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New Government Leaders Answer Questions



**LI PENG'S
GOVERNMENT
WORK REPORT**



Construction site.

by Sun Yi

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COVER: General Secretary Zhao Ziyang (right) and the new Premier Li Peng.
Li Shengnan

HIGHLIGHTS OF THE WEEK

Coastal Development Strategy Discussed

■ The economic development strategy for China's coastal areas was a hot issue during recent NPC and CPPCC sessions. Many suggestions for implementing the strategy were raised and deputies from inland areas also raised their own doubts and worries (p. 16).

New State Council Leaders Answer Questions

■ Premier Li Peng and three vice-premiers answered questions about education funding, student criticisms and public supervision of government at an April 13 news conference (p. 12).

Central Government to Be Streamlined

■ The recent Seventh NPC session decision to streamline the State Council involved axing four of its 45 departments and 10,000 of its functionaries. The aim was to raise efficiency and avoid bureaucracy (p. 4). List of the new ministers (p. 6).

Aquino Seeks Deeper Ties With China

■ Philippine President Corazon Aquino held talks with top Chinese leaders during her April 14-16 visit to Beijing. The two sides pledged to expand bilateral co-operation and exchanged views on some major international issues. The Philippine president toured her ancestors' home village of Hongjian in Fujian Province before coming to Beijing (p. 7).

Government Work Report Outlines Tasks

■ While summing up domestic work in the past five years, Li Peng's report on government work outlined the 10 major tasks that China will tackle in the next five years (p. 18).

Government Restructuring Forges Ahead

by Dai Yannian

The plan for restructuring the State Council adopted at the recently closed First Session of the Seventh National People's Congress (NPC) will involve a cut in the number of State Council ministries and commissions from the present 45 to 41.

The projected plan submitted to NPC for discussion proposed that the number of ministries and commissions be reduced to 40. It was suggested that the Ministry of Railways and the Ministry of Communications be abolished and a ministry of transport set up. The General Administration of Civil Aviation of China would then be changed into the state administration of civil aviation under the management of the ministry of transport. But NPC deputies differed on this proposal, saying that transport and communications are two key departments vital to the national economy.

With the recent rail and air accidents, major efforts should be devoted to studying and improving safety. Restructuring of the two ministries at this point would distract attention from this key issue. The State Council, noting the opposing views of NPC deputies, decided to scrap the idea for a new transport ministry and retain the existing ministries and administration.

Many foreign observers have noticed a change in NPC towards a more democratic body now acting as the highest organ of state power. It no longer serves as a mere "rubber stamp." But other observers claim the reform has met with some opposition from strong, deep-rooted vested interests. The conjectures are groundless. In fact, all the State Council reform suggestions, except one

which did not realistically fit in with China's needs, have been accepted by the congress.

The plan for restructuring the State Council has advanced a long way. It involves both an overall and transitional reform.

Although the number of ministries has only been reduced by four, the reform involved is much more complex. According to the plan, 12 ministries and commissions will be abolished and nine new ones established. The 32 ministries and commissions to be retained will also undergo massive reorganization.

The structural reform is not just abolition, reduction and amalgamation of the ministries and commissions, it also involves a change in the functions of government organs. In accordance with the principle of separating the functions of government from those of enterprises, the direct control ministries and commissions have over enterprises, funds and materials will become indirect control. They will be strengthened in such areas as policy making, consultation, regulation, supervision and information dissemination.

Even though China streamlined its government in 1982, its ranks soon swelled. Some people are worried that this may happen again. As stated above, this time the reform will concentrate on functional change, unlike the 1982 reform which merely simplified the administrative structure. All ministries and commissions must establish their own functions, structures and number of personnel. The newly established Ministry of Personnel Affairs will strengthen management over the organization and number of personnel in these departments

and impose restrictions through budgeting and legal means. We have every reason to believe that after the reform, the mistakes of the 1982 streamlining of government organs will be avoided.

Will the structural reform cause any unrest? No. The State Council will reduce its 50,000 functionaries to 40,000 but many of the retrenched members will not lose their jobs. Along with the growth of the commodity economy, large numbers of academic associations and companies have emerged and will continue to do so in the days to come. Large numbers of government functionaries will be transferred to these organizations to perform new jobs. And efforts will be made to help them get used to new working conditions for them.

The restructuring of the State Council is the first move to trim the government. The reform, expected to be completed by the end of this year, will initially change the irrational setup and inefficient administration in ministries and commissions. Structural reforms to government organs at the provincial and autonomous region levels and in municipalities directly under the central government will be carried out next year.

It will take five years for China to complete the changes at all levels, rationalize the relations between government and other social organizations, strengthen administration and personnel structure, overcome bureaucracy, and raise efficiency and vitality. China will continue to advance and make efforts to build a flexible and efficient administrative system which conforms to the requirements of establishing a characteristically Chinese modern management. ■



National People's Congress deputies adopt resolutions by a show of hands.

XUE CHAO

New Leaders Address NPC

The 20-day first session of the Seventh National People's Congress (NPC) closed in Beijing on April 13 after adopting 11 resolutions.

At the closing ceremony, newly elected Chinese President Yang Shangkun and Chairman of the Seventh NPC Standing Committee Wan Li made their first speeches after assuming their posts.

Yang pledged to correctly exercise the powers granted him by the Constitution and be worthy of the trust of the Party and the Chinese people. "I'm determined to do my best and devote myself to my duties," he said.

Yang noted that tremendous changes have taken place in China over the past 10 years, and today

the country is confronted with many problems at home and challenges abroad. He urged the Chinese people to rouse themselves to catch up with the developed countries. This can be done by accelerating and broadening the reform and advancing economic, scientific, technological, cultural, educational and other endeavours that will help eliminate poverty and backwardness, he said.

"To put an end to China's backwardness and win a place in the ranks of the advanced countries will require the efforts of several generations, and first of all, our generation."

Yang called on leading cadres and other employees of governments at all levels to perform their

duties honestly, speak the truth, be conscientious in their work, maintain close ties with the people and put an end to all kinds of bureaucratism and corruption.

China is a multinational country, he said, and harmony and close unity among the people of different nationalities provide a fundamental guarantee that the country will flourish. "We shall oppose any words or actions tending to split the nation, and continue to consolidate and expand political stability and unity."

He continued, "We are firm and unequivocal in adhering to the policy of peaceful reunification and 'one country, two systems' with regard to Taiwan, a policy we will not change. We sincerely hope that leaders of Taiwan will recognize the historical trend, understand the urgent need for

reunification and make far-sighted decisions as soon as possible. We also hope sincerely that our compatriots in Taiwan, Hong Kong, Macao and abroad will join us in unceasing efforts to bring about the peaceful reunification of China."

Adhering to an independent foreign policy is China's basic principle in its relations with other countries, he stressed. "We have never become involved in the internal affairs of any other country, and we will not allow anyone to interfere with our affairs. We don't want one inch of any other country's territory, and we will not allow anyone to encroach on ours." China is always ready to work with the people of other countries to safeguard world peace and stability, the president said.

Wan Li praised the Sixth NPC and its standing committee. During their five years in office, he said, they did a lot of excellent work and accumulated new experience in expanding socialist democracy, perfecting the socialist legal system and improving the system of people's congresses.

The Seventh NPC will continue to perform the functions assigned to it by the Constitution and the law, playing its role as the supreme organ of state power, he said. The main duty of the current NPC will be to ensure and promote reform and support and protect all innovations that help develop society's productive forces.

