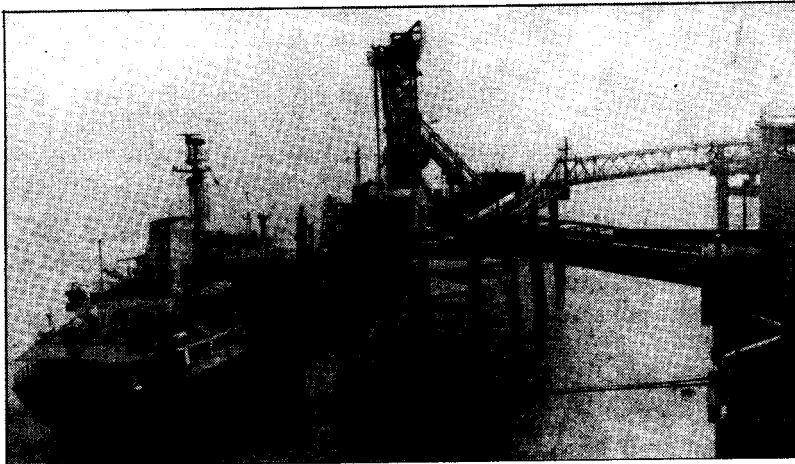
ANNOUNCEMENT

Fundamental Issues in Present-Day China

This book includes 44 of Deng's most important speeches since December 1984. The author has made many important expositions on upholding the four cardinal principles, combating bourgeois liberalization, and the reform of the economic and political structures, and opening to the outside world. This 85,000-word book includes photographs of the author.

The English, Russian and Japanese editions of the book will be published and distributed before the 13th National Congress of the Chinese Communist Party in October this year and the French, Spanish, German and Arabic editions will appear before the end of this year.

The book is to be published by the Foreign Languages Press, Beijing, China and distributed by the China International Book Trading Corporation (Guoji Shudian) P.O. Box 399, Beijing, China.



CONG WENZI

Oil being pumped off Chengbei oilfield's storage rigs to a ship bound for Dalian, to be exported.

1st Offshore Oilfield Begins Operation

The Chengbei Oilfield in north China's Bohai Sea, jointly developed by Chinese and Japanese companies, is now in commercial production, after the 24th Well at Zone A gushed oil on June 10.

The first offshore oilfield has an oil lake of 10 square kilometres in the southwest of the Bohai Sea, 74 kilometres from Tianjin.

Divided into Zone A and Zone B, the oilfield has 50 oil wells and seven water wells. Zone B, which went into production in September 1986, has a drilling rig, a dwelling rig, oil storage facilities

and a jetty capable of accomodating 10,000-ton oil tankers. Zone A has an oil rig and a dwelling rig, and delivers its oil to the storage tanks in Zone B through a 1.6-km submarine pipeline.

The co-operative agreement to develop the field was concluded in 1980 between the China Bohai Sea Oil Co. and the Japan-China Petroleum Development Corp. The oilfield produces 400,000 tons annually and should last for more than 10 years. Already over 120,000 tons of crude oil have been produced and sold abroad.

by Yao Jianguo

Heilongjiang Gets Assistance From WFP

The World Food Programme (WFP) and the Chinese government concluded an aid agreement in mid-June. Under the agreement, the WFP will provide 10,000 tons of wheat (valued at US\$1.7 million) to the disaster-stricken area in the Greater Hinggan Mountains in Heilongjiang Province.

The forest fire there, which

lasted about one month, caused over US\$100 million worth of damage. In 1979, the programme provided free aid to disaster victims in Hainan Island and Fujian Province in China. To date it has offered 23 projects in aid, to two-thirds of China's provinces and municipalities.

by LI Rongxia

Yantai Named World Wine City

Yantai City in Shandong Province was recently named International Wine City. This was announced at the June 16 symposium on international wine and brandy by Robert Tinlot, president of the International Wine Bureau.

Yantai has a grape-growing area of 10,000 hectares with an output of 17,000 tons of wine annually. The brandy and red wine produced in Yantai's Zhangyu Wine Co. won top awards in the International Fair in Panama in 1915 and was shortlisted in many other contests. At the symposium, 13 experts from countries including France, Switzerland, Japan and China agreed that the Yantai company was using thoroughly advanced techniques for making and storing wine, and that its wine was of top quality, especially its brandy, which was considered as good as the French.

