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SHANTOU:
TOWARDS
AN
OUTWARD-
LOOKING
ECONOMY

特区
中国
开放的
大门

Speed Up
Reform,
Says Deng





A bamboo basket maker with her wares.

By Chen Jie

VOL. 30, NO. 34 AUGUST 24, 1987

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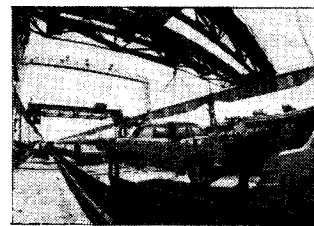
COVER: Special economic zones are doors through which China opens to the outside—a poster from the People's Arts Publishing House.

BACKCOVER: Waterfall.

Sun Yi



p. 13



p. 8

Deng: China to SpeedUp Reforms

■ In his June 12 remarks to Stefan Korosec, member of the Presidium of the Central Committee of the League of Communists of Yugoslavia June 12, senior Chinese leader Deng Xiaoping reviewed the necessity and achievements of China's reforms and its open policy, as well as the basic goals of the proposed reform of the political structure. He said that accelerating the reform and the open policy is under consideration by the CPC Central Committee (p. 13).

Competition Boosts Enterprise Progress

■ The industrial contract system implemented in most of China's larger industrial enterprises has been found to be highly effective in breaking down the former over-centralized management system, stimulating workers' enthusiasm and enlivening the enterprises. It is effective because it allows for competition which is indispensable for industrial enterprise progress (p. 4).

Shantou SEZ Orientated Towards Export

■ Decisively export-oriented, the Shantou Special Economic Zone has built on the advantages of Shantou City while endeavouring to improve its foreign investment climate. This has helped it achieve better economic results than its counterparts (p. 17).

Satellite Piggyback Service to French Firm

■ China on August 10, recovered a return satellite for scientific exploration and technological experiments carrying two micro-gravity experimental devices belonging to the French SA Matra Limited. The satellite was sent into space by a Long March II carrier rocket five days earlier (p. 24).

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Competition Boosts Industrial Contract System

by Zhang Zeyu

By now, 9,270 (75 percent) of China's 12,398 larger state-owned industrial enterprises have introduced the contract responsibility system; the remaining enterprises are making active preparations to institute the system by the end of this year. This is a new invigorating advance in the reform of the urban economic structure comparable in importance to the breakthrough made in the rural areas by the spread of the household responsibility system since 1979.

Experiments demonstrate the industrial contract system to be highly effective in breaking down the former overcentralized management system and the egalitarian distribution system known as "eating from the same big pot," in stimulating workers' enthusiasm and bringing life to the enterprise.

Experts have said that the contract system may turn out to be a good practical method for bringing in urban industrial reform. The basic points of the industrial contract system are: The factory director and workers contract to hand over a certain amount of taxes and profits to the state. Any or almost any amount above the set quota is kept for the enterprise's own use, while any amount below the quota must be made up by the enterprise itself.

The industrial contract system was introduced several years later than the rural household responsibility system. This is because the situation in cities is far more complicated than in the countryside and necessary conditions have first to be established. A few years ago, state-owned enterprises which until then had been appendages of the state's administrative bodies began turning into independent economic entities. This followed the opening of the

market, the expansion of the enterprise's decision-making power and the separation of the enterprise's ownership from the management power and has paved the way for the institution of the contract system in all enterprises.

The factory director and workers contract to hand over a certain amount of taxes and profits to the state. Any or almost any amount above the set quota is kept for the enterprise's own use.

Jilin in northeast China was the first province to introduce the industrial contract system. Since 1983, the province has logged an average annual 19 percent increase in its revenue for four consecutive years and a 15.8 percent rise in the first half of this year.

The economic results of the eight industrial enterprises in Beijing which have enforced the contract system since the beginning of this year are generally better than those of other enterprises that have not. In the first six months of this year, the contracted enterprises registered a 25.3 percent increase in profits and taxes while other enterprises only logged a 3.5 percent rise. The profits and taxes the former handed over to the state grew by 21 percent, while those by the latter dropped by 6.9 percent. The Shoudu Iron and Steel Company (with 100,000 employees) which was among the first to introduce the contract system has chalked up

an annual 20 percent rise in profits for eight years running.

After Guangdong, Heilongjiang and Shanxi provinces instituted the contract system, the three provinces logged a 20.3, 22.6 and 16.4 percent increase in their revenues respectively in the first half of this year, far higher than the nation's average 8 percent increase.

Wherever the contract responsibility system is introduced, workers' labour enthusiasm grows and economic results improve.

Why is the contract system so effective? This is mainly because it allows for competition which is indispensable for industrial enterprises' progress. This also holds true for publicly owned enterprises.

Competition involved in the industrial contract system includes competition for talents, markets and economic benefits.

The director responsibility system remains in force in large contracted enterprises. Candidates for the position of director are selected usually through public bidding. Their qualifications are made known to the factory and the public at large so that the tenderers may state their goals and measures, and the competent authorities at a higher level will select whom they deem best qualified. The bid winner is appointed factory director, then he or she will select or recruit people to form a leading body which is responsible for fulfilling the tasks set in the goals for his or her tenure of office. Through public bidding and competition, those who can demonstrate ability and political integrity will be appointed. This helps overcome the customary practice of appointing cadres according to seniority, and paves the way for creating a

contingent of entrepreneurs.

Among the bid winners contracted to run over 100 enterprises in Handan Prefecture, Hebei Province, there are not only old factory directors with years of business experience and fledgling young people, but also intelligent and capable farmers. Two-thirds of them have never been enterprise leaders. But they all acquitted themselves well in all their duties after their appointment. Wang Junyi, 26, director of a chemical fertilizer factory, said while competing for the post, "I'd like a chance to give scope to my abilities. This competition has provided me a chance. Uppermost in my mind right now is that I must surpass my opponent and win the appointment." His rival was the original factory director with 30 years of work experience behind him. After several rounds of tests and polling, Wang clearly emerged as the stronger candidate. Four months after he took up the post, he quickly turned the enterprise from working at a loss to gaining profits.

Implementation of the contract system implies that the enterprise takes a direct part in market competition. No longer does the enterprise carry out production in accordance with the state's mandatory plan while the purchase and marketing of products are monopolized by state commercial departments. With the market playing an increasing role, state-owned enterprises now have become relatively independent producers and managers of socialist commodities. The contractors are required not only to abide by the state policies and laws and to accept the guidance of the state plan, but also to adapt to changes in market demand; thus they are undertaking relatively heavy responsibility and not a few risks. So they must pay great attention to marketing information and react flexibly to market changes. They are faced with two options in competition: They must either turn out cheap commodities

of good quality or lag behind and be eliminated.

The contract system also helps rationalize the distribution of economic benefits. According to the contract, most of the profits of a state-owned enterprise must be turned into the state treasury as a form of ownership by the entire people. A small portion may be retained for the enterprise's own use; of this small portion, 60 percent is used for the development, 20 percent for collective welfare and another 20 percent for increasing workers' wages and bonuses. This portion, however, is elastic, in that the enterprise may retain more if it makes greater profits than stipulated as its quota. This can inspire the contractors' and workers' spirit of enterprise. The director's salary will no longer be issued according to the original scale, but rather it can be floating; his or her income can be two to three times as much as the workers' average wage, or even more. However, the contract also stipulates that in case the director fails to achieve his goals

during his tenure of office, he will be heavily fined.

However, conditions for the introduction of the contract system in enterprises and for competition in bidding for the directorship are not always the same. This is manifested mainly in the irrationality of price differences. Therefore this factor should be taken into consideration when drawing up a contract. Any increased income gained through arbitrarily jacking up prices will be appropriated by the state; those reaping staggering profits through illegal means will be duly punished.

Competition encouraged within the permissible scope of state policies, decrees and plans will enable well-run enterprises to prosper, outstanding workers to receive the rewards they deserve and prompt laggards quickly to catch up. This will result not in a state of anarchism and polarization between rich and poor, but in economic development and social progress. ■

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.

Scholarship System Set for Schools

China's State Education Commission and the Ministry of Finance recently decided that a scholarship and loan system will be put into effect for the college students newly enrolled this year.

Chinese universities and colleges have operated on a system of free education called the people's grant-in-aid system since the early 1950s. The system has played an important role in training people with professional skills for the country.

Since the founding of new China, education has developed rapidly. Today, China has 1,054 schools of higher learning, with more than 1.9 million students.

In the current circumstances, the glaring drawbacks of the people's grant-in-aid system are becoming more visible. It is now obvious that the system cannot keep abreast of the times. The old system, whose essence is egalitarianism, has failed to encourage the advanced students. Also, the state has suffered a financial burden.

Therefore, the reform of the old system and implementation of the new scholarship and loan system is imperative. It is an important part of the overall reform of education in China. The state will no longer be responsible for all the cash outlays for universities and colleges. Students will gradually take on part of the expense of their education, and part-work, part-study programmes will be developed. This will also help arouse students' enthusiasm to study harder.

Scholarships will be awarded for student excellence, for certain specialities and for studies directed towards work in difficult areas. Each kind of scholarship will be divided into three grades. Scholarships for excellence will be used to encourage students of

good character and academic performance. Students of the first grade will get 350 yuan a year.

Students specializing in teacher training, agriculture, forestry, nationality studies, physical education and navigation can obtain special scholarships. Students of the first grade will receive 400 yuan a year.

Directional study scholarships will be established by some departments and regions to encourage students who are determined to go to poor and border areas after graduation, and those who volunteer to work in the arduous industries of mining, petroleum, geology and water conservancy. This kind of scholarship will be worth 500 yuan for the first grade and 400 for the third. Students who get a directional scholarship will not be eligible for the other two kinds.

To help needy students, the state will provide interest-free loans. The loans will be limited to a maximum of 300 yuan a year. If needy students also win scholarships, the total amount of scholarships and loans they can get will be limited to 350 yuan a year.

If students break the state law and incur legal penalties while they are studying in college, their loans will be stopped. College authorities will also terminate or reduce the loans to those who do not study hard and those who are disciplined by Party and Youth League organizations or their college authorities.

Students can pay back the loans all at once or in instalments before they graduate. The loans can also be paid by the units in which the students are to work after graduation. The units will deduct the cost of the loans from the former students' salaries over two to five years after the year of

probation. The units can also decide to reduce or cancel the amount to be paid back according to behaviour at work. The loan system stipulates that if students are struck off the college roll or ordered to quit college because of violations of state law or school discipline, or if they leave college voluntarily, their parents will be responsible for paying back the loans.