Concentrating on the two main themes of reform—developing a socialist commodity economy and building socialist democracy—the Seventh NPC will expand democracy and the legal system and advance other work, Wan said.

"We should keep improving democratic systems and overcome bureaucratism and unhealthy practices," he said. He called on NPC deputies and members of the

NPC Standing Committee to maintain closer ties with their constituents. He also urged them to improve the way in which they conduct inspection tours so that the NPC will better represent the people and accept their supervision.

Among the resolutions adopted at the final meeting of the NPC session were motions approving the government work report delivered by Li Peng on behalf of the State Council and the establishment of Hainan Province and the Hainan Special Economic Zone. The Hainan resolution designated Haikou as the seat of the provincial people's government, which will administer three cities and 16 counties as well as the Xisha, Nansha and Zhongsha islands and the reefs and waters around them. ■

Members Named To State Council

The Seventh National People's Congress on April 12 appointed 44 State Council members upon nomination by Premier Li Peng. The new council consists of the premier, three vice-premiers, nine state councillors and one secretary-general, as well as 39 ministers, the governor of the People's Bank of China and the auditor-general. The council members are, on average, younger and better educated than those appointed in 1983. The average age of the 13 principal leaders is 61.

Premier

Li Peng

Vice-Premiers

Yao Yilin, Tian Jiyun, Wu Xueqian

State Councillors

Li Tieying, Qin Jiwei, Wang Bingqian, Song Jian, Wang Fang, Zou Jiahua, Li Guixian,

Cheng Xitong, Cheng Junsheng

**Secretary-General
Chen Junsheng***

Government Ministers

Qian Qichen, Minister of Foreign Affairs*

Qin Jiwei, Minister of National Defence*

Yao Yilin, Minister of the State Planning Commission (concurrently vice-premier)

Li Peng, Minister of the State Commission for Restructuring the Economy (concurrently premier)

Li Tieying, Minister of the State Education Commission*

Song Jian, Minister of the State Science and Technology Commission*

Ding Henggao, Minister of the State Commission of Science, Technology and Industry for National Defence

Ismail Amat, Minister of the State Nationalities Affairs Commission

Wang Fang, Minister of Public Security*

Jia Chunwang, Minister of State Security

Wei Jianxing, Minister of Supervision

Cui Naifu, Minister of Civil Affairs

Cai Cheng, Minister of Justice
Wang Bingqian, Minister of Finance*

Zhao Dongwan, Minister of Personnel

Luo Gan, Minister of Labour

Zhu Xun, Minister of Geology and Mineral Resources

Lin Hanxiong, Minister of Construction

Huang Yicheng, Minister of Energy Resources

Li Senmao, Minister of Railways

Qian Yongchang, Minister of Communications

Zou Jiahua, Minister of the

* Concurrently state councillor

Machine-Building and Electronics Industry*

Lin Zongtang, Minister of the Aeronautics and Astronautics Industry

Qi Yuanjing, Minister of the Metallurgical Industry

Qin Zhongda, Minister of the Chemical Industry

Zeng Xianlin, Minister of Light Industry

Wu Wenying, (female) Minister of the Textile Industry

Yang Taifang, Minister of Posts and Telecommunications

Yang Zhenhual, Minister of Water Resources

He Kang, Minister of Agriculture

Gao Dezhan, Minister of Forestry

Hu Ping, Minister of Commerce

Zheng Tuobin, Minister of Foreign Economic Relations and Trade

Liu Suinian, Minister of Materials

Wang Meng, Minister of Culture

Al Zhisheng, Minister of Radio, Film and Television

Chen Minzhang, Minister of Public Health

Li Menghua, Minister of the State Physical Culture and Sports Commission

Peng Peiyun (female), Minister of the State Family Planning Commission

Li Guixian, Governor of the People's Bank of China*

Lu Peijian, Auditor-general of the Auditing Administration ■

Aquino Visit Promotes Ties

President Corazon Aquino of the Philippines visited Beijing April 14-16. It was her first visit to China since she assumed the presidency two years ago.

Aquino came to promote friendship between the two



Chinese President Yang Shangkun welcomes Philippine President Corazon Aquino to Beijing.

countries and to expand co-operative ties in all fields. Her 50-member entourage was made up of seven ministers, including Foreign Affairs Minister Raul Manglapus, senators, members of the House of Representatives, spokesmen for the business community and Aquino's two daughters.

At a grand welcoming ceremony on April 15, China's newly elected President Yang Shangkun congratulated Aquino on the encouraging political and economic achievements the Philippines has made under her leadership. Later in the evening Yang hosted a state banquet in Aquino's honour at the Great Hall of the People. He described her visit as a major historic event in Sino-Philippine relations and said China will forever be a trustworthy friend of the Philippines.

Aquino replied that since both countries have embarked on a course of economic progress and political reform, even greater harmony and more meaningful co-operations between them can be expected.

Earlier Aquino had a two-hour official talk with Chinese Premier Li Peng. The leaders pledged to step up co-operation in the fields of finance, trade, culture, science and technology.

Li said that since Aquino took office, co-operation between China and the Philippines has continued to grow. Differences in social system and ideology have not hindered the development of relations.

Aquino said the firm ties between the countries are conducive to stability and peace in the Asia-Pacific region. She assured the premier that the Philippine government will persist in its stand that the People's Republic of China is the sole legal government of China.

The Philippine president also held talks with other top Chinese leaders, including Li Xiannian, Deng Xiaoping and Zhao Ziyang.

Aquino arrived in China at Xiamen, Fujian Province, where she was warmly welcomed by the provincial government and people. She toured her ancestors' home village of Hongjian in Fujian's Longhai county. She described the villagers' warm welcome as being "like a homecoming among family." Her great-grandfather left the village for the Philippines about 100 years ago.

During her visit to Hongjian, Aquino announced her plan to build an amusement park for the village children. ■

**Biweekly Chronicle
(April 4-17)**

POLITICAL

April 5

■ The inauguration ceremony of the China Reunification League was held on April 4 in Taipei. Xinhua, quoting a news report from Taiwan via Hong Kong, says the league was formed by 600 Taiwan scholars and writers.

The group calls for the democratic reunification of China's territory and an end to the separation of the Chinese people. Writer Chen Yingzhen was elected chairman of the league.

April 6

■ At a press conference in Beijing, Chinese Vice-Foreign Minister Qian Qichen reiterates that the Nansha Islands are an inseparable part of China's territory.

When asked if China is making preparations for an all-out war with Viet Nam, Qian says that China has taken an attitude of restraint and does not wish to see such a conflict. He says that there will be no such conflict if the Vietnamese authorities refrain from provocations and invasions in the South China Sea.

April 13

■ The newly formed Standing Committee of the Seventh National People's Congress (NPC) meets in Beijing for the first time.

The meeting hears details of three proposals put forward by Deng Xiaoping, chairman of the Central Military Commission. The proposals involve awarding medals of honour to retired veterans of the Chinese People's Liberation Army (PLA), reintroducing a system of military ranks into the PLA, and confirming military ranks conferred between 1955-1965.

ECONOMIC

April 7

■ China's total industrial output value in the first three months of the year reached 264.6 billion yuan (about US\$71 billion), up 16.7 percent over the same period last year, the State Statistics Bureau reports. Of the total, light industry accounted for 134.6 billion yuan, up 16.6 percent from a year earlier, and heavy industry 130 billion yuan, up 16.9 percent.