Thus far only Avignon in France and Yantai have had the title "International Wine City" conferred on them by the organization.

by Wang Lanting

First China-Aided Project in Surinam

The Indoor Stadium for the National Sports Centre in Surinam, the first China-aided project in the country, will be turned over to Surinam in mid-July. China will send a delegation to attend an opening ceremony.

The stadium, one of the largest projects China has undertaken in Latin America, has a construction area of 8,000 square metres and can seat over 3,000 people. It is suitable for handball, basketball, volleyball, badminton and ping-pong matches, and contains three

basketball training courts.

The completed stadium will be the largest in Surinam and the Caribbean region.

The project, designed by the Shanghai Building Design In-

stitute for Civilian Use and built by the China Construction Engineering Corp., started in October 1985.

by Yao Jianguo

Foreign Loans for Shanghai Projects

Three agreements on loans amounting to US\$242.31 million were signed on June 15 in Shanghai between the People's Construction Bank of China Shanghai Branch and international banking consortia. The loans will be used for the construction of a petrochemical plant designed to produce 1.3 million tons of petrochemicals a year.

The first loan (US\$150 million) will come from an international banking consortium consisting of 28 banks with lead managers being Citibank N.A. of the United States, Japan's Industrial Bank and Tokyo Bank, and Banque Indosuez of France.

The second loan (10.1 billion Japanese yen) will be extended by a group of 18 foreign banks with Japan's Industrial Bank as the lead manager.

The third loan (US\$26.3 million) takes the form of an Italian export credit, with Citibank serving as the intermediary.

When completed, the petrochemical plant, one of China's top-priority projects during the Seventh Five-Year Plan (1986-90), will turn out 3.25 billion yuan (about US\$880 million) worth petrochemicals, and yield 950 million yuan (about US\$250 million) in taxes and profits a year.

During the first phase of its construction, a total investment of 2.4 billion yuan (about US\$645 million) is needed. Of this 884 million yuan (about US\$240 million) is to be raised at home and a sum of US\$272 million is being

borrowed from foreign banks. This is a new step in reforming the administration of the nation's capital construction and finance.

With the approval of the Chinese government, these three loans will be exempted from taxation. Financial circles at home and abroad consider the terms of the loans quite favourable to the lenders. ■

China, Libya Establish a Joint Co.

The contract for jointly establishing the China-Arab Textile Co. Ltd. between Zhejiang International Trust and Investment Corp. and the Libya Foreign Investment Co. has been signed in Hangzhou, capital of Zhejiang Province.

The company will be located in Ningbo's Xiaogang Development Zone. The first phase of the joint project will involve the construction of a cotton mill with 30,000 spindles and 750 looms this year. All the equipment will be Chinese made and China will provide part of the materials needed. The cotton yarn and cotton cloth produced by the mill will go to Libya.

The company has a total investment of US\$26 million, the Chinese side accounting for 45 percent. The registered capital is US\$10 million. The term of contract is 30 years.

The company will also start up subsidiaries, branch companies and offices in China and abroad.

by Yao Jianguo

More Model Engines Exported

China has increased its export of engines for model aeroplanes and ships. The Nanfang (South) Power Machinery Co. in Zhuzhou, Hunan Province, builds the engines and plans to export 10,000 this year. A US business recently signed a contract for exclusive selling right for one of the engine types produced by the company.

The Nanfang company started to manufacture engines for model aeroplanes and ships in 1955 and has developed 10 varieties. It won two state silver prizes in 1981 and 1984 and was awarded a state gold prize last year. Since the late 1970s Chinese enthusiasts using model aeroplanes and ships equipped with the company's engines have set 24 world records and won three world championships and 15 national championships. ■

Trade News in Brief

■ China will inspect firecracker and fireworks factories. The 67 factories in Hunan Province will be examined first. Enterprises where product quality is not guaranteed are not allowed to produce goods for export. The inspection work will spread to several trading ports from which firecrackers are exported. The National Firecracker Quality Inspection Centre in Liuyang County, Hunan Province, has already begun work.

■ Canadian aid worth 6.5 million Canadian dollars will be given to China as agreed in Ottawa on June 16. Under the agreements, Canada will help China improve its satellite communications system, and train Chinese technicians. It will also help establish management training centre for Hefei's Enterprise Administration College in Anhui Province, and provide technology consulting services.

Gulangyu: An Island of Pianos



HONG LANXING

The teacher guides her student in piano.