With the approval of the State Council, the State Education Commission last year selected 85 schools to try out the scholarship and loan system. The experiences of the 85 pilot schools showed that the new system was feasible and enjoyed the support of teachers, students and their parents. So the commission decided to implement the system extensively in China's colleges. But how and when to implement the scholarship and loan system at colleges in the Tibet, Xinjiang, Inner Mongolia, Guangxi and Ningxia autonomous regions and in Yunnan, Guizhou, Qinghai and Gansu provinces will be decided by the people's governments of those areas. Also the old grant-in-aid system will still apply to students enrolled before this year.

In Shanghai, where colleges have already recruited the number of students required by the state plan, 21 schools of higher learning plan to expand their enrolments with people who study at their own expense. The schools received more than 3,000 applications within 10 days of announcing the plan, four to five times more than the estimated number of places. Among the applicants are this year's senior middle school graduates, unemployed young people, employed cadres and workers, and the self-employed.

The age of those studying at their own expense can be up to 30. But they all must attend the unified state examination. They must pay at least two-thirds of the amount required for their education. In Shanghai, people who study liberal arts will pay 800 yuan

a school year. Those who study science, engineering, agriculture, medicine, and physical education will pay 1.200 yuan a year.

Schools will not provide accommodation for these students, but those who need lodgings will be allowed to stay at school for a fee of 100 to 150 yuan a year. People studying at their own expense are eligible for scholarships.

If they pass the graduation examination, they can acquire academic degrees. Also, the state

will recognize their schooling and their diplomas or certificates. After graduation, the school authorities will not be responsible for finding them job assignments—they will have to find jobs themselves.

The practice of permitting studies at one's own expense, along with no-residence and not assigning jobs, is another measure to reform the college system. The practice will help to expand enrolment, while enabling the state to save some educational funds. ■

transition from the old economic system to the new. For example, to keep the prices relatively stable, the state subsidizes agricultural product. But some state-owned shops or companies, which have been given more decision-making power under the reforms, sell the subsidized products to private merchants who often charge higher price.

The government is conducting nationwide campaign aimed at mending loopholes that result in unjustified price rises and clamping down on those who take advantage of those loopholes.

According to Jia Su, an official of the State Industry and Commerce Management Bureau, this year's food price rises can be mainly attributed to last year's drop in agricultural production and the wrongful issuing of bonuses in some organizations. The food price rises are a big problem because Chinese are accustomed to spending almost all their money on food and household consumer goods. It is the custom for Chinese people to entertain guests with lavish banquets.

Jia said people's concern about the new wealthy class of the private merchants is unfounded. He said most successful merchants abide by the laws and regulations and live quite a plain life because they are trying to accumulate funds for expansion. A private suit manufacturer in Tianjin has 1.2 million yuan in capital but he often tells visitors he doesn't have time for even a prolonged supper.

by Zhao Zonglu

Price Rises Cause Popular Concern

Since China's economic reforms started in 1979, many economic and social changes have taken place. One change that has caused a lot of anxiety is the general rise in prices.

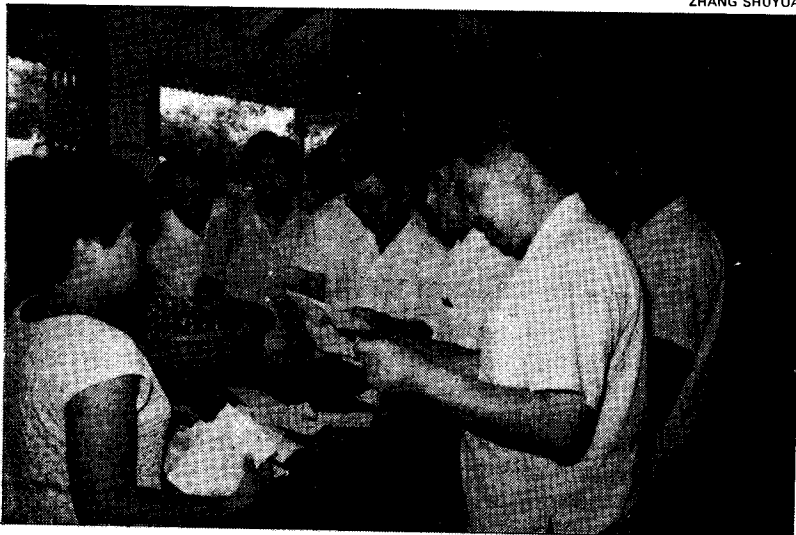
Most Chinese people are much better-off these days. According to the State Statistics Bureau, employees' average income rose 51.1 percent between 1978 and 1986, while the country's average income almost doubled. But because Chinese people have

become more aware of the wealthy Western world and many Chinese have returned from the West with them high-standard consumer goods, people in China are feeling relatively poor. At the same time, illegal dealers are taking advantage of loopholes in the reforms to raise arbitrarily the prices of key goods such as food. This resulted in a wave of complaints about price rises, starting in the latter half of 1986.

The loopholes have arisen in the

Sun Fuling, deputy mayor of Beijing, checking prices at a soft-drink store.

ZHANG SHUYUAN



China Strives to Export More Goods

The Ministry of Astronautics Industry, which encompasses much of China's high-technology industry, recently called on its enterprises all over the country to turn out more non-military

products. The move was in response to the state's drive to export more machinery and electronics products.

Of the US\$600-700 billion in global exports of machinery, vehicles and electronics and products last year, China accounted for only US\$2.5 billion. These products form a substantial part of many countries' exports. According to the ministry's statistics, they accounted for 72.8 percent of Japan's exports last year. For Federal Germany the figure was 51 percent, the United States, 48 percent; South Korea, 32 percent; and Singapore, 32.5 percent. In China they accounted for only 8 percent of the 1986 exports.

To turn the situation around, China is mobilizing enterprises to produce these goods, including some enterprises which used to make only military products, among which nine are enterprises under the Ministry of Astronautics Industry.

The ministry is in charge of China's space programme. But with its advanced technology and equipment, and a wealth of scientists and engineers, it can turn out almost anything. "I think the ministry can make whatever it wants, once it knows what the foreign consumers are after. The problem is that we don't quite understand the international markets," said Lin Zongtang, vice-minister of the State Economic Commission.

Indeed, few people doubt the ministry's capability. What needs to be done is to tap its potential. The ministry has made remarkable progress in the production of non-military products in the past years. The output value of its civil products rose from 267 million yuan in 1981 to 1.6 billion yuan last year. Prior to 1986, it made only relatively simple goods such as machine tools, electricity meters and measuring tools. Last year it manufactured TV sets, refrigerators, washing machines,

facsimile machines and medical appliances, and exported these products to Japan, France, Federal Germany, Britain, Iran and the United States.

However, the variety of goods and export figures have fallen short of expectations. A ministry official said last year's export volume of US\$9.3 million was one-third that of the Ministry of Aeronautics Industry. And of the 350 civil products made by the ministry, 66 were exported, and none was a best seller.

To improve the situation, the ministry issued a document in July calling on its subordinate organizations to make full use of their technological abilities to develop new products. The document also set targets of US\$30 million for 1988, \$50 million for 1989 and \$100 million for 1990. While the amounts are small compared with the exports of many countries, hope lies in the fact that there will always be potential to be tapped, said the official.

by Li Haibo

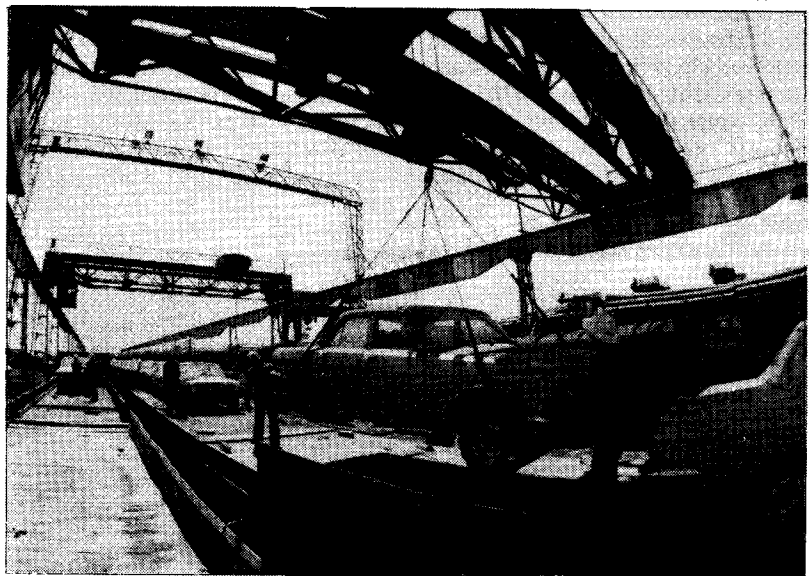
Sino-Soviet Border Trade Booming

Despite continuing political differences between China and the Soviet Union, bilateral trade between the two countries has

According to the Shanghai-based newspaper *World Economic Herald*, import-export volume between Heilongjiang and the

Workers unloading goods destined for China from a Soviet freight train.

WU JIADU



developed rapidly since it was resumed in 1983. This year border trade is booming, particularly between Heilongjiang Province, the Xinjiang Uygur Autonomous Region and neighbouring areas in the Soviet Union.

Soviet Union is expected to reach 50 million Swiss francs (about US\$33 million) this year, an all-time high since 1983. Next year's volume is expected to exceed this year's.

Residents on both sides of the

border had long hoped to resume and expand economic co-operation, said Liu Wenrong, chief manager of the Heilongjiang Provincial Foreign Trade Corporation.

China and the Soviet Union have also discussed the establishment of a vegetable-growing centre in Heilongjiang with funds and equipment provided by the Soviet Union. The vegetables would be exported to Siberia. The two sides have also held talks on setting up joint-venture restaurants and shops in Heilongjiang.

Border trade between the Xinjiang Uygur Autonomous Region and the Soviet Union rose to 17 million Swiss francs last year. And total trade volume in the first half of this year increased by 75 percent over the same 1986 period to reach more than 40 million Swiss francs, according to contracts between the two sides.

Xinjiang will continue to export shirts, children's fur coats, woollen sweaters, towels and enamelware to the Soviet Union this year and will continue to import steel products, chemicals and refrigerators, a regional official said. ■

Aquino to Visit China

Philippine President Corazon Aquino will visit China after local elections in the Philippines late this year or early next year.

The announcement was made in Manila by Acting Foreign Affairs Secretary Jose Ingles at a press conference on August 12.

Ingles said that Press Secretary Teodoro Benigno had earlier in the day apologized to the Chinese Embassy in Manila for calling Taiwan the "Republic of China."

President Aquino apologized for having referred to Taiwan as a country but she added, "I never referred to them as Republic of China."

Weekly Chronicle

(August 10-16)

POLITICAL

August 11

■ Officials of the Government Offices Administration Bureau under the State Council says the bureau spent only 45 percent of its total budget in the first six months of this year, two percentage points less than the same period last year, as a result of a drive to cut red tape, Xinhua reports. The bureau provides funds to the 86 central government organizations.