April 11

■ China will set up an automobile production base in the southwestern part of the country to help meet the growing need for light vehicles.

Production will be co-ordinated with the three existing centres in the Beijing, Nanjing and northeast China areas. The new centre will make the distribution of the car industry more rational.

By the year 2000, the new base will produce 150,000 cars annually. By then, there will be about 20 cars for every 1,000 people in China.

CULTURAL

April 5

■ A laboratory equipped for research on modifying the properties of materials by the use of ion, electron and photon beams will be jointly built by the Dalian Engineering University, Liaoning Province and Shanghai's Fudan University.

The project—the result of combining basic research with practical applications—will be at the service of industries striving to produce advanced items.

April 11

■ Beijing will hold a "beauty contest," the first of its kind in China since 1949.

The Beijing "Women of Youth and Elegance" will be selected through a television contest and awarded youth vitality prizes, says an official of the Beijing Television Station.

During the contest, as much emphasis will be put on the participants' knowledge, performing technique, and moral character as on their appearance and dress.

April 14

■ The prize-winning film *The Last Emperor* is being dubbed into Chinese at the Beijing Film Studio.

Earlier in the week the film, jointly produced by Italy, China and Britain, was awarded nine Oscars by the US Academy of Motion Picture Arts and Sciences.

It is the first time that a film with a Chinese theme produced in China has won an Oscar.

SOCIAL

April 5

■ The train accident which took place on March 24 near Shanghai was caused by a violation of railway traffic rules by two drivers of the train No. 311, which collided head-on with train No. 208, according to a report by an investigation team.

Driver Zhou Xiaoniui has been arrested and assistant driver Liu Guolong is being detained by the police for questioning.

April 17

■ Taiwan residents now can address ordinary and airmail letters directly to their relatives on the mainland, Xinhua reports.

The letters will be handled by the Taiwan Red Cross special letterbox and will be posted in Hong Kong by its agency, the Red Cross is quoted as saying in Taipei.

AFGHANISTAN

Peace Agreement Signed in Geneva

An agreement to end the Afghanistan conflict has been formally signed. But only time will tell whether the Soviet leadership has genuinely understood that there can be no victory for aggressors.

Nearly six years of indirect talks between Pakistan and the Kabul regime ended in Geneva on April 14 with the signing of an agreement to politically settle the Afghanistan conflict.

Pakistan's Minister of State for Foreign Affairs Zain Noorani, Kabul's Foreign Minister Abdul Wakil, US Secretary of State George Shultz and Soviet Foreign Minister Eduard Shevardnadze signed the agreement in the presence of United Nations Secretary-General Javier Perez de Cuellar in the Council Chamber of the Palais des Nations.

The four instruments of the agreement call for the complete withdrawal of Soviet troops, the voluntary return of Afghan refugees under safeguards, and the restoration of Afghanistan's status as an independent, non-aligned nation.

The first two instruments—a bilateral agreement on non-interference and non-intervention and a bilateral agreement on the return of refugees—were signed by Pakistan and the Kabul regime. The third document, a declaration on international guarantees, was signed by the United States and the Soviet Union, the two guarantor countries. The fourth, on the interrelationships involved in the settlement, was signed by all four parties.

Under the agreement, the Soviet Union will withdraw all of its estimated 115,000 troops from Afghanistan within a nine-month period starting from May 15. This will mean the end of the

superpower's eight-year military occupation of Afghanistan.

The signing of the agreement shows that military force cannot succeed in conquering a nation in the world today and that conflicts can be resolved by political means if the parties concerned realistically assess the situation and want to achieve a peaceful settlement.

De Cuellar described the Geneva accord as "the first step" towards peace in Afghanistan. If implemented, it will eliminate a regional hot spot and help ease international tension.

The war, which started with the Soviet invasion of Afghanistan in December 1979, has cost Moscow US\$20 billion and claimed the lives of tens of thousands of Soviet soldiers, as well as inflicting tremendous losses on Afghanistan. Still, the Soviets and the

Kabul regime have never obtained effective control over the entire country.

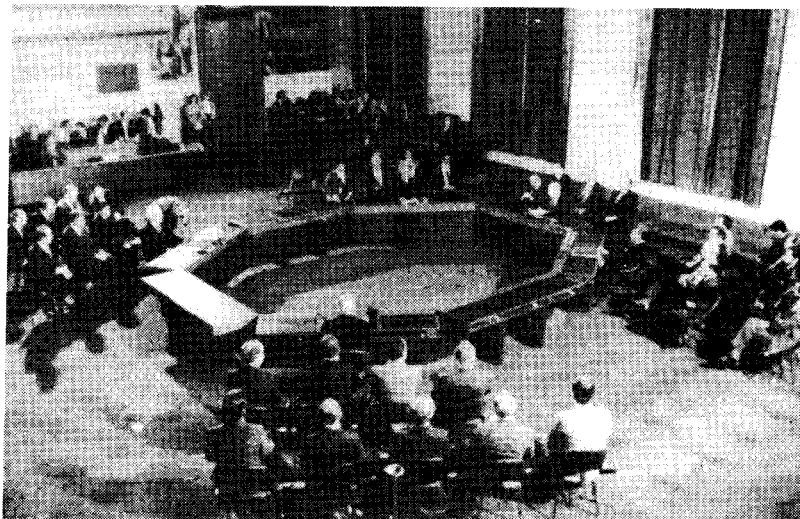
More than 1 million people have been killed in the war and 5 million others have taken refuge abroad. Yet, the Afghan people have persisted in their struggle against the Soviet aggressors. The signing of the agreement represents a victory for the Afghan people in their battle against foreign aggression.

As a neighbour of Afghanistan, Pakistan has been shouldering the burden of providing for 3 million Afghan refugees. It was Pakistani President Zia ul-Haq who first proposed the UN-sponsored indirect talks between Pakistan and the Kabul regime in an effort to seek a political settlement to the Afghan problem.

At the beginning of the last round of talks on March 2, Pakistan proposed the setting up of an interim government composed of representatives of the resistance forces, the refugees and the Kabul regime so as to guarantee the safe return of refugees to their homeland and avoid further bloodshed.

But the proposal was rejected by the Kabul regime on the grounds that the problem should

Afghanistan peace pact signed in the Council Chamber of the Palais des Nations.



Foreign Ministry Spokesman On Geneva Agreement

A Chinese Foreign Ministry spokesman said on April 15 that China has all along maintained that Soviet troop withdrawal from Afghanistan is the key to a political settlement of the Afghan question.

China welcomes the signing of the Geneva accord on Afghanistan and sees it as a "positive development," he said. It is a major victory for the Afghan people in their sustained heroic struggle against foreign invasion and also a victory for the countries of the world in their unremitting endeavour to safeguard the norms governing international relations

and uphold international justice.

He also expressed appreciation for the contribution made by the United Nations and Pakistan towards a political settlement of the Afghan question.

"We hope that the Soviet Union will withdraw all its troops from Afghanistan within the time limit set by the accord, so that the independent, sovereign, neutral and non-aligned status of Afghanistan can be restored soon and the Afghan refugees will be able to return to their homeland as early as possible and enjoy a peaceful life again," the spokesman concluded.

be solved by the Afghans themselves. After the Soviet Union pledged to withdraw its troops from Afghanistan, Pakistan dropped its insistence that the formation of an interim government was a prerequisite for signing the agreement and instead accepted a principled understanding that an interim government acceptable to all political forces in Afghanistan will be formed. This compromise paved the way for the final Geneva agreement.