People of the tiny Gulangyu Island have a special love for music. In the evening the air is filled with the sounds of songs and instruments. Song festivals and concerts are frequent events and Gulangyu's artists are widely known.

Gulangyu, called the "island of pianos," is a cradle of musicians. Pianist Zhou Shuan, who was also China's first woman vocal music conductor, comes from Gulangyu. Zhou won a gold medal at the piano competition of the seventh world youth festival held in Vienna in 1959, and placed second at the second international Tchaikovsky piano and violin competition in 1962. Pianist Yin Chengzong has won praise at concerts in the United States, Hong Kong and other places. Xu Feiping has won seven awards at international piano competitions. And China's famous tenor Yin Chengji, as well as Chen Zuohuang, who in 1985 received a doctoral degree in the art of conducting, the first of its kind ever awarded by the University of Michigan, also comes from Gulangyu.

Situated in Xiamen (Amoy) in China's southeast Fujian Province, Gulangyu Island has an

area of 1.7 square kilometres. The island is only five minutes from Xiamen proper by boat. A huge hollow stone, big enough to hold people, stands on the seashore to the southwest of the island. When the tide is in, sea water rushes into the famous stone, making a sound like drumbeats.

The island is a green world, thick with trees and gardens, song birds and fragrant flowers. There everyone—even state leaders—must travel by foot. No buses or cars are allowed. Every morning and evening, the sound of pianos is heard from the small buildings shaded under sub-tropical plants. There are some 500 pianos on the island, which has only 20,000 people. That is the highest per-capita number of pianos in the country. Why has Gulangyu become an island of pianos? Why do so many famous musicians come from there? Many experts have studied these questions. They give the following answers:

■ After 1875 Gulangyu was designated a public concession, many foreigners came to the island, bringing with them pianos, a western musical instrument.

■ Many returned overseas Chinese have chosen to reside on Gulangyu because of its quietness and beauty. They also brought pianos and have handed them down to their children and grandchildren.

■ The environment has moulded the temperament of the people, leading to an interest in arts and music.

■ After the founding of New China, the people's government paid great attention to music and music education. Zeng Yiwen, an official from the district cultural centre, says: "Early in the 60s, we set up a Gulangyu chorus, which was well-known. Now a concert is held every month, including pianos, violins and singing."

Yang Yang, vice-chairman of the Musicians' Association of

Students in a violin class.

HONG LANXING



Xiamen, says: "During the summer and winter vacations, we often invite Shanghai and Beijing experts to give lessons to the students who major in music. The teachers here also listen to the lessons and study the teaching methods. The city holds a children's piano and violin competition every two years, so that we can pick out the talented. We have a piano rehearsal every three months, and also try our best to invite famous pianists both from other parts of the country and abroad to hold concerts. The students are required to listen to and play their music under their guidance."

In addition, the Renmin Primary School on the island set up an experimental music class, which was very successful. The head master, Ye Canyon, and the teachers think that music education can not only mould temperament but can also help develop students' other abilities and talents. The experiment began in 1984 under the auspices of Xiamen's musicians' association and the district government. At present, there are a total of some 50 students in three grades. Besides their general studies, they major in piano or violin.

Aimed at training children's comprehensive musical sense, the primary school established classes including chorus, musical games and music appreciation, as well as listening and playing, impromptu playing and composition. In a lively atmosphere that combines listening, thinking, remembering, singing, playing and dancing, the children master the basics and techniques of music, and develop their musical expression.

In March 1985, a US art delegation came to the school to observe the grade-one lesson on listening to and playing instruments, and impromptu creation. The delegation found the teaching method new and vibrant. The head of the delegation, Professor Zhou Wenzhong, said that it was a

good way to develop children's expression and imagination.

Through study and training, the students' musical abilities develop rapidly and several of them have won prizes at provincial or national children's piano competitions.

Head master Ye says: "We are happy, but also distressed about the shortage of teachers, equipment and places. People say that Gulangyu produces musicians. Actually their higher learning is

completed in other provinces. We do not have the means for them to take up advanced studies." For this reason, the Musicians' Association of Xiamen is planning to build a nine-year music school.

With the development of China's cultural level and cultural exchanges with foreign countries, even more musical talents can be expected to emerge from the Gulangyu Island.

by Hong Lanxing

Probing the Secrets of Longevity

What are the reasons for longevity? A survey in the Xinjiang Uygur Autonomous Region on the country's western frontier provides some interesting facts. The survey shows that there is one centenarian in every 16,000 people. According to the 1982 national census, the region has 865 people in this age group.