August 14

■ In a recent circular, the Supreme People's Court calls on all people's courts to deal severely with cases involving tax evasion and refusal to pay tax and with criminals who attack and harm tax collectors, *Renmin Ribao* (People's Daily) reports.

The circular stresses protecting the tax collection process and guaranteeing the safety of tax collectors.

ECONOMIC

August 10

■ Farm machinery owned by peasant households in Shandong Province accounts for 85 percent of all the farm machinery in the province. On average, every farmer household has spent 425.6 yuan buying farm tools and machines since 1979, Xinhua reports.

August 10

■ China's aviation industry has so far exported 10 types of aircraft to more than 10 countries, Xinhua reports.

China has produced more than 10,000 aircraft since 1949, including military and civil transport and utility planes. The country has also made and exported related products such as aircraft engines and parachutes.

CULTURAL

August 10

■ China will send a 40-member research expedition to the Antarctic in November, the Chinese National Committee for Antarctic Research announced in Beijing.

This is China's fourth expedition since it built its first Antarctic research station, the Great Wall station, in early 1985, Xinhua reports.

August 13

■ A total of 4,000 Tibetan students have been doing well in schools in 16 provinces and municipalities since the project to send Tibetan teenagers to study in developed cities began in 1985, Xinhua reports.

After four years of regular studies, the students go on to professional schools, according to a conference on training Tibetan students held in Shenyang, Liaoning Province.

August 16

An English edition of the collected laws of the People's Republic of China (1979-86), compiled and translated under the auspices of the Legal System Working Commission of the Standing Committee of the National People's Congress, has been published, *Renmin Ribao* reports.

SOCIAL

August 14

According to the Ministry of Public Security, a total of 18,778 accidental fires throughout the country in the first half of this year killed 1,524 people, injured 2,345 and caused losses amounting to 680 million yuan, Xinhua reports.

FOREIGN RELATIONS

August 11

An agreement on co-operation in broadcasting and television between China and Senegal is signed in Beijing, Xinhua reports.

ASEAN

Regional Co-operation Leads to Progress

Countries of the Association of Southeast Asian Nations have made great strides in economic development in the past 20 years thanks to regional co-operation. They are also playing an important role in regional politics.

August 8 was the 20th anniversary of the Association of Southeast Asian Nations (ASEAN). During the past 20 years ASEAN's founding members—Thailand, the Philippines, Singapore, Malaysia and Indonesia—have overcome many difficulties to achieve political, economic, social and cultural co-operation. Brunei joined the association in 1984, after its independence.

In the political arena, ASEAN supports the struggle of the Kampuchean people against Viet Nam's attempts to establish regional hegemony. The association has made substantial contributions to the cause of safeguarding peace in the region and its international prestige has been growing as a result of its efforts. In the economic sphere, ASEAN has strengthened regional co-operation by introducing a preferential trade system among its members. At the same time, it has been developing co-operation with developed and other developing countries. All this has led to the ASEAN countries' high-speed economic development over the past 20 years, and today the association is the most successful of more than 20 regional co-operation organizations set up by developing countries.

Three main factors have contributed to ASEAN's success. First, the association members follow a policy independent of the big powers; they oppose regional hegemony and promote regional peace.

Peace and stability in Southeast Asia was one of ASEAN's original aims. Early in 1971, it proposed turning the region into a peaceful, free and neutral zone. This proposal won wide international support. When Viet Nam launched its invasion of Kampuchea in 1978, ASEAN recognized the threat to the peace and stability of the region. During the past nine years, the association members have supported the just struggle of the Kampuchean people against the Vietnamese invasion, and have made unremitting efforts to seek a fair solution to the Kampuchean question and achieve peace in Southeast Asia. Since 1979, the ASEAN countries have defended the legitimate seat of Democratic Kampuchea in the United Nations. Together with other countries, they have submitted a proposal on the Kampuchean situation which has won increasing support in the UN. ASEAN supports the eight-point proposal for a political solution to the Kampuchean question put forward by the Coalition Government of Democratic Kampuchea, and has made every effort to expose the sham of Vietnamese withdrawal of troops from Kampuchea and reveal its aggression. The association members have won international acclaim for their efforts in this direction.

The second factor contributing to ASEAN's success is that its members have worked out a correct economic development strategy, which they keep readjust-

ing as domestic and international situations change. At home, they give enterprises full scope to develop, especially private enterprises. They focus a lot of attention on developing agriculture and concentrate funds on the construction of infrastructure. Internationally, they have an open policy. They pursue economic co-operation with developed countries, seek to attract foreign capital and advanced technology, and adopt measures to stimulate exports.

This strategy has produced good economic results. Statistics show that in the 1970s, the ASEAN countries had an average annual economic growth rate of 7.6 percent, much higher than other developing countries. Although their economy was sluggish from 1981 to 1985 because of the world recession, falling prices for oil and other primary products and growing protectionism, the situation started to turn around last year. The average economic growth rate among ASEAN nations for the current fiscal year is forecast at 3 percent.

The third factor in ASEAN's success is that it upholds the principle of consultation and negotiation in dealing with internal and international issues. As a result, the ASEAN countries have properly handled some historical problems and internal disputes that have arisen because of racial, cultural, religious and social differences. They always hold full consultations on important political matters, striving to dispel the differences among them so they can speak with one voice. In the economic sector, the ASEAN countries follow the principles of equality and mutual benefit, and each supplying what the other needs. On the basis of these principles, they can cooperate on economic and trade matters even though they have different needs and their economies have developed at a different pace. In their relations

with the major Western countries, they oppose trade protectionism while seeking to alleviate trade disputes and friction. ASEAN holds regular talks with the main Western countries.

Still, ASEAN's road to

economic development and prosperity is not smooth. Dependence on the Western economy, mounting foreign debt and world protectionism will be problems for a long time.

by Deng Liang and Cai Ximei

Two days before the signing of the unprecedented agreement, US President Ronald Reagan announced his peace plan for Central America, which he wanted the summit to discuss. Reagan's plan calls for a ceasefire and a halt to US military aid to the rebels if Nicaragua agrees to democratic reform in 60 days.

The US proposal was snubbed at the summit meeting. The presidents of Guatemala, Costa Rica, El Salvador and Honduras all expressed their determined refusal to include the Reagan plan on the agenda. The common stand by four of the five Central American leaders against US pressure pushed the meeting to a successful conclusion.

It is generally acknowledged that the summit is an achievement in itself. The refusal to bow to Washington's peace plan is seen as the start of an independent policy in Central America and a crucial turning point in the region's peace process.

The leaders' agreement to simultaneously start the democratic process and end foreign aid to rebel forces played a key role in the success of the summit. The Nicaraguan government had repeatedly said that it would not lift its state of emergency before Washington dropped its aid to Nicaraguan rebels, while the Salvadoran government had insisted that a cease-fire would be impossible before Nicaragua withdrew its aid to Salvadoran guerillas. In February President Arias of Costa Rica made his peace proposal—the first put forward by a Central American nation—suggesting that democratization and the halt of foreign aid to anti-government forces be carried out at the same time. Agreement on the suggestion ended a major dispute.

The peace talks by the five Central American nations—the first in recent years—indicate that their leaders have realized the urgent necessity of ending the turmoil in the region in the

CENTRAL AMERICA

Turning Point Reached in Peace Process

The recent Central American summit ironed out differences and concluded a peace accord for the region.

A summit of five Central American presidents closed on August 7 with the signing of a document entitled Process for the Establishment of Firm and Lasting Peace in Central America. The document—based mainly on a peace proposal put forward by Costa Rican President Oscar Arias Sanchez—calls for cease-fires within 90 days in Nicaragua and El Salvador that are beset with civil war. Besides the cease-fires, the agreement calls for reconciliation between the government and opposition groups in the war-torn countries, an end to outside aid to rebel forces and halt to the use of any country's

territory by rebels trying to destabilize another country. The foreign ministers of the five Central American countries were to form an executive committee within 15 days to implement the accord.

The document also calls for talks with domestic opposition political groups that lay down their arms and an amnesty that guarantees respect for the life, liberty and personal property of the members of such groups. The five presidents said they will initiate genuine democratization, including freedom of the press, the lifting of state of emergency and complete political pluralism.

A turning point in regional peace process, President Arias of Costa Rica (standing first left) reads the peace agreement at the summit meeting.



interests of economic and social development and of safeguarding their independence and sovereignty. At the conference, Nicaragua expressed its willingness to negotiate with the United States and to end all foreign interference in the country in the hope of making Central America a neutral region. This flexible attitude will greatly contribute to the settlement of the region's problems. As President Arias pointed out, the key to peace in Central America lies in the capacity to compromise and make concessions.

But while the peace accord is a substantial achievement, it has yet to be translated into concrete

action. Foreign influence and interference, which have played such a significant role in the area are difficult to get rid of. In addition, the deep social, political, economic and cultural contradictions among the five countries are a formidable barrier to peace.

The Central American peace plan was hailed by the foreign ministers from countries of the Contadora and Lima groups.

In the United States, a White House spokesman characterized the peace plan as a good first step, but said the Reagan administration would have to wait and see what happens next. **by Xin Zhou**

substantially increased co-operation in the economic, scientific, technological and cultural fields. They have already signed some 20 agreements in these areas. Bilateral trade has expanded steadily since 1976. In 1985 trade between the two countries totalled 16 billion marks.

Co-operation over European disarmament and promoting East-West detente has also been strengthened.

The improvement in relations is the result of changes in the world situation. Global tensions have eased and there has been more dialogue between the United States and the Soviet Union. Some headway has been made in arms control negotiations, especially in the talks on dismantling all intermediate nuclear forces. Relations between the Soviet Union and the FRG have improved—Federal German President Richard von Weizacker visited Moscow recently and Kohl invited Soviet leader Mikhail Gorbachev to visit Bonn next spring.

Economically, the FRG and GDR are mutually needed. The GDR's plan to accelerate the development of science and technology and to intensify economic development requires capital and technology from the West, along with increased exports to Western Europe. For the FRG, the East European market represents a way out of its economic difficulties.

Furthermore, both countries are vulnerable to the threat of war. Both hope that the superpowers can reach an agreement on global disarmament and especially on the immediate removal of intermediate missiles in Eastern and Western Europe.

The improvement of relations between the FRG and GDR is in the interest not only of the people of both countries, but also of the cause of East-West dialogue and co-operation and consolidation and maintenance of security and peace in Europe. **by Yi Han**

GDR-FRG

Bonn Visit Aims to Improve Relations

Leader of the German Democratic Republic Erich Honecker's coming visit to Bonn seems sure to strengthen ties with the Federal Republic of Germany, and improve the general climate in East-West relations.