The problem of Afghanistan reflects the confrontation between the Soviet Union and the United States and the Geneva agreement is also the result of a compromise between the two superpowers. They reached an initial understanding on the issue last December, during the meeting at which Soviet leader Mikhail Gorbachev and US President Ronald Reagan signed the intermediate-range nuclear forces treaty. The Soviet pullout from Afghanistan will help improve

US-Soviet relations and create a favourable climate for their fourth summit meeting next month, which will discuss a reduction in strategic arms.

The signing of the Geneva agreement also reflects the Soviet readjustment of its foreign policy to promote "new thinking." Gorbachev, who called the

BRAZIL

Deficit Cutting: A Difficult Task

The Brazilian government is making a concerted effort to reduce the public deficit, which is seriously impeding the country's development.

According to official statistics, Brazil's public deficit amounted to 3.7 percent of the country's gross domestic product (GDP) in 1986. The figure jumped to 5.4 percent in 1987 and is expected to grow to more than 6 percent this year, if appropriate steps are not

Afghan conflict a "bleeding wound," wanted to get the Soviet troops out of Afghanistan.

But the agreement has left two major problems unresolved. First, an interim government composed of different political parties has not been formed. The Afghan resistance forces are not a signatory to the agreement. In a statement on April 12, the seven-party Islamic Alliance of Afghan Mujahideen said it would not be bound by the agreement and would go on fighting until the overthrow of the Kabul regime. The Afghan war may continue.

Second, the Soviet Union and the United States did not make a clear commitment to cut off military aid to the Kabul regime and the resistance forces. The superpowers may continue providing weapons to the opposing sides in Afghanistan, thus prolonging the civil war.

People hope that the parties concerned will earnestly carry out the Geneva agreement, consult further over the remaining problems, help restore the independent, neutral and non-aligned status of Afghanistan and contribute to the peace and development of the country.

by Ma Guang, Zhang Zhinian

taken. Along with a drying up of the sources of foreign capital, the deficit has drained the state treasury.

In the face of this predicament, the government has issued more money. But rather than solving the deficit problem, this has stimu-

lated inflation. Last year the annual inflation rate reached 364 percent. In the first two months of 1988, it hit 16.5 percent and 17.7 percent. The situation is the worst it has been for many years.

The government cites two major factors in explaining the high public deficit. The first is the huge expenditure on wages and benefits for government employees. The other is large losses by state-owned enterprises.

The Finance Ministry recently reported that wages and benefits for government employees accounted for 60 percent of the state treasury's income last year, up from 37 percent a year earlier. Moreover, an increasing number of state-owned enterprises and institutions are financially overextended. These burdens are more than the country's finances can bear.

In February the government proposed a series of "immediate measures" aimed at trimming the public deficit and reducing expenditures. Priority was given to the task of controlling wage rises and cost-of-living subsidies. The theme of the belt-tightening campaign is "don't leave the tap running."

Under legislation passed recently, the government will nullify rises in the wages and grades of government employees if they are not made in the prescribed manner. The government will also investigate and dismiss employees who are found to have obtained their jobs through irregular channels. There are also plans to privatize some state-owned enterprises. The government projects that it can reduce the public deficit to 4 percent of GDP this year.

But this will not be easy. If inflation is not controlled, proposed measures aimed at freezing the wages and cutting the cost-of-living subsidies of government employees would reduce their

living standard. This would produce great pressures on the government. A Brazilian newspaper disclosed that at a recent cabinet meeting, there was a heated debate over the spending cuts proposed by the ministries of finance and planning. Most cabinet members did not agree with the idea of a wage freeze. As a result, the proposal had to be shelved. The privatization plan also encountered considerable opposition.

But the government's economic

ISLAMIC WORLD

Leaders Discuss Wide Range of Issues

The recent Islamic mini-summit condemned Israel for its repression of the Palestinian uprising, demanded a quick end to the Gulf war and called for support to Afghanistan after the withdrawal of Soviet troops.

A meeting of the Permanent Bureau of the Fifth Islamic Summit Panel and Chairmen of the Standing Pan-Islamic Committees was held in Kuwait on April 10-11.

The meeting praised the four-month-long uprising of Palestinians in territories occupied by Israel. The statement voiced support for the PLO, the sole legitimate representative of the Palestinian people, and for the Palestinian people's right to take part in international conferences and other activities relating to the Middle East question on an equal footing with other concerned participants. The statement demanded that an international Middle East peace conference be convened to seek a peaceful and just settlement to the problems of the Palestinians.

The current Palestinian uprising has received wide sympathy and support in the international community. Israeli atrocities have been strongly condemned by the United Nations Security Council,

leaders have not given up their efforts. They still maintain that cutting public expenditure is the only way to ease the country's financial plight. They are formulating new plans, including one for wage reform. The government has begun reducing the allocations to some departments. And economists are exploring ways to privatize state-owned enterprises through establishing a joint-stock system and turning the foreign debt into investment.

by Lan Zaiji

The prolonged uprising reflects the Palestinians' determination to enforce their national rights and to struggle until Israel ends its occupation of their lands.

The Gulf war has tied up Arab strength against Israeli aggression and expansion in recent years. The meeting expressed regret that the Iran-Iraq war has continued and support for the UN Security Council's resolution 598, which aims at ending the war. The statement reiterated that it is necessary to stop the Gulf war immediately, withdraw troops to the internationally recognized borders and exchange prisoners of war.

Referring to Afghanistan, the statement praised the Afghan people's struggle for the restoration of their country's independence and non-aligned status. The meeting welcomed the Soviet decision to withdraw its troops from Afghanistan and the agreement reached in Geneva on the Afghan situation.

by Zhao Xin

New Government Leaders Answer Questions

On April 13, newly appointed State Council Premier Li Peng and Vice-Premiers Yao Yilin, Tian Jiyun and Wu Xueqian met with the press in a news conference called by Zeng Tao, spokesman of the First Session of the Seventh National People's Congress, and attended by more than 400 Chinese and foreign reporters.—Ed.

Education Funding to Rise

Chinese Reporter: NPC deputies and CPPCC members raised many criticisms about insufficient education funds and the poor treatment of teachers. Does the State Council plan to adopt new measures on education.

Li Peng: We welcome all criticisms and suggestions raised by NPC deputies and CPPCC members to the conference. The State Council and the Party Central Committee plan to conduct studies on some of the problems in education raised by participants at the conference, and adopt appropriate measures to solve them.

Of course, effective and adequate education calls for increased funding. But we cannot depend only on central and local financial resources. We must pool funds from various sectors of the society.

In the 1988 fiscal budget adopted this morning, education funds account for a very large share, roughly 15 percent of the total increases to budget expenditure.

Television France: What are the major problems China aims to resolve?

Li Peng: My government work report listed ten tasks. I think they are all important, but the main thing is that China must continue with its reforms and open policy and stabilize the economy.

Hong Kong "Far Eastern Economic Review": At the 13th National Party Congress, Party General Secretary Zhao Ziyang said that the Party's role is to make decisions in all areas, including the economy. Does this mean that the role of premier is limited to implementing policies adopted by the Party Central Committee? Or is the premier allowed to enact

policies?

Li Peng: The major function of the State Council is to implement policies adopted by the Party Central Committee and laws drafted by the National People's Congress. As for myself, I am a member of the Political Bureau and the Standing Committee of the Party. Therefore, I also contribute towards making decisions.