Xinjiang is a multi-national area, with Uygurs making up approximately half of the population. Estimates show that there is one centenarian in every 7,000 Uygurs, and one in every 1,400 Tajiks living on Xinjiang's Pamirs Plateau. Even among the Hans living in the region, there is one person in this age group among every 750,000.

Most of these old people live in the south of Xinjiang. In Akto County on the Pamirs and the three counties of Kuqa, Moyu and Yengisar on the edge of Taklimakan Desert, 216 people are found enjoying such a long life. The natural conditions of these counties are poor—dry, rainless, windy and dusty all year round.

Among the 865 old people identified by the census, 538 are men and 327 women. The four oldest people, aged from 125 to 130, are all men.

Most of the people are illiterate. Only 32, including one woman, had studied at primary schools, five attended junior middle schools and another five senior middle schools. The majority of those surveyed did physical labour all their lives. In addition, eight are pedlars, two religious persons, one a teacher, one a doctor and one a cadre.

The old people married early in their lives or remarried many times. Out of 19 living in Turpan City, 10 were married between the ages of 13 and 15. An old man in Jiashi County was married 38 times. Others married from two to 15 times. There was also a high birth rate among those in the survey. For example, 198 old women gave birth to a total of 1,327 children. Among them, four women bore 18 children. In Yutian County one old woman had given birth to 24 children, and another 44 each had more than 10 children.

Investigators found that these old people have other common characteristics. They have cheerful dispositions and are not distressed about sorrows and troubles. Their life rhythms are slow; at work they are carefree and move at a

leisurely pace, but they never stop doing physical labour in their lives. They are content with a simple diet. They cultivate a habit of drinking salty buttered tea.

Here are the notes of an investigator who visited a 116-year-old Uyгур man, called Musha Apizi: he is short and very thin. Although he looks droopy, he's busy, but slowly, sweeping away leaves on the dry ground. He invited the guests into his earthen house, and talked about himself.

He was a painter for most of his life. About 40 years ago, he moved from the town to the countryside.

Besides doing some farming, he does his Islamic prayers five times a day. Up to now, he is neither hard of hearing nor poor-sighted. His arms are still strong, but he often has a cramp in his leg. That is diminished only when he does some physical labour. He never goes to see a doctor, not to mention taking medicines. He got married at 16, and has a daughter. His daughter also had a daughter. His granddaughter had a boy, who is now 18 years old.

Question: Do you smoke and drink wine?

Answer: No. Never.

Q: What's your diet?

A: I usually take two meals a day, in the morning and evening. I eat *nang* (a kind of crusty flat bread, the staple food of the Uyгур nationality), noodles and maize gruel.

Q: Do you like meat?

A: No. I have been poor all my life, so I can't afford much meat.

Q: Do you often eat fruit?

A: Not too much. I always have a good appetite.

Q: Has there been any change in your body?

A: Yes, new teeth have begun growing.

The old man opened his mouth wide. Two new teeth were just starting to grow out of the old gum. The new teeth look like a baby's milk teeth. The old man

said, "I had an itch in my mouth. I never thought that I could grow new teeth again," he grinned.

His daughter walked into the room as he was speaking. The old man always keeps himself busy, according to his daughter. Even in winter, he likes walking as far as one kilometre. Usually, he goes to the fields, weeding with a hoe. He always does as he wants despite his daughters' advice not to overwork. He has a good disposition: he is always cheerful and happy, and never loses his temper.

The old man took down a stringed musical instrument, *rewapu*, from the wall, and sang a folk song in a low voice to the tune he played on his instrument. He was so absorbed in singing the song that he looked a bit serious. His daughter looks old but still strong. She danced slowly to the tune.

Perhaps it is the singing and dancing that give the old man a broad mind and generous disposition. In any case, they seem conducive to his health and longevity. ■

Rich Fauna on Qinghai-Tibet Plateau

The Qinghai-Tibet plateau boasts a total of 200 species of animals and 500 species of birds, more than on any other plateau, said a zoologist in northwest China's Qinghai Province.

Wang Zuxiang, director of the Zoology Research Section of the Northwest Plateau Institute of Biology under the Chinese Academy of Sciences, said there are also 100 species of fish, 80 species of amphibious animals and 170 types of locusts.