At the invitation of Helmut Kohl, chancellor of the Federal Republic of Germany (FRG), Erich Honecker, the leader of the German Democratic Republic (GDR), will pay an official visit to the FRG from September 7 to 11. This is an important move towards improving relations between the two countries and has naturally drawn worldwide attention.

In recent years, relations between the two countries, which are at the front line of the military confrontation in Europe, have gradually improved in the wake of the easing of international tensions and the thaw in East-West relations.

The improvement in relations is reflected in the increase of visits between the two sides. In March, Oskar Lafontaine, prime minister of the FRG state of Saarland and an influential politician, visited the GDR and held talks with Honecker. A trade fair held in

Leipzig, GDR, in the spring provided an excellent opportunity for the leaders of both countries to meet and talk. Among the people attending the fair were not only 800 FRG businessmen but also famous statesmen, including Martin Bangemann, Federal German minister of economy and chairman of the Free Democratic Party, and Franz Josef Strauss, prime minister of Bavaria and chairman of the Christian Social Union. They were warmly welcomed by Honecker. And in early April, Gunter Mittag, Politburo member of the German Socialist Unity Party, visited Bonn.

At the same time, the number of Germans visiting relatives on the other side of the border has increased considerably. In 1986, 2 million GDR citizens visited relatives in FRG and more than 6 million people from Federal Germany went to see relatives in the GDR. The number is expected to continue to grow this year.

The two countries have also

Deng Calls for Speedup in Reform

Following is part of Deng Xiaoping's remarks on June 12, 1987 to Stefan Korosec, member of the Presidium of the Central Committee of the League of Communists of Yugoslavia. Subtitles are ours.—Ed

Since our two parties resumed contact we have had very good relations. It was Comrade Tito* who visited China first and turned a new page in the history of relations between the two parties. At that time our Party Chairman was Comrade Hua Guofeng. I met with Comrade Tito just as an old soldier. We had a cordial talk and agreed to forget the past and look to the future. This is the attitude we adopted when we resumed relations with other East European parties and countries: we take the present as a fresh starting point from which to develop friendly, co-operative relations.

Of course, it's still worthwhile to analyse past experience. But I think the most important thing is that each party, whether it is big, small or medium, should respect the experience of the others and the choices they have made and refrain from criticizing the way they conduct their affairs. This should be our attitude not only towards parties in power but also towards those that are not in power. When we had talks with representatives of the Communist Parties of France and Italy, we expressed this view that we should respect their experience and their choices. If they have made mistakes, it is up to them to correct them. Likewise, they should take the same attitude towards us, allowing us to make mistakes and correct them. Every country and every party has its own experience, which differs from that of the

others in a thousand and one ways. We were opposed to the idea of a "patriarchal party," and our stand on that question has been proved correct. We were also opposed to the notion of a "centre." Unfortunately, we ourselves have been guilty of criticizing other parties. That experience taught us that a new type of relationship should be established between parties, and we therefore formulated this principle of mutual respect. I believe that if we abide by this principle, our friendship and co-operation will have a more solid and enduring foundation and that relations between the two parties and two countries will steadily improve.

No Reform, No Way Out for China

China is now carrying out a reform. I am all in favour of that. There is no other solution for us. After years of practice it turned out that the old stuff didn't work. In the past we copied foreign

models mechanically, which only hampered the development of our productive forces, induced ideological rigidity and kept people and grass-roots units from taking any initiative. We made some mistakes of our own as well, such as the "great leap forward" and the "cultural revolution," which were our own inventions. I would say that since 1957 our major mistakes have been "left" ones. The "cultural revolution" was an ultra-left mistake. In fact, during the two decades from 1958 through 1978, China remained at a standstill. There was little economic growth and not much of a rise in the people's standard of living. How could we go on like that without introducing reforms? So in 1978, at the Third Plenary Session of the 11th Central Committee, we formulated a new basic political line: to give first priority to the drive for modernization and strive to develop the productive forces. In accordance with that line we drew up a series of new principles and policies, the major ones being reform and the open policy. By

Deng Xiaoping meets with Stefan Korosec.

WANG CHUANGUO



*Tito (1892-1980), then the life-long chairman of the League of Communists of Yugoslavia and the life-long president of the Socialist Federal Republic of Yugoslavia, visited China from August 30 to September 6, 1977.

reform we mean something comprehensive, including reform of both the economic structure and the political structure and corresponding changes in all other areas. By the open policy we mean both opening to all other countries, irrespective of their social systems, and opening at home, which means invigorating the domestic economy.

Great Achievements In Rural Reform

We introduced reform and the open policy first in the economic field, beginning with the countryside. Why did we start there? Because that is where 80 percent of China's population lives. An unstable situation in the countryside would lead to an unstable political situation throughout the country. If the peasants did not shake off poverty, it would mean that the majority of the people remained poor. So after the Third Plenary Session of the 11th Central Committee, we decided to carry out rural reform, giving more decision-making power to the peasants and the grass-roots units. By so doing we immediately brought their initiative into play. And by adopting a policy of diversifying agriculture, we substantially increased not only the output of grain but also the output of cash crops. The rural reform has achieved much faster results than we had anticipated. Frankly, before the reform the majority of the peasants were extremely poor, hardly able to afford enough food, clothing, shelter and transportation. Since the rural reform began they have shown their initiative. Bearing local conditions in mind, they have grown grain and cash crops in places suited to them. Since the peasants were given the power to decide for themselves what to produce, they have brought about a dramatic change in the rural areas. The reform was so successful that in many places it yielded tangible results within just one year. The

peasants' income has increased substantially, sometimes even doubling or quadrupling.

Of course, not everyone was in favour of reform at the outset. In the beginning two provinces took the lead: Sichuan—my home province—led by Comrade Zhao Ziyang, and Anhui, led by Comrade Wan Li, who is now our Acting Premier. We worked out the principles and policies of reform on the basis of the experience accumulated by these two provinces. For one or two years after we publicized these principles and policies, some provinces had misgivings about them and others didn't know what to think, but in the end they all followed suit. The Central Committee's policy was to wait for them to be convinced by facts.

Generally speaking, once the peasants' initiative was brought into play, the rural reform developed very quickly. Our greatest success—and it is one we had by no means anticipated—has been the emergence of a large number of enterprises run by villages and townships. They were like a new force that just came into being spontaneously. These enterprises engage in the most diverse endeavours, including both manufacturing and trade. The Central Committee takes no credit for this. The annual output value of these village and township enterprises has been increasing by more than 20 percent every year. Their output value has been greater than in the corresponding period last year. This increase in village and township enterprises, particularly industrial enterprises, has provided jobs for 50 percent of the surplus labour in the countryside. Instead of flocking into the cities, the surplus farm workers have been building up a new type of villages and townships. If the Central Committee made any contribution in this respect, it was only by laying down the correct policy of invigorating the domestic economy. The fact that this policy has had such a favourable

result shows that we made a good decision. But this result was not anything that I or any of the other comrades had foreseen; it just came out of the blue. In short, the rural reform has produced rapid and noticeable results. Of course, that doesn't mean all the problems in the countryside have been solved.

The success of the reform in the countryside emboldened us to apply the experience we had gained from it to economic restructuring in the cities. That too has been very successful, although it is more complicated than rural reform.

Urban Reform and Our Open Policy

In the meantime, the policy of opening China's doors to the outside world has produced the results we hoped for. We have implemented that policy in various ways, including setting up special economic zones and opening 14 coastal cities. Wherever the open policy has been implemented there have been notable results. First we established the Shenzhen Special Economic Zone. It was the leaders of Guangdong Province who came up with the proposal that special zones be established, and I agreed. But I said they should be called special *economic* zones, not special *political* zones, because we didn't want anything of that sort. We decided to set up three more special zones in addition to Shenzhen—Zhuhai and Shantou, both also in Guangdong Province, and Xiamen in Fujian Province. I visited Shenzhen a couple of years ago and found the economy flourishing there. The Shenzhen people asked me to write an inscription for them, and I wrote: "The development and experience of the Shenzhen Special Economic Zone prove the correctness of our policy of establishing such zones." At the time, a number of people of different political persuasions,

from Hong Kong journalists to Party members, were sceptical about that policy. They didn't think it would work. But the Shenzhen Special Economic Zone has achieved remarkable successes since it was established almost eight years ago. This zone is an entirely new thing, and it is not fair for the people who run it not to be allowed to make mistakes. If they have made mistakes, they were minor ones. The people in Shenzhen reviewed their experience and decided to shift the zone's economy from a domestic orientation to an external orientation, which meant that Shenzhen would become an industrial base and offer its products on the world market. It is only two or three years since then, and already the situation in Shenzhen has changed greatly. The comrades there told me that more than 50 percent of their products were exported and that receipts and payments of foreign exchange were in balance.

I am now in a position to say with certainty that our decision to establish special economic zones was a good one and has proved successful. All scepticism has vanished. Recently a comrade told me that the Xiamen Special Economic Zone is developing even faster than Shenzhen. When I visited Xiamen in 1984, there was only an airport surrounded by wasteland. Great changes have taken place there since then. Now we are preparing to make all of Hainan Island a special economic zone. Hainan Island, which is almost as big as Taiwan, has abundant natural resources, such as iron ore and oil, as well as rubber and other tropical and subtropical crops. When it is fully developed, the results should be extraordinary.

Our achievements in the last few years have proved the correctness of our policies of reform and of opening to the outside world. Although there are still problems in various fields, I don't think they'll be too hard to solve, if we go at it systematically. Therefore,

we must not abandon these policies or even slow them down. One of the topics we have been discussing recently is whether we should speed up reform or slow it down. That's because reform and the open policy involve risks. Of course we have to be cautious, but that doesn't mean we should do nothing. Indeed, on the basis of our experience to date, the Central Committee has been considering to accelerate the reform and our opening to the outside world.

So much for reform of the economic structure.

Reform of Political Structure

Now a new question has been raised, reform of the political structure. This will be one of the main topics at the 13th National Party Congress to be held next October. It's a complicated issue. Every measure taken in this connection will affect millions of people, mainly cadres, including the veterans.

Generally speaking, reform of the political structure involves democratization, but what that means is not very clear. The democracy in capitalist societies is bourgeois democracy—in fact, it is the democracy of monopoly capitalists. It is no more than a system of multi-party elections and a balance of the three powers. Can we adopt this system? Ours is the system of the people's congresses and people's democracy under the leadership of the Communist Party. The greatest advantage of the socialist system is that when the central leadership makes a decision it is promptly implemented without interference from any other quarters. When we decided to reform the economic structure, the whole country responded; when we decided to establish the special economic zones, they were soon set up. We don't have to go through a lot of repetitive discussion and consultation, with one branch of government holding up another and decisions being made but not

carried out. From this point of view, our system is very efficient. We should neither copy Western democracy nor introduce the system of a balance of three powers. We should uphold socialist democracy, so as to retain the advantages of the socialist system. The efficiency I'm talking about is not efficiency of administration or economic management, but overall efficiency. We have superiority in this respect, and we should keep it. In terms of administration and economic management, the capitalist countries are more efficient than we in many ways.