China Central People's Broadcasting Station: Over the past few months several railway accidents have occurred. Some people think that dismissing one minister from his post will not solve the basic problem behind them. What measures will be taken to improve railway transport?

Li Peng: Accepting the resignation of Ding Guangen, former minister of railways, is a strict enforcement of the law and discipline; as a minister, he shouldered the major responsibilities. One of the first tasks of the new State Council is to ensure order in the railway system, improve management, tighten discipline and step up equipment maintenance. The major cause for the recent railway accidents was within the internal management of the railway department. But, with the implementation of the policy of reform and opening to the outside world in recent years, 50 million tons of goods were added to the transportation volume handled by the railways each year. This added to the difficulties faced by the railway department. The fact that railway workers have been working hard to cope with this situation does not mean,

Premier Li Peng (middle) at the news conference.

XUE CHAO



however, that there is no need to improve the railways.

Li Peng and Zhou Enlai

American "Time": People often talk about nepotism in China. They say that some people are promoted quickly because they have good social contacts or an influential family. Some people say that there is some special relationship between you and the beloved Zhou Enlai. Can you comment on this?

Li Peng: Premier Zhou Enlai is a great figure respected by the Chinese people and even the world. He is well-known for his selflessness. My promotion has nothing to do with him. I'd like to take this opportunity to give you some background information. Some people say that I am an adopted son of Premier Zhou Enlai and that between us, there is a kind of feudal relationship. This is inaccurate. My father is a revolutionary martyr. During the war years, Zhou Enlai and his wife give their love and concern not only to me but to a whole group of us. Then, I was studying in a school in Yanan and lived a strict semi-military life. I could see Premier Zhou Enlai and his wife Deng Yingchao only a few times in the year. Of course, their example had a deep influence on me. During the Yanan period, care for the orphans of revolutionary martyrs was not limited to the Zhou couple. Many revolutionaries of the older generation took on the task. It was a common practice then. It had no feudal base.

TASS: Soviet and Afghan leaders have issued a statement that tomorrow Pakistan and Afghanistan will sign an agreement in Geneva on the Afghan issue. What is China's attitude towards this?

Li Peng: China has taken note of the report. The Chinese govern-



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Chinese and foreign reporters raise hands for a chance to ask their questions.

ment has always held that the Soviet Union should withdraw its troops from Afghanistan. Therefore, it welcomes the agreement between Pakistan and Afghanistan and hopes they will carry it out.

American ABC: Recently, some Chinese leaders have adopted a suppressive attitude towards intellectuals. Fang Lizhi has been denied the right to publicly speak about his ideas on how to run China. Do you allow him to openly state his views?

Li Peng: I don't think the Chinese government has adopted a suppressive policy against Fang Lizhi. We allow all Chinese citizens, including Fang Lizhi, to make public their political views within the limits of the law.

Hong Kong "Ming Pao": In 1997, Hong Kong will be returned to China and some Hong Kong residents want to migrate to other countries before this happens. What are your comments?

Wu Xueqian: Personally, I don't think this is as serious a problem as some Hong Kong newspapers would have us believe. The main thing to note is that since the Chinese and British governments began implementing their joint

declaration three years ago, Hong Kong's economy has remained stable and prosperous. I am convinced that as long as both governments earnestly and seriously implement the principles of the joint declaration and maintain Hong Kong's stability, the problem of migration will produce little adverse effect on the overall situation in Hong Kong.

FRG "Der Spiegel": The people and deputies to the NPC meeting are very concerned about price rises. What is the highest rate of price rises acceptable to the people?

Yao Yilin: The Chinese people's capability to bear price rises should be judged by increases in their incomes. In this regard, there is no set formula. In the course of reform in the next few years, prices will continue to grow to a certain extent. There are two reasons for this. On the one hand, we want to develop agricultural production, especially grain production. Ours is a big country and we have more than 1 billion people to feed. Therefore, to increase grain production by a wide margin, we must encourage farmers to grow grain crops. On the other, we want to develop basic industries. Some

industrial goods are very low-priced. So, to develop basic industries, some prices will have to be gradually raised. It is unrealistic to hope that there will be no price hikes. But annual price rises must be kept within certain limits below double-digit growth rates. I'm not sure if we can achieve that this year. Any way, we will try to keep the annual price rise below 10 percent. It is also necessary to keep incomes, including price subsidies, in line with price rises so that the people will not be heavily burdened financially.

Chinese Reporter: Of all the people elected to this government, half are scientific and technological personnel. What considerations were made when you selected them for the State Council?

Li Peng: Our principle is to make leading bodies at various levels more revolutionary-minded, younger and more professionally informed and knowledgeable. That we allow some younger, better-educated people and people with scientific and technological backgrounds to enter the government falls in line with this principle.

Hong Kong "South China Morning Post": Could Premier Li Peng say something about his principles of life without slipping into "political jargon?"

Li Peng: I believe in Marxism, which, however, should be adapted to China's realities. I believe strongly in "seeking truth from facts." When I do something, like to see it through. I like reading, because reading can bring me knowledge.

Students' Criticisms

BBC: In some of Beijing's universities there have appeared big-character posters criticizing

Marxism and yourself. Do you object to these criticisms?

Li Peng: We welcome their criticisms and opinions. Many of the opinions are correct and helpful to the work of the government. But that doesn't mean that we agree with every opinion stated. Some college students don't believe in Marxism. But I can tell you that many more do. As head of the government, I am opposed by some individuals. This is nothing strange and I believe it happens in every country in the world.

Soviet "Izvestia": In China, the word "risk" has become increasingly associated with reform. Would you tell me how the various social strata view this question? Do you think people reluctant to take any risks will constitute an obstruction to reform?

Li Peng: Reform has its price and is often risky. Generally speaking, China's reform has been smooth and remarkably successful. Of course, there have also been difficulties but they can all be solved as long as we are prepared to face up to them.

Hong Kong "Wen Wei Po": A high-ranking official of the Taiwan authorities stated that Taiwan intends to take part in the economic development programme of the mainland's coastal areas. What is your comment on this, and what preferential policies will you adopt?

Li Peng: I cannot give you a specific answer as I haven't heard the statement you refer to. The Chinese government has consistently advocated trade between the mainland and Taiwan. I have already said in the report on the work of the government that Taiwan's business people and entrepreneurs are welcome to invest in the mainland, and that we will offer them preferential policies. Although Taiwan is part of China, we offer Taiwan investors the same preferential

treatment as foreign investors.

"Sueddeutsche Zeitung": Do you regret that the rejection of the plan merger of the three transportation departments?

Li Peng: No. We changed our original plan not because it was a bad one but because, as everybody knows, some air and rail accidents have recently occurred in China and we asked the departments concerned to concentrate their efforts on ensuring transport safety. If we restructure these departments and at the same time ask them to solve safety problems, they will be unable to concentrate all efforts to the main issue. That is why we decided not to establish a single ministry of transportation. Government restructuring this time will focus on changing government functions and replacing direct control over enterprises with indirect control. We don't have any experience in this. We have selected the Ministry of Energy as our trial subject. When we gain some experience, we will consider whether to popularize the method.

Public Supervision

Chinese Reporter: It is now difficult to present criticisms through newspapers. What measures do you think the government should take to guarantee the supervision of public opinion?

Li Peng: I reiterate that the government welcomes news media to criticize government cadres at various levels. I believe that problems in this area will be overcome through the promotion of political democracy and the perfecting of the legal system.