These data were collected by Chinese researchers from dozens of surveys on the Qinghai-Tibet plateau, which covers 2.3 million square kilometres and is 4,000 metres above sea level, the director said. The animals include some rare varieties, which are under national special protection, such

as the wild camel, wild yak, white-lipped deer, serow, wild mule, chiru, argali sheep, snow leopard and the black-necked crane.

There are some 36 million animals in Qinghai Province which accounts for one-third of the plateau, and the 800,000-square-metre bird island at the Qinghai Lake attracts some 100,000 migratory birds every spring. ■

Yungang Grottoes China's Largest

The Yungang Grottoes are located at the foot of Wuzhou mountain 16 kilometres from Datong, capital of Shanxi Province in North China. The grottoes, cut along the mountain side, are one kilometre long. There are now 53 grottoes and 51,000 stone carvings. It is one of the country's largest grottoes sites.

Datong was capital of the Northern Wei Dynasty (386-534) during which the Yungang Grottoes were carved. During the peaceful years of the Wucheng Empire (460-465), a famous Buddhist monk, Tanyao, presided over the creation of the first five grottoes. The grottoes presently numbered 16 to 20 are called the "Tanyao Five Grottoes."

Among the grottoes, there are religious figures with lively expressions of the Buddhist; there are various simple wood-like architectures; sculptures showing Buddhist history; stories and decorative patterns; there are also sculptures of ancient musical instruments such as the *Konghou* and *Piba*, both ancient stringed instruments.

Chinese sculpture has a long history. During the Qin and Han dynasties, the style became quite mature. The art was further enriched and developed and became more unique in the early Northern Wei Dynasty, when the country began economic and cultural exchanges with Southeast Asian countries. ■

ART PAGE

Sketches by Wang Wenbin



A Man.

Wang Wenbin, born in 1928 in Qingdao, Shandong Province, now teaches at the Central Academy of Fine Arts. The sketches here represent members of ethnic minorities.

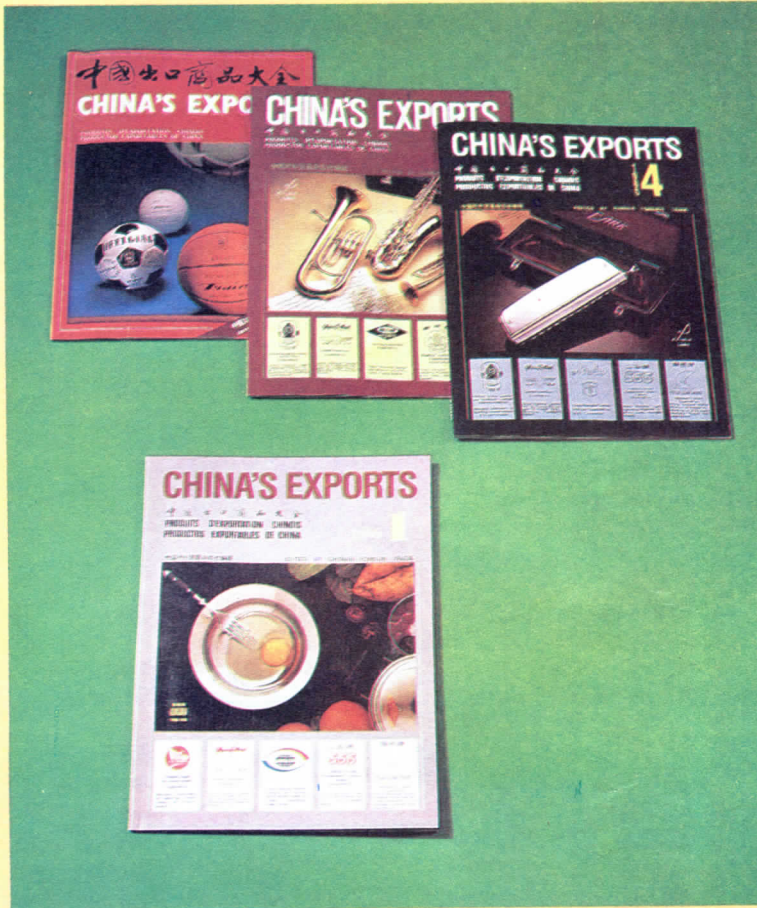


Old Man with Boy.



Horses.

CHINA'S EXPORTS



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