China is burdened with bureaucratism. Take our personnel system, for example. I think the socialist countries all have a problem of ageing cadres, so that leaders at all levels tend to be rigid in their thinking. But we think that to reform our political structure we can't copy the Western system, the capitalist system. We socialist countries have to work out the content of the reform and take specific measures to implement it in the light of our own practice and our own conditions. The particular reform to be carried out in each socialist country is different too, and that is true of the East European countries. Since each has a different history, different experience and different current circumstances to confront, their reforms cannot be identical. Take China, for instance. We have a different point of view from yours on the question of reform. But we have in common the desire to retain our superiority and avoid the defects and evils that exist in capitalist societies.

What is the purpose of political restructuring? Its general purpose is to consolidate the socialist system, the leadership of the Party and the development of the productive forces under that system and that leadership. So far as China is concerned, the reform should also make it easier to implement the line, principles and policies laid down by the Party

since the Third Plenary Session of its 11th Central Committee. To this end we have to do the following, I believe:

(1) revitalize the Party, the administrative organs and the whole state apparatus, so that they are staffed with people whose thinking is not ossified and who can bring fresh ideas to bear on new problems;

(2) increase efficiency; and

(3) stimulate the initiative of the people and of the grass-roots units in all fields of endeavour.

Revitalization. Here, the biggest problem is the need for younger cadres. In China the problem of ageing cadres with rigid ideas is more serious than it is in your country. For example, in our Central Committee the average age of members is higher than it is in the central committee of any other Communist Party in the world. The average age of the members of our Political Bureau, of its Standing Committee and of the Secretariat of the Central Committee is also quite high. There was no such problem when the People's Republic of China was founded. At that time the leaders were young. The problem of ageing leaders in the central organs didn't manifest itself until the 11th National Party Congress. There was an objective reason for this: a great many veterans who had been brought down during the "cultural revolution" were now rehabilitated and were resuming their posts at an advanced age. Take myself for example. I was only 52 when the Eighth National Party Congress was convened in 1956, but I was 72 when the "cultural revolution" ended in 1976. I was 73 when the 11th National Party Congress was held in 1977, and I will be 83 when the 13th National Party Congress meets later this year. Some comrades are younger than I, but only by a few years; they are elderly too. This problem exists in leading organs at all levels and in all fields of endeavour. It is the outstanding problem in China.

In general, old people tend to be conservative. They all have one thing in common: they consider problems only in the light of their personal experience. In today's world things are moving with unprecedented rapidity, especially in science and technology. There is an old saying in China, "Progress is made everyday," and that's the way things are today. We must keep abreast of the times; that is the purpose of our reform. We must firmly carry out the policy of promoting younger cadres, but we must be cautious and proceed gradually. We are bound to meet with obstacles and we will have to overcome them. It's going to take a lot of effort. Of course, youth is not the only criterion for promoting cadres. They should have political integrity and professional competence, broad experience and familiarity with conditions, so as to form a reliable echelon of leaders of different years of age.

Increasing efficiency and eliminating bureaucratism. This includes, among other things, streamlining Party and government organs.

Stimulating people's initiative. The main idea is to delegate power to lower levels. The reason our rural reform has been so successful is that we gave the peasants more power to make decisions, and that stimulated their initiative. We are now applying this experience to all fields of work. When the people's initiative is aroused, that's the best manifestation of democracy.

These are the three objectives for our reform of the political structure. Democracy is an important means of carrying out our reform. But the question is how to put it into practice. Take general elections for instance. We run general elections at the lower levels, that is, for county and district posts, and indirect elections at the provincial and municipal and the central levels. China is such a huge country, with such an enormous population, so

many nationalities and such varied conditions that it is not yet possible to hold direct elections at higher levels. Furthermore, the people's educational level is too low. So we have to stick to the system of people's congresses, in which democratic centralism is applied. The Western two-chamber, multi-party system won't work in China. China also has a number of democratic parties, but they all accept leadership by the Communist Party. Ours is a system under which we make decisions after consultation with all the other parties. In this connection, even Westerners agree that in a country as vast as China, if there were no central leadership many problems would be hard to solve, first of all, the problem of food.

Our reform cannot depart from socialism, it cannot be accomplished without the leadership of the Communist Party. Socialism and Party leadership are interrelated; they cannot be separated from each other. Without the leadership of the Communist Party, there can be no building of socialism. We shall never again allow the kind of democracy we had during the "cultural revolution." Actually that was anarchy.

In short, so far as economic reform is concerned, the principles, policies and methods have been set. All we have to do now is to speed up their implementation. As for reform of the political structure, we are still discussing what its goals should be. We will work that out before the 13th National Party Congress and launch the reform after that. It took three years for the rural economic reform to achieve good results, and it should take from three to five years for the urban economic reform to produce the visible results we expect. Reform of the political structure will be more complicated. In certain aspects, results can be obtained in from three to five years, but in certain others it may take ten. ■

Shantou SEZ Orientated Towards Export

by Our Correspondent Li Rongxia

One of China's four special economic zones (the others are: Shenzhen, Zhuhai and Xiamen), Shantou covers an area of 52.6 square kilometres and is divided by the Shantou Harbour into two separate districts—Longhua and Guangao. Construction of the zone began in November 1981. Neither the largest nor the oldest of the four, it has however achieved better economic results than its counterparts.

In the last five years, the zone has initiated 369 projects—in cooperation with businesses outside or by its own efforts—involving a total investment of HK\$2.23 billion. To date 300 of them have gone into operation, with a total investment of HK\$1.752 billion. The zone started to recoup its investment in 1984 and had recovered HK\$309.51 million (46.7 percent of the total) by the end of 1986.

Because Shantou has orientated itself firmly towards exports, its achievements have been quite remarkable. In 1986 exports of industrial goods accounted for 78 percent of the zone's total industrial output value while 85 percent of its farm and aquatic production was exported. The various foreign-funded enterprises exported 84 percent of their total output.

Advantages

Bordering the South China Sea, the Shantou SEZ is close to Hong Kong, Macao and Taiwan. Being on the confluence of the Hanjiang, Rongjiang and Lianjiang rivers, it has good water transport facilities. It is also rich in natural resources. All this favours exports. However, sandwiched by the three developed cities of Xiamen (in the east)

and Shenzhen and Guangzhou (in the west), the zone also faces challenges and sharp competition. The key to the zone's success is Shantou city itself.

Shantou is a port city with a 120-year history. As an important foreign trading harbour, it has established navigation routes with 22 countries and regions, with good land, air and inland water transport networks. Thanks to its developed industrial base, the city exports 30 percent of its industrial goods to over 90 countries and regions. The city is subtropical with fertile land and abundant rainfall and grows fruit, vegetables and cash crops. It also has extensive fishing. The city has enjoyed great support from 6 million overseas Chinese and foreigners of Chinese origin in more than 40 countries, and 1.2 million compatriots in Hong Kong and Macao. In addition, Shantou has a relatively well-educated workforce.

The city is however short of energy, having an average of 80 kwh of electricity per person a year, well below the province's average of 200 kwh. It has only 7,000 telephones and no railway. Because of the harbour's limited capacity, shipping is often delayed.

The Shantou Special Economic Zone has built on the advantages of Shantou city and tried to work around the problems while endeavouring to improve the environment for foreign investment. In five years much has been achieved.

Communications. About 30-km highways have been built in the zone, including the one from the zone to Shantou city. The roadbed for a 12.9-km highway connecting the Guangzhou-Shantou Highway to Guangao District in the SEZ has been laid. A 3,000-ton

berth for handling 3,000 tons of container and bulk cargo ships has been constructed and a passenger berth renovated.

The city has opened a navigation route to Hong Kong, and air services to Hong Kong, Thailand and Guangzhou. The airport has been expanded to cater for Boeing 737s, and there are plans to open air routes to Beijing and Shanghai this year.

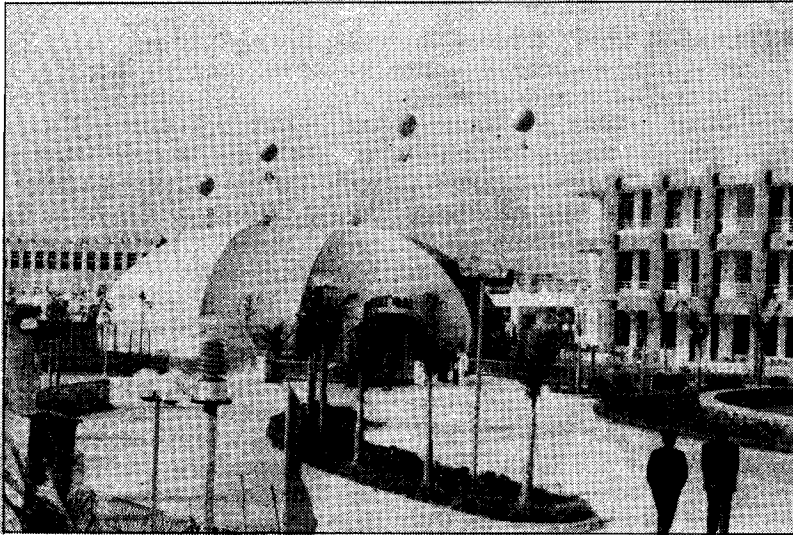
Electricity. The city has laid a 110,000-volt transmission line, built a 40,000-volt transmission station and a 6,400-volt station. Two steam generators with a combined capacity of 100,000 kw are expected to go into operation this year. The city is preparing to construct two 350,000-kw coal-fueled generating sets, which will go a long way towards solving the SEZ's electricity problem.

Telecommunications. The zone and Shantou city together bought a 7,000-channel automatic tele-

Workers from the Integrated Aquaculture Complex are processing eels for export.

LIU YUSHENG





The Longhu Amusement Centre.

LI RONGXIA

phone exchange, built a microwave station and installed a 2,000-channel programme-controlled telephone, telex and facsimile exchange. From the zone one can dial direct to all big cities in the mainland and Hong Kong.

Workshops and Service Facilities. Shantou SEZ has built 15 multi-purpose workshops with a total floor space of 176,000 square metres and three comprehensive warehouses of 24,000 square metres. It has also built a 237-room posh hotel, a number of special workshops, apartment buildings for businessmen, shops, restaurants, guest houses, living quarters and amusement centres.

Export-Oriented Industry

The zone has devoted itself to developing the food, pottery, clothing and electronics industries. These were already quite well-developed in Shantou city and needed less investment and energy, and promised quick returns. The SEZ has carefully developed the industrial structure, imported advanced technology and improved its co-operation with domestic enterprises, thus accelerating the development of its export-oriented industry.