Canadian TV: Last Sunday some college students and teachers held a sit-in in Tiananmen Square, demanding an increase in allocations for education. The police did not drive them away, as in

December 1986 and January 1987. Does this indicate Chinese government acquiescence to this kind of peaceful demonstration?

Li Peng: Students and other Chinese citizens have the right to express their opinions within the limits of law and the regulations of local governments.

"People's Daily": Comrade Zhao Ziyang pointed out in his report delivered at the 13th National Party Congress that issues of great consequence should be made known to the people. Why were reporters ordered to leave when votes were collected at the current NPC session? As far as I know, this has aroused the disapproval of both Chinese and foreign reporters. How should the newly elected government increase its openness and visibility?

Li Peng: The secretariat of the NPC session was the body who asked reporters to leave when the votes were collected. As head of the new government, I don't find it necessary to answer your questions. But as a reader of *Renmin Ribao* (People's Daily), I'd like to tell you my own view. Each country has its own conditions and no two countries act alike in dealing with this issue. Democracy also has its limits. This session is more open than in the past. Of course, we cannot say this session has opened up adequately. Future sessions will be even more open.

Hungarian News Agency: Recently, some people said that you disagree with Zhao Ziyang on reform. What's your comment?

Li Peng: Comrade Zhao Ziyang and I have no differences on policies. The report he delivered at the 13th National Party Congress, and his report at the Second Plenary Session of the 13th Party Central Committee, and the Report on the Work of the Government I read at this session are products of collective discussion and approved by unanimous consensus.

Some foreign newspapers have made such comments that Comrade Zhao Ziyang is for reform and opening, while I am for stabilizing the economy. As a matter of fact, this is nothing short of a misunderstanding. Reform and opening and stabilizing the economy are interrelated and cannot be separated. The aim of reform and opening is to develop the economy, and a stable, continued economic growth provides conditions under which reform can be smoothly carried out. By the way, I'd like to tell you it was Comrade Zhao Ziyang who first advocated a stable, continued

'We welcome Dalai Lama to hold talks with us only when he abandons his separatist activities and maintains the unification of the country. The place of residence is not an important matter; the most important thing is that he must abandon his stand for Tibet independence.'

growth for the economy. In the report on the work of the government Comrade Zhao Ziyang made at the Fifth Plenary Session of the Sixth National People's Congress, he gave a detailed exposition of the question.

Not Necessarily Pro-Soviet

Reporter (not identified): You formed a cabinet with several members who once studied in the Soviet Union or East European countries. What are your considerations?

Li Peng: First of all, this has its

historical background. Most of the cabinet members are aged between 50 and 60. In the 1950s, China sent a large number of students to the Soviet Union and East European countries. Some of them have now taken up leading posts. At that time, we did not send students to the United States and Britain.

Second, do you think that a person who once studied in the Soviet Union will favour the Soviet Union and a person who once studied in the German Democratic Republic will favour the German Democratic Republic? I think it is hard to reach such a conclusion. All the new cabinet members have been tested for a long time and proved loyal to China and its independent foreign policy for peace.

Following your logic, China will have a pro-US government in 20 or 30 years because it now has some 20,000 students in the United States. Chinese students studying abroad are first and foremost patriots.

AFP: Bainqen Lama once said that if the Dalai Lama abandoned his stand for Tibet independence, he could return to China and live in Tibet. Do you recognize this?

Li Peng: We welcome Dalai Lama to hold talks with us only when he abandons his separatist activities and maintains the unification of the country. The place of residence is not an important matter; the most important thing is that he must abandon his stand for Tibet independence. ■



Importance Attached to Coastal Development

by Our Correspondent Han Baocheng

The world market-oriented economic development strategy for China's coastal areas was a hot issue during recent sessions of the Seventh National People's Congress (NPC) and the Seventh National Committee of the Chinese People's Political Consultative Conference (CPPCC). Taken up on the suggestion of Party General Secretary Zhao Ziyang, the development strategy was further expounded in Premier Li Peng's government work report which urged that its implementation be expedited.

According to the strategy, China's coastal areas, which cover 320,000 square km and have a population of 160 million, will introduce flexible preferential policies to attract more foreign funds and technology, and further expand foreign trade and economic exchange.

Ren Zhongyi, former secretary of Guangdong provincial Party committee and NPC deputy from Guangdong Province (the first

Chinese province to open its door to the outside), said that if coastal areas grab the opportunities now offering to speed up their own development, they will eventually promote the development of inland areas. They shouldn't be concerned about the temporary gap between coastal and inland areas but should proceed boldly on the path to development. Of course they should consider the realities of their localities, work prudently and avoid rash moves.

The strategy to import raw materials and export products in large quantities still needs some work, according to Ren. Coastal areas need raw materials from inland China. Products in short supply at home should also be made in China so as to partly replace imports. It is wise for coastal township enterprises to develop compensatory trade and industries which process imported materials and produce labour-intensive goods. However, rigid uniformity should be avoided.

Each area should choose its own products according to market demand and availability. Key cities and special economic zones should pool efforts to develop high-tech industries. In short, progress should be made in line with economic law and for the benefit of the country and the people.

Li Changchun, NPC deputy and governor of Liaoning Province (a heavy industrial base in northeast China), was very pleased to see that the province's open area has been extended from Dalian City to the whole Liaodong Peninsula and eight other cities, including Shenyang, capital of Liaoning Province. He said he and his colleagues would boldly experiment with plans to develop export-oriented, high-tech industries in the Dalian Economic and Technological Development Zone; establish an export-oriented processing industrial zone at Bayuquan district of Yingkou City to develop joint ventures and businesses which process and assemble imported materials and parts to specification; and make an example of the Tiexi industrial district of Shenyang for the use of foreign funds to re-equip old enterprises.

Land in these newly developed areas will be leased to Chinese and foreign enterprises for development. This year, 100 large and medium-sized state-owned enterprises in the province will invite international bidding for directors or managers, or contract or lease themselves out to foreign businesses. Foreign business people are also allowed to offer bids in the auction of small enterprises.

Wu Disheng, NPC deputy and mayor of Shenyang, said that Shenyang, with its solid industrial

NPC deputies from Hainan Island discuss coastal development during a group meeting.

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Director of the General Customs Administration and NPC deputy from Guangdong Province Dai Jie comments on the coastal development strategy.

foundation, should attract more foreign funds. Its primary task is to create an investment environment for foreign business people. Currently, efforts are being directed towards simplifying examination procedures and improving work efficiency. The city will also establish a round-the-clock information processing centre and a foreign exchange regulating centre.

NPC deputy and Governor of Hebei Province Xie Feng said although Beijing and Tianjin are located in the province, it failed to make any large strides towards opening to the world due to conservative ideas. The State Council has decided to turn three cities and 10 counties in Hebei into open economic areas, an opportunity the province should make the most of to expand co-operation with foreign businesses. In September this year the province's capital Shijiazhuang will host the fifth international economic co-operation and trade negotiations meeting, during which more co-operative projects will be offered.

While expressing their support for the coastal development strategy, some NPC deputies from

inland areas raised some doubts and worries. Some are afraid that the strategy will slow down the development of inland areas and result in the flow of talented people they themselves badly need to coastal areas. Wang Deyong, NPC deputy from Gansu Province, said that while coastal areas are being developed, inland areas should not be neglected. The coastal areas, after all, still rely heavily on the inland for supplies of raw materials. Areas in west China have felt a little left out of the development strategy. The state should formulate a corresponding development strategy for central and western areas.

Song Ruixiang, NPC deputy and governor of Qinghai Province, said that although Qinghai has latent potential in terms of natural resources, it is economically weak and can hardly advance on its own. It is very likely that it will slip even further behind as coastal areas develop. Given this, the State Council should formulate a policy encouraging economic co-operation between eastern and western China so that more funds, technology and trained people would be transferred from coastal areas to China's western areas.

CPPCC members raised many suggestions for implementing the coastal development strategy. Zhang Mingyang, research fellow of the Institute of International Studies, said that efforts should be made to prevent only importing raw materials on a large scale but not exporting our products on the same scale. He said it is easy to import goods from abroad when foreign currency is at hand, but it is not so easy to export our products. Although China's labour is cheap, it will never be competitive on the world market while its management skills and production technology remain backward and its product quality poor.

Prof. Xiong Xingmei, director of the Economic Research Institute of Nankai University, suggested that while developing the export-oriented economy, the huge domestic market should not be neglected. The state should have clear policies on industrial development and technological imports. Otherwise China could well become merely a processing factory for other countries. Xiong also expressed his concern about the policy of simultaneously importing raw materials and exporting Chinese products on a large scale, fearing it could lead to a new form of bureaucratic capitalism and a comprador class.

He Bingquan, deputy director of the Guangdong Federation of Industry and Commerce, said that before he came to Beijing he listened to the opinions of members of the federation in Hong Kong and Macao on the coastal development strategy. Their hope is that guarantees will be made to ensure profits for investors, that application and examination procedures will be simplified, local government interference limited, and foreign management powers and legitimate rights and interests guaranteed. ■

Report on the Work of the Government

(Delivered at the First Session of the Seventh National People's Congress on
March 25, 1988)

Li Peng

Acting Premier of the State Council



Fellow Deputies,

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

A Basic Summary of Domestic Work in the Past Five Years

During the period of the Sixth National People's Congress, the State Council, headed by Premier Zhao Ziyang, conscientiously carried out the line set by the Chinese Communist Party and the resolutions adopted by the Congress, scoring achievements in every field of endeavour which attract worldwide attention. Thanks to the concerted efforts made by all nationalities of the country in a pioneering spirit, our drive for socialist modernization has been full of vitality, and profound changes have taken place in China.

As a result of the reform and the open policy, over the past five years the economy has been developing steadily and the overall situation has been satisfactory.

-- During this period national economic strength continued to grow considerably. The average annual growth rate was 11.1 percent, and in 1987 gross national output, calculated in terms of comparable prices, reached 1,092 billion yuan. The economy developed quite rapidly with little

fluctuation. National income grew at an average annual rate of 10.7 percent, and in 1987 it reached 915.3 billion yuan, again calculated in terms of comparable prices. Domestic revenue grew at an average annual rate of 12.9 percent, and in 1987 it came to 224.36 billion yuan. Extra-budgetary funds increased at an average annual rate of 19.2 percent, and in 1987 they amounted to 193 billion yuan. Substantial growth was registered in the output of such major products as grain, cotton, steel, coal, electricity, oil, chemical fertilizer, cement, chemical fibres, cotton yarn and cotton cloth, as well as in transport and communications. Fixed assets of state-owned enterprises were increased by 585.4 billion yuan, providing the material and technological basis for further development of our economy.

-- A better balance was achieved between major sectors of the economy and macro-economic efficiency was improved. Overall labour productivity in industrial enterprises increased by an average of 6.5 percent a year. The ratio of output value to fixed assets, the turnover rate of circulating funds and proportion of the planned new fixed assets that has been placed in operation all grew. The variety of designs and specifications of industrial products was increased, and the quality of major products improved. Material consumption in industrial production was reduced, and the energy saved during the five years was equivalent to 160 million tons of standard coal. The improvement of macro-economic efficiency created conditions that will help us gradually to bring the economy into a "virtuous circle."

-- The people's living standards in both town and country were further raised. The per-capita net income of peasants increased from 270 yuan in 1982 to 463 yuan in 1987, with an average annual growth of 8.6 percent after adjustment for price rises. The amount that urban residents spent on living expenses increased from 494.5 yuan per capita in 1982 to 916 yuan in 1987, with an average annual growth of 6.3 percent after adjustment for price rises. Markets in town and country were brisk, and the supply of consumer goods increased markedly. Housing totalling 850 million square metres of floor space was built in cities and towns for workers and office staff, while 3.9 billion square metres were built in the countryside. The housing situation for both urban and rural residents was thus improved. Job opportunities were provided for more than 37 million people in cities and towns throughout the country, largely solving the long-standing problem of employment for young people there. Considerable progress was made in helping poor areas to cast off poverty.

Over the last five years a comprehensive reform

of the economic structure was carried out in both town and country, with the result that significant progress was achieved and a wealth of experience accumulated.

-- Reform in rural areas continued to be deepened. While improvements were made in the system of contracted household responsibility with remuneration related to output, village and township enterprises, socialized service trades and part-time businesses of various kinds all developed considerably. The preliminary reform of the system of unified and fixed state purchase of agricultural and sideline products aroused the peasants' enthusiasm for developing a commodity economy. In areas where the economy is relatively developed and in the suburbs of large cities, people grew crops, bred animals and raised fish on a fairly large scale, and a modern intensive agriculture began to emerge.

-- Reform in urban areas focused on revitalizing enterprises. Enterprises having been given more power to make decisions, diversified forms of the managerial responsibility system, including contracting and leasing, were introduced, and the share system was implemented on a trial basis with a view to giving enterprises relative independence in producing and marketing commodities. In enterprises, a system was put into effect under which the factory director assumes full charge and is held responsible for attaining given objectives during his or her tenure; the use of fixed quotas to control production was reinforced, as was economic accounting; and labour and distribution systems were reformed. As a result, a managerial mechanism conducive to the development of the commodity economy started to take shape.

-- While invigorating the consumer goods market, we also developed step by step the market for means of production, opened up money, technology, labour and real estate markets, conducted a useful study of and experiment in reform of the price system and strengthened the lateral economic ties between enterprises, localities and departments. A socialist market system is taking shape, and the market mechanism has started to play an important role in the operation of the economy.

-- Reform of the system of macro-economic control was vigorously carried out. In the systems of planning, investment, material supply, finance, taxation, banking and foreign trade we carried out varying degrees of reform, beginning to shift the emphasis from direct to indirect regulation and control. So far as the system of ownership is concerned, while vigorously strengthening the economy owned by the entire people as well as the collective and co-operative economies in town and

country, we also encouraged the development of individual and private economies, as well as of joint ventures, co-operative ventures and wholly foreign-owned enterprises. Thus we are gradually establishing a system of ownership comprising diverse components and forms, with public ownership remaining predominant. We also did much to improve economic legislation and to strengthen control and supervision over finance, taxation, prices, banking, auditing, customs and the administration of industry and commerce.

Propelled by economic restructuring, over the last five years reform expanded and played an increasingly important role in the fields of science and technology, education, culture and politics.

-- We started to introduce competition into science and technology through reform of the management system, thereby mobilizing the enthusiasm of vast numbers of workers in that field and promoting its development. A patent system was instituted. Technology markets sprang up. The association of scientific research institutions and colleges and universities with enterprises increased. Various kinds of scientific and technological enterprises and research institutions run by local people, all of which are fully responsible for their own profits and losses and apply the results of science and technology to production and sales, emerged steadily, breaking down the state's monopoly on scientific research. Over the five-year period more than 50,000 major research projects yielded successful results, some of which were up to the highest standards in the world.