Thus far 96 industrial enter-

prises have been established in the Longhu District, 53 of which involve overseas funds. Set up mostly after 1984, these enterprises produce over 100 kinds of



A workshop of the Porcelain Product of China Co. Ltd.

LI RONGXIA

goods, including carpets, garments, electroplated products, furniture, pottery and porcelain, electronics, toys, mini motors, automatic washing machines, cigarettes, arts and crafts, small steel-rolling machines, cement bricks, food and fodder. Over 70

percent of the products are exported. In general these enterprises have been operating well. Of the 53 Sino-foreign joint ventures 48 are doing well and 10 have expanded production.

The Porcelain Product of China Co. Ltd. owned by the Hang Fai Porcelain Factory of Macao makes local porcelain in various classical styles. Since it began operation in 1985, the company has exported all its products to Europe, America and the Middle East and in 1986 sold HK\$7.32 million worth of porcelain pieces.

Its success meant a need to expand production, and so it rented another 2,000 square metres of workshop and recruited 300 new workers this year. Its 1988 production has all been sold in advance.

The company has also helped boost the porcelain industry in Shantou city. Shantou is rich in porcelain clay and has a long

history of porcelain making, but its processing was poor before and could not find a market. A porcelain company was established last year in the Shantou SEZ to make porcelain for export and has earned HK\$23.08 million in foreign exchange.

Supporting the Hinterland

The Beijing-Shantou Fresh Food Company was established in November 1985 by the Ministry of Chemical Industry and five other companies in Guangdong, Shantou city and SEZ, dealing in keeping fruit, vegetables, fish, pork and other food fresh. The manager of the company says the company has relatively advanced technology and in 1985 imported processing equipment from Italy. After this process the fruit can be kept for three to four months without refrigeration. In addition to processing goods for export, the company also provides preserving technology and chemicals to other domestic enterprises in an effort to spread the technology.

At present enterprises run jointly with other domestic businesses export 70 percent of their products, and are the zone's main source of foreign exchange income.

Agricultural Exports

Around the Shantou SEZ extends a rich farming countryside. In the past it exported fruit, vegetables, infant eels, shrimps and crabs, but the prices were low due to poor processing. Also the quantity was limited, for Hong Kong was the only buyer.

After its establishment, the SEZ, encouraged by the preferential policies, imported new technology and equipment and improved the processing of export goods and thus increased sales.

The Integrated Aquaculture Complex in the zone imported, through compensatory trade, an automatic eel-baking line from Japan and built 13 eel farms. Now the complex exports baked eels to Japan and earns much foreign exchange.

The zone is trying to develop itself into a farm produce export centre. In the last few years the zone has introduced propagation techniques and special plant

strains from abroad and popularized them in many production centres around the zone. The products will be processed in the SEZ for export. Shantou has successfully cultivated Japanese cauliflower and American pea sprouts, and 80 percent of them are sold to Hong Kong.

In the last five years, the zone has established agricultural centres with 466.7 hectares of cultivated land and 1,167 hectares of pond area. Thus far 25 agricultural enterprises have been founded in the zone and 90 percent of their products are exported for HK\$153.87 million a year.

Tertiary Industry

The zone has given much attention to the development of its tertiary industry, and the progress of commerce and trade especially has accelerated the circulation of funds and promoted exports, all of which brings in funds for further development of the SEZ.

At the beginning, the zone experienced a trade boom and used up a great deal of foreign exchange borrowed from the bank. So the commercial bureau in the zone has encouraged exports of local products to earn the foreign exchange for its

imports, and has met with some success. When the commercial company bought a consignment of MSG from a Hong Kong company it sold the company 800 tons of processed pork for HK\$2.31 million too. Now the company exports HK\$15.39 million worth of goods every year and brings in one-third of the circulation funds the zone needs. It has also helped find markets for the zone's exports.

Shantou SEZ has developed its own tourist programme. While accelerating the building of scenic spots and tourist facilities in the last few years, the SEZ tourist company has organized tours to factories and farms to show people what Chaozhou city, near Shantou, and Shantou have to offer. Last year the company organized trade tours to embroidered garment, medicine, eel and tea factories in the SEZ. A Japanese group of tea experts visited the Xinfeng Tea Farm in Raoping and, seeing its good quality and low price, concluded a contract there and then with the Shantou Tea Import and Export Company to purchase the Shantou tea.

Problems and Prospects

Lack of investment competitiveness is one of the problems

A workshop of the Kam Lung Textile (China) Ltd.

LI RONGXIA



facing the zone. The infrastructure, including energy, communications and telecommunications, is still inadequate to meet the needs of the modernization programme. At present Shantou cannot make direct telephone connections with places outside the mainland except Hong Kong. About 90 percent of the investment in the zone comes from overseas Chinese, foreigners with Chinese origin and Hong Kong and Macao compatriots, and the zone is still short of foreign funds.

Meanwhile the zone's exports are limited by quotas. All the enterprises in the SEZ are calling for this problem to be solved. Ma Yiting, manager of Kam Lung Textiles (China) Ltd. said, "My company has plenty of raw materials and is highly competitive. But export quotas limit our exports and production. If this problem were solved, we could reinvest several dozen million Hong Kong dollars for the factory's expansion."

This year the zone has speeded up its construction by investing HK\$530 million which is equivalent to 80 percent of the total investment in the previous five years.

To meet the target of building the zone up into a production centre for agriculture, aquaculture and the processing industry, the zone has formulated an economic and technological development programme for the near future. During the Seventh Five-Year Plan period (1986-90) the zone will mainly develop food, pottery, electronics, machinery, plastics, toys and light and textile industries, all of which bring higher profits, consume less energy and cause less pollution. The zone will continue to bring in improved agricultural techniques, import the latest preservation, packaging, storing and transportation technology and equipment, and work on experimenting with them. By the end of the century, the zone will have a group of processing businesses with su-

perior technology and capable of developing new products for the world market.

To make the most of the goodwill of overseas Chinese and to attract more foreign investment, the Shantou SEZ will, in addition to implementing the 22-article regulations to encourage foreign investment promulgated last October by the State Council, offer further preferential treatment which is even more favourable than other SEZs. For instance, it will levy one-third less space rent, land fees and labour service charges than Shenzhen. It will also settle the labour service fee and workshop rent together, so that for every worker and seven square metres of workshop space that will therefore be allotted, the cost will come to HK\$360 a month. Shantou SEZ will also simplify its approval procedures for foreign-invested enterprises and establish investment service organizations for the convenience of foreign investors. ■

Efforts to Improve Legal System Bear Fruit

by Our Correspondent Yang Xiaobing

China is now striving to build a relatively comprehensive economic and administrative legal system before 1990. The goal was set at the first national conference on the government legal system held last April.

Since 1979, the Chinese government has made efforts to strengthen the country's legal system. But, as Sun Wanzhong, director of the Administration of Legal System under the State Council, pointed out, "The government legal system is still facing many problems and difficulties, and is still incompatible with the needs of the reforms and opening to the outside world. For instance, the economic and administrative laws, decrees and regulations are still incomplete —

a few important and urgently needed laws have not been enacted and some laws which need amendments have not been amended. The time needed to enact a law is too long; the various laws and regulations lack coherence and are sometimes contradictory. There is also the huge task of sorting out and compiling the laws and decrees enacted in the past. Furthermore, the enacted laws and regulations have not been strictly enforced. There are still not enough governmental legal organs, and the number of legal workers and their professional competence does not match the increasingly heavy burden of work."

However, the government has achieved some progress in legis-

lation, judicial work and the establishment of legal organs. According to information provided by the conference, the major aspects are as follows:

Legislation. From 1979 to 1986, the State Council enacted 504 regulations, in addition to a large number of administrative rules and regulations based on state laws and decrees and promulgated by the various ministries and commissions under the State Council and the governments of the various provinces, autonomous regions and municipalities. At the same time, the National People's Congress, the highest legislative body in China, and its Standing Committee enacted and approved 57 laws, of which 70 percent were



At the criminal law advisory station—part of a gathering to publicize legal knowledge, jointly sponsored by the Beijing Municipal Judicial Administration and Public Security Bureau at the Beijing Cultural Palace of the Labouring People.

ZHENG SHUFU

drafted by the State Council.

The government has given priority to the enactment of laws and regulations concerning the reform of the economic structure and opening to the outside world. So far, it has enacted and put into effect quite a few laws and regulations in these fields, including the Provisional Regulations on Implementing the Labour Contract System in State Enterprises, and the Provisions for the Encouragement of Foreign Investment.

The various local governments have also drafted and promulgated regulations on leasing, the contract responsibility system and money markets. In addition, the government has enacted some laws, decrees and regulations on reforms of the scientific and technological management system and educational system, as well as on cultural work, public health, public security, civil affairs and judicial administration.

All these laws and regulations have played a noticeable role in helping the government readjust its functions, in improving the government administrative mechanisms and in improving work

efficiency. For example, the government of Wuhan, one of the cities picked by the state to test out comprehensive economic reforms, enacted local decrees on cash control, issuing stocks and bonds, and strengthening control over money markets. Some 454 units in the city last year issued a total of 145.83 million yuan in stocks and bonds. Now, four money markets, which have their own unique characteristics and are open to each other, have taken initial shape. By the end of April, 3.06 billion yuan had changed hands in these money markets.

Sorting out Past Laws and Decrees. The work, which lasted for four years, has been basically completed. From 1949 (when the People's Republic was founded) to 1984, the State Council (the former Central People's Government Council included) promulgated or approved over 3,000 decrees and regulations. However, because of the great changes that took place in China's economic and social development, some of the decrees and regulations enacted in the early post-liberation days became outdated.

Therefore, the Administration

of the Legal System of the State Council joined with the various government departments to re-examine the laws one by one. As a result, 1,604 (48 percent) were abrogated, and 660 (20 percent) were found still applicable. Together with the 97 laws and regulations enacted in 1985, they were included in the *Current Laws and Regulations of the People's Republic of China* and publicly circulated both at home and abroad. The State Council has decided to continue the work yearly.

Law Enforcement. In the past, many people erroneously thought enforcing the law was only the job of the courts, procuratorates and public security organs. In recent years, government officials have improved their understanding of the importance of judicial work. When a law or legal decree is issued, the various localities often sponsor lectures and training classes to disseminate it. The government also organizes people to check and supervise the implementation of laws and government regulations, and to solve outstanding problems.

Establishment of Legal Organs. The State Council has set up a legal system administration. In the various ministries and commissions, as well as the governments of the provinces, autonomous regions and municipalities, special organs in charge of legal work have been established. Over the last two years, the government has sponsored various training classes and classes for advanced studies to train 15,000 legal workers. The Administration of the Legal System under the State Council plans to offer training to all legal workers at the provincial, autonomous regional and municipal level, by rotation within five years.

Plans for Legislation. Before 1990, the government legislation work has five priorities—legislation to enhance the vitality of enterprises; legislation for the establishment and improvement

of a market system; legislation to facilitate indirect state control over economic activities; legislation concerning foreign economic relations; and legislation to promote the development of socialist ideology and culture.

According to a government legislation plan in 1987, which was approved by the State Council in April, nine laws will be submitted to the National People's Congress for examination this year: the law on Sino-foreign co-operative enterprises, the copyright law, the maritime law, the law on preventing air pollution, the law concerning water resources, the law on wildlife protection, the archives law, the law on keeping state secrets and revised provisions for the organization of urban neighbourhood committees. Efforts will also be made to submit another 10 laws to the National People's Congress this year: a law

on inspecting of export commodities, a law on economic contracts, a law on rural and township enterprises, a law on water and soil conservation, a law on traditional Chinese medicine, a law concerning the protection of military facilities, an aviation law, a highway law, a railway law and regulations concerning demonstrations. This year, preliminary studies will be made for 16 draft laws, including a teachers' law, a labour protection law and an investment law.

Before the end of this year, the State Council will promulgate or approve 58 administrative decrees and regulations. Among them are some directly related to foreign economic relations, such as the regulations of the Bank of China on providing loans to foreign-invested enterprises (already promulgated), regulations on price control for foreign-invested enterprises, provisions for the regis-

tration of foreign-invested enterprises, detailed regulations on the implementation of the law concerning foreign enterprises, and detailed rules for the implementation of the law on border quarantine.

In addition, 41 administrative decrees and regulations will be promulgated or approved by the State Council this year or soon after. Among them, some will be directly relevant to foreign relations.

Studies are being conducted for another 38, including the provisions for economic and technological development zones, the regulations on the management of trade in special economic zones, the provisions concerning the registration of foreign building firms, and the regulations on foreign building companies contracting for construction projects in China.

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Universities to Tighten Discipline

"ZHONGGUO XINWEN"

(Chinese News)

China's universities and colleges recently have begun a push to improve student conduct and tighten discipline. The move is part of the efforts by institutions of higher learning to train students to conscientiously observe discipline, adopt healthy social attitudes and become qualified to work for the country's modernization programme after completing school.

There are about 2 million students in China's institutions of higher learning. Most of them study hard and exercise strict self-discipline. But among a minority, cases of cheating on exams, destroying public property, gambling and fighting are often found. If not checked, this minority will have a bad influence both on and off the campuses.

The Beijing Commerce College recently disciplined nine students for violating school rules and cheating on exams. Some of the students received warnings, while others were expelled or ordered to withdraw.

The *Guangming Daily* reported that the Hebei Teachers University in Hebei Province took disciplinary action in March against 10 students who violated school rules, cheated on exams or missed exams without valid excuses.

Hangzhou University in coastal Zhejiang Province recently punished 33 students for gambling and other misconduct to improve school order and discipline. The students have either been expelled, ordered to quit school, placed on probation or given a written or verbal warning. A report said that a group led by Zeng Jianzhou, a senior in the University's Department of Geology, repeatedly pried open empty dormitory rooms for the purpose of gambling. The

students also held drinking parties and all-night dances. Zeng has been detained for investigation by the Hangzhou City Public Security Bureau.

Strict discipline and good conduct should make it easier to tap the enthusiasm of students and teachers and to encourage students to make progress, while loose discipline and misconduct are detrimental to students both physically and mentally, inhibit student progress, and damage the image of socialist institutions of higher learning.

College students will be a shock force in China's socialist modernization. They must not only have broad general knowledge and ability, but also maintain sound values and morals, have a strong sense of the collective, abide by discipline and display good behaviour. The move to improve school conduct and tighten discipline is essential to the implementation of China's educational goals of helping students develop morally, intellectually, physically and aesthetically.

A recent commentary in *Guangming Daily* urged colleges and universities to further strengthen school rules, tighten class and dormitory management, set new rules for organizing campus dances and ban gambling. The paper also advised university authorities to strictly implement rules and regulations concerning school conduct and discipline, and to include these ideas in their teaching programme. It called on school authorities and teachers to set an example for students to follow. And it stressed the importance of cultivating student awareness of the need to observe discipline and combat unhealthy tendencies, and of encouraging student self-education, self-respect, self-development and self-reliance.

Some noted figures in the field of education say the leaders in universities and colleges should concern themselves more with the move to improve school conduct and tighten discipline. They should give systematic guidance to the "good conduct" drive and set good examples, they said.

(June 26, 1987)

Shanghai People Like Reforms

"JINGJI RIBAO"

(Economic Daily)

More than 10,000 people in Shanghai were recently asked by the Shanghai Statistics Bureau to appraise China's economic reforms. The results of the poll indicate that 87.2 percent of people surveyed approve of the reform: 87 percent said the reforms are meant to bring the country greater prosperity and the people higher living standards; 60 percent believe that the reforms will eventually meet with success; 74 percent hope to see the reforms speeded up; 5.6 percent said they do not agree with the reforms and 3.3 percent said they do not care much about the reforms.

When asked for their opinions on the open policy, 73 percent said the policy has many advantages and few disadvantages while 19 percent said the advantages balance the disadvantages.

In choosing answers to the question "What are the best ways for China to open up to the outside world," 73.5 percent of the people surveyed selected the answer of foreign investment. Some 49 percent chose talent exchange; 47.8 percent, the introduction of advanced technologies; 42.8 percent, cultural exchange; 37.6 percent, export of labour services; and 8.7 percent, the importing of consumer goods.

(June 11, 1987)

Satellite Piggyback Service to Foreign Firm

Two micro-gravity experimental devices belonging to the Sa Matra Limited of France, carried into space by a Chinese Long-March rocket, marked the first time China has provided satellite piggyback service for a foreign company. China successfully retrieved the satellite on August 10 after its five-day orbit and handed it to the French company.

It is reported that the contract for this Sino-French scientific and technological experiment was signed in Paris on June 16 this year. The 15-kilogramme micro-gravity experimental instruments, totally sealed, were exempted from customs inspection upon entering China by the end of June and were immediately placed in the waiting satellite, which was then launched into orbit by a Long March II carrier rocket on August 5. The two micro-gravity experimental devices have been transported directly to Paris by the

French company. The French side expressed satisfaction with the Chinese operational procedures in accordance with the stipulations of the contract.

An official of the China Great Wall Industrial Corp. said that since 1975 China has successfully launched and retrieved nine satellites. The successful launching proved that China's Long-March carrier rockets are capable of providing satellite services for foreign clients. China can now provide satellite piggyback services by its FSW-I and FSW-II. Their effective load is 300 and 500 kilogrammes respectively. By the Chinese satellite piggyback service, foreign clients can make use of the satellite remote sensing devices to conduct scientific experiments in the production of new materials and medicines under micro-gravity conditions in the orbit; to make microbiological engineering, immunity, medicines,

the purification of materials and biological scientific experiments under zero gravity conditions in space; and to survey the natural environment of earth resources, farming, forestry, water conservancy and geological structure, and to obtain the retrieved remote sensing films and tapes.

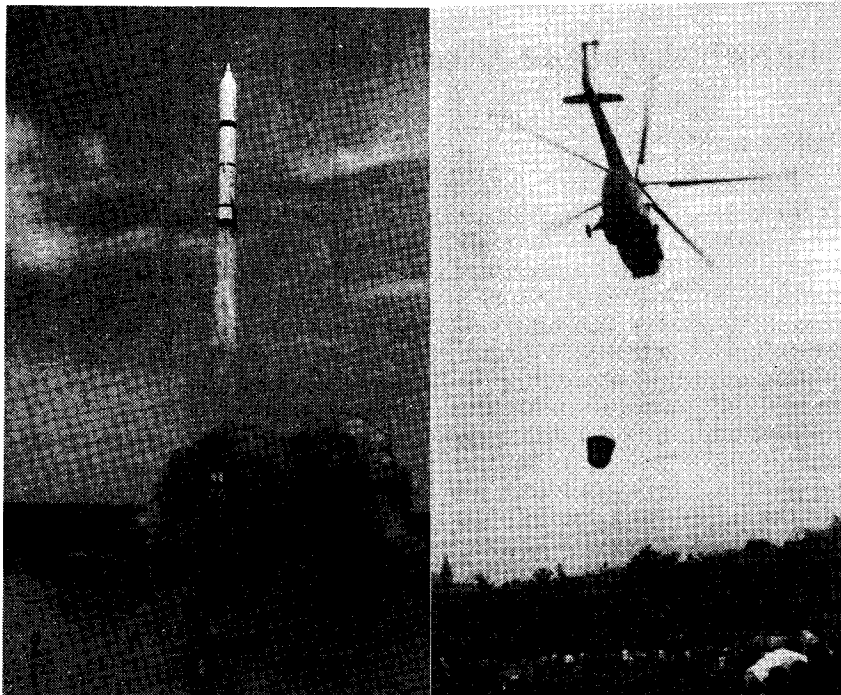
"As long as foreign experimental items are safe and harmless to our satellites," the official added, "we will place no restrictions. It is not necessary that we know the nature of the experiment. We also ensure technical safety. At the same time, we will offer conveniences such as exemption of customs inspection and give preferential treatment in price."

He further disclosed that from the second half of last year to August this year more than 10 companies from the Federal Republic of Germany, France, Belgium, Sweden, Britain, Italy, the United States and Canada have asked China to provide piggyback service for their scientific experiments. Some have already signed memorandums or agreements with the Chinese space agency and still others want to sign long-term agreements with China.

by Yao Jianguo

A Chinese satellite for scientific and technological exploration retrieved on schedule in Sichuan Province, southwest China (right). A Long March II carrier rocket is taking off (left).

ZOU YI and BI YONGFEN



Steady Growth of Sino-British Trade

In the first half of this year China signed more than 20 agreements or contracts with Britain in the fields of economic, trade and technological co-operation. In bilateral trade, China's exports to Britain reached 117 million British pounds in value, an increase of 5 percent over the corresponding period last year, while British exports to China totalled 152 million British pounds. Simon R. Harding, third commercial secre-

tary of the British Embassy to China, made these remarks to *Beijing Review* recently.

He said that apart from traditional handicrafts, textiles, agricultural and sideline products, China has also for the first time exported wooden furniture manufacturing equipment and technology to Britain.

Britain mainly exported power generating equipment for oilfields, auto fittings, container ships, air ground equipment, foodstuffs and tobacco manufacturing equipment.

To expand their economic and trade co-operation, the Sino-British Trade Association and the China Council for the Promotion of International Trade will hold an economic and trade symposium in Tianjin in the latter part of October this year on more than 20 projects such as underground tube, telecommunication equipment and automobiles.

In 1986 China signed a loan contract with Britain, according to which the latter will extend 300 million British pounds in low-interest loans to China for five co-operative projects.

The British commercial secretary is optimistic about the prospects of Sino-British economic and trade relations. He stressed that Britain is fully aware of the great potentiality of the China market, and measures are being taken by his country to improve the competitiveness of its products and technology and to push its trade volume to the first place in Europe. Britain is now China's fourth biggest European trading partner after the Federal Republic of Germany, France and Italy.

It is also reported that several hundred British enterprises and companies have forged business ties with China. Of these, more than 20 companies have set up permanent representative offices in China.

by Liu Jianjun

Foreign Exchange Reserve Increases

According to statistics released by the People's Bank of China, at the end of June China had a foreign exchange reserve of US\$12.578 billion, US\$1.777 billion more than that at the end of March. The part reserved by the state increased by US\$950 million to US\$3.436 billion. The balance of the Bank of China went up by US\$827 million to US\$9.142 billion.

In addition, China had US\$8.304 billion in loans left over from the first half of this year. The gold reserve was still 12.67 million ounces. ■

Shashi Exports Thermos Flasks

This year the Shashi Thermos Flask Factory of Hubei Province is exporting its products to the United States, Britain, France and Italy for the first time.

Shashi is one of the main export-oriented manufacturers of thermos flasks in China. The factory's *Jingjiang* brand flasks have already found markets in Hong Kong and other parts of Southeast Asia for their good quality and variety. Over the last few years, Shashi has made a 17.5 million yuan investment in importing advanced foreign technology for the production of high-quality thermos flasks. This has enabled the factory to strengthen its competitiveness, its products keep water hot for a long time and cost one quarter of the equivalent Japanese product.

At the Guangzhou Spring Export Commodities Fair, foreign orders for the factory's thermos flasks and imitation porcelain and cloisonne coffee pots were worth US\$28.3 billion.

by Han Baocheng

News in Brief

■ The Huamei Peat Co. Ltd., the first peat mining enterprise in China run by China and the United States, was established on August 10 in Heilongjiang Province. It will introduce mining technology from Canada and import mining equipment from Finland. The company is expected to go into operation in August 1988 and produce 30,000 tons of peat a year. Its products will be exported to Japan and other countries in Southeast Asia.

China's peat reserves rank third in the world, only next to the Soviet Union and Canada.

■ The Beijing International Symposium on Biochemistry was held on August 17-22 in Beijing and attended by nearly 1,000 experts and scholars in the field. Ten subjects were discussed, including the structure of insulin, its functions, reproduction and biochemistry, genetic engineering and biochemical immunity.

At the same time an international exhibition of biochemical and medical instruments and reagents was held in the city.

The biggest international biochemical conference ever held in China, the symposium was sponsored by the Chinese Biochemical Society and the China International Conference Centre for Science and Technology and was supported by the International Biochemical Federation.

■ China will demonstrate a remarkable cure for the habit of smoking at the 36th International Innovation Fair in Brussels. This medicine, made up of more than 30 kinds of medicinal herbs, is effective after the smoker smells it for 10 minutes a day, three days in row. Tests by the medicine inspection department of the Beijing Public Health Bureau show that the medicine is not harmful to the body and has over 90 percent efficacy.

Pipa Music Evokes Distant Past

A comely young lady sits on a chair, oval-shaped *Pipa* (Chinese guitar) held against her thin shoulder. The melancholy look in her beautiful large eyes conveys a longing for the past. This is Wu Man at her graduation recital.

The recital was held on June 29 in the small concert hall of Beijing's Central Conservatory of Music, Wu's alma mater. The musician is every bit a Chinese girl playing a Chinese musical instrument. Both her music and her character reflect a profound, remote recollection of the big battles and emotions of the ancient Chinese. *Pipa* music is generally lyrical although some of it is narrative.

Moon High in the Sky, the focus of the Wu's graduate research, is a lyrical piece. She learned eight versions of it. This time she played two of them, one from the Tang Dynasty (618-907 AD) and the other from the Ming Dynasty (1368-1644). A casual listener may find it hard to distinguish between the two versions. Both versions describe the same theme—the bright moon hanging high in complete tranquility. In the long centuries before modern rockets were sent to the moon, it was seen as a solitary wonderland, full of harmony and void of oppression.

Chen Sui is about the life of the concubines in the royal palace. In a manner typical of Chinese tragic music, the intricate melody is repeated over and over, always at the same tempo, for the whole 10 or 15 minutes of the piece. There is no focus or development towards a climax. The melody repeats as if a pall of sorrow has been cast over it and there is no escape. But while the form of the music is monotonous, it is never boring. It can evoke in the audience a desperate and unconscious search



Wu Man.

for identification with its ancient past. Such music gives a clue to one of the major differences between Western and Chinese art. While Western art openly tries to show feelings or events from different angles, Chinese art uses repetitions and very subtle variations. According to Lu Jinshan, who plays the *erhu* (a two-stringed Chinese fiddle) in Beijing Kunqu Opera Troupe, the *pipa* is not so good at producing chords as a Western guitar does or playing well with an orchestra because, as Confucius said 2,000 years ago, pure music should get rid of harmony and chords—they are simply noise.

After playing repetitious ancient pieces for the first half of her recital, Wu changed her traditional full-length *qipao* skirt for a fashionable two-piece dress and played two modern concertos accompanied by an orchestra. The first one, *Spring*, featured a Western flute and some percussion instruments. The subject, however, was traditional—far from today's mundane life and

material concerns. The musician, looking beautiful, melancholy or not, clearly was not playing to please the audience or others.

Although the 800-seat concert hall was only half-occupied, the chairman of Wu's traditional Chinese music department was not disappointed. He said serious music never attracts as many people as popular music, whatever the period or social system. But it always has an audience, generally a more educated one. He said he hopes the state will provide more funds to preserve and develop China's traditional music. The chairman also suggested that as China's economy develops, profit-making enterprises could sponsor or help support traditional music bands or musicians.

With every aspect of today's world based on modern science, instead of China's *taiji* or India's yoga, it may be impossible for age-old Chinese musical instruments to express modern people's emotions. The development of modern, popular *pipa* music could mean the end of *pipa* music. The final concerto of the evening, accompanied by a large orchestra, was noise rather than music because the *pipa*, rather ruling, was dominated by the other sounds.

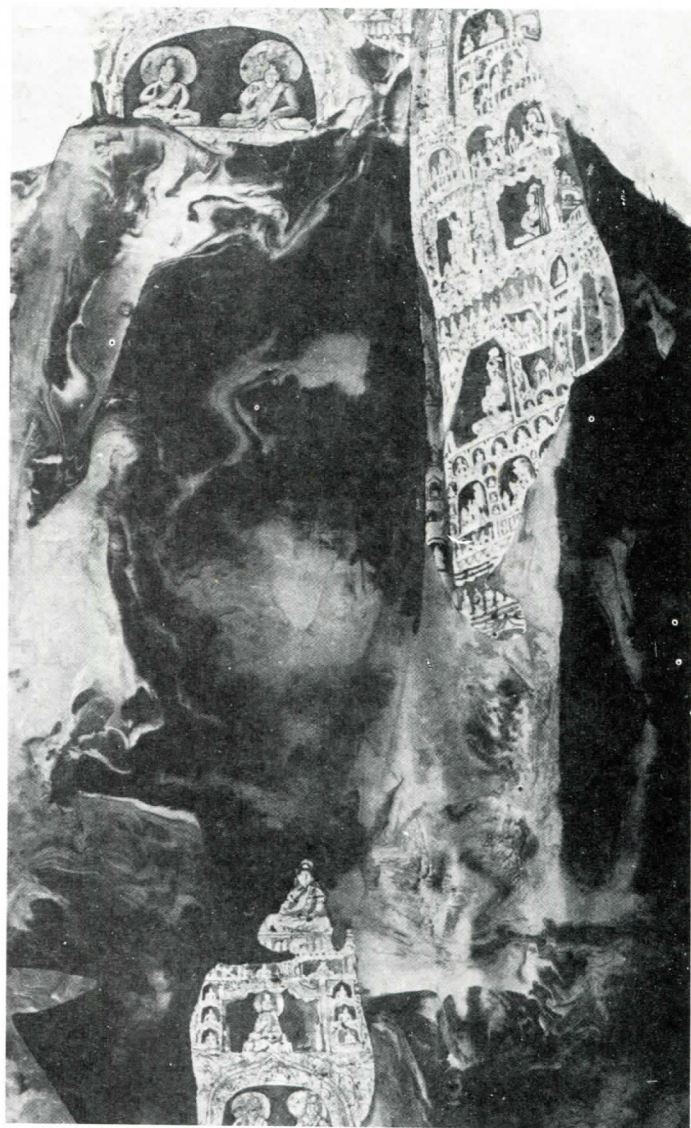
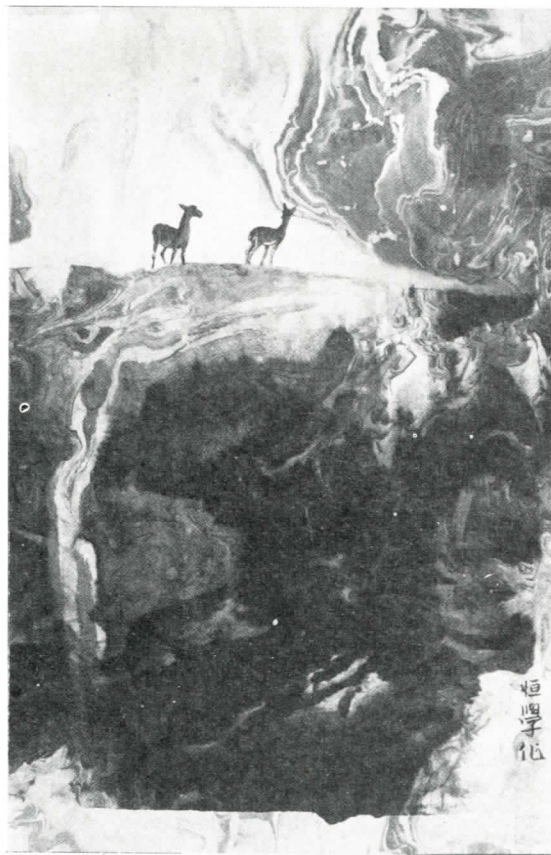
by Zhao Zonglu



Magpies.



Deer.



Grottoes.

ART PAGE

Traditional Chinese Paintings by Fu Hengxue

Fu Hengxue, born in 1933 in Pucheng, Shaanxi Province, is now a member of the standing committee of the Shaanxi branch of the Chinese Artists Association.

Fu has combined engraving art skills with a modern painting techniques to produce these natural looking pictures.