-- Different types of education were developed through restructuring. We introduced a system of elementary education under which localities are held responsible and schools are administered by departments at different levels, thus mobilizing the enthusiasm of localities, departments and enterprises for running schools. With the implementation of the law on compulsory education, the conditions in middle and primary schools and the quality of teachers improved. Vocational and technical education expanded quite rapidly. We gradually reformed higher education, giving an impetus to teaching and scientific research. A large number of personnel of different categories were sent to study abroad, and the guidance of and services for these personnel were also reinforced. A preliminary system of adult education was established, and on-the-job training for office staff and workers was intensified. Considerable progress was made in pre-school education, in education of the handicapped and in the elimination of illiteracy. Literature and art, the press and publishing, broadcasting, the cinema,

television and other aspects of culture flourished, and the reform brought a host of new achievements in these fields, as also in public health and sports.

-- Gradual progress was made in the building of socialist democracy and the socialist legal system. Governments at all levels made some progress in implementing resolutions adopted at the people's congresses and in placing themselves under their supervision and bent every effort to make their work conform to the will and demands of the people. Many enterprises and institutions gradually made their administration more democratic, thus stimulating the enthusiasm and creativity of their workers and office staff. Government and production units were separated in rural areas, and township governments were established. Thanks to organs of self-government, many people in the villages have begun to educate themselves and to manage their own affairs. Governments at all levels and all departments concerned with the law made great efforts to strengthen the legal system. Over the past five years 30 laws were submitted by the State Council to the Standing Committee of the National People's Congress for examination and approval, and 255 administrative statutes were formulated and promulgated by the State Council. Bodies of law in all fields were improved, and law enforcement and judiciary and administrative work were strengthened. Thanks to the propagation of knowledge of the law, the people have gradually increased their awareness of the legal system and their understanding of the obligations of citizens.

-- Major successes were achieved in the reform of the army. A strategic change was made in the ideology guiding national defence. The process of building a revolutionary, modern and regularized People's Liberation Army was accelerated. The task of reducing the size of the army by 1 million was accomplished. The quality of officers and men was raised, and improvements were made in equipment for defence. Defence-related scientific and technological institutions and industrial enterprises successfully implemented the principle of combining military with civilian production. The People's Liberation Army made great contributions to society by defending and supporting socialist construction.

In the period under review, we constantly opened our country wider to the outside world and actively developed economic and technological exchange and co-operation with foreign countries, putting an end to China's closed or semi-closed status.

-- We achieved notable success in the development of open areas along the coast and of special economic zones, vigorously expanding the export-oriented economy and constantly increasing our capacity to earn foreign exchange. These areas

and zones have served as important channels through which to absorb foreign funds and introduce advanced technology and managerial expertise from abroad, and they have helped us greatly to acquaint ourselves with the international market, transmit economic information and train skilled personnel.

-- Major progress was made in foreign trade. Over the five-year period the total volume of import and export grew at an average annual rate of 14.7 percent, and in 1987 it reached US\$82.7 billion. Foreign markets were expanded, and our trade with both developed and developing countries increased. We were quite successful in readjusting the mix of export commodities, and the proportion of industrial products exported grew steadily.

-- There were major achievements in the introduction of foreign technology. In the last five years, more than 10,000 items of advanced technology and equipment valued at nearly US\$10 billion were imported to transform existing enterprises. This altered the technological backwardness of many enterprises and increased our ability to develop new technologies. Meanwhile, China's technology started to enter the international market, which means that we are no longer restricted to importing technology.

-- The use of foreign funds yielded excellent results. In the past five years, China contracted US\$15.38 billion of foreign loans in various forms and absorbed US\$8.78 billion of direct investment by foreign businessmen. In the more than 10,000 joint ventures, co-operative ventures and wholly foreign-owned enterprises and projects, there is now a higher proportion that are productive, export-oriented and technologically advanced. A group of well-run enterprises has emerged from among them, and so has a group of projects which are important for our economic development.

-- Contracting of projects abroad, labour service co-operation and international tourism developed rapidly. Over the past five years we contracted such projects or arranged for such co-operation with more than 100 countries and regions, earning nearly US\$4 billion. In 1987 a total of 26.9 million tourists (person/trips) came to China, a 240 percent increase over 1982, and brought in the equivalent of US\$1.84 billion in foreign exchange, a 120 percent increase over 1982. These visits have enhanced the understanding of China by the international community and cemented the friendship between the Chinese people and peoples of other countries.

Over the past five years the practice of reform and economic development did much to renew people's thinking and to promote the building of socialist culture and ideology.

-- Feudal ideology, the small-producers' force of habit and some old ideas that lagged behind the changing times were battered down, while new thinking and concepts that met the needs of advancing modern science and the developing socialist commodity economy were disseminated and consolidated. The development of the productive forces has increasingly come to be the point of departure in our consideration of all problems and the criterion for judging all our work. It has become an irreversible trend for the masses and cadres alike to take an active part in the reform.

-- While adhering to the Four Cardinal Principles and pushing forward reform and the open policy, we intensified our efforts to build a socialist society with an advanced culture and ideology. The eagerness of the masses to participate in the management of state affairs and of enterprises and institutions has grown day by day. They have been striving to build a society with an advanced culture and ideology. Many advanced individuals emerged who, by their innovative ideas and hard work, made valuable contributions to economic development and the reform. Gratifying achievements were scored in theoretical research in the social sciences, with the result that useful views have been presented on many important questions relating to economic development and reform.

Here it should be stressed that in the year just past China's economic growth continued to maintain good momentum. Total output value of industry (exclusive of village-run industry) rose by 14.6 percent, readily marketable products increased by a big margin and there was further improvement in the economic returns of enterprises. Total output value in rural areas went up by 12.7 percent, with grain output amounting to 402.4 million tons, an increase of 10.9 million tons over the preceding year. Export trade rose by 27.8 percent, and state foreign exchange surpluses also increased. The economic situation is still stringent, but as compared with the preceding year, certain long-standing factors of instability are easing. Facts in the past year have demonstrated that so long as we implement the contracted managerial responsibility system for enterprises in an all-round way, so long as the state correctly uses such means as investment, credit and consumption funds for control and regulation and so long as we link the stabilization of the economy with deepening of the reform, it is possible to gradually combine rapid growth with good economic returns and micro-flexibility with macro-control. If we continue to advance along this road, there will be good reason to expect stable, long-term economic growth.

Fellow deputies,

During the period of the Sixth National

People's Congress, we fulfilled the Sixth Five-Year Plan and satisfactorily carried out the plan for the first two years of the Seventh. The achievements in all these fields are due to the united efforts of the people of all our nationalities under the leadership of the Chinese Communist Party. On behalf of the State Council, I should like to salute the workers, peasants and intellectuals, the officers and men of the People's Liberation Army, the cadres and public figures in various circles throughout the country, and to express sincere thanks to the people of all our nationalities for their support of the work of the government.

The outstanding problem in our economic and social life today is the excessive rise in commodity prices, which has to some extent retarded the improvement of the people's living standard and has even lowered the living standard of some urban residents. We must realize that the prices of agricultural and sideline products and of primary industrial products have been relatively low for a long time and that the pricing system has been highly irrational. In the transformation of the product economy into a commodity economy, it is necessary to reform the pricing system and to raise the prices of these products appropriately. Therefore, a certain rise in prices as a whole is inevitable in the course of reform and is indispensable for promoting the growth of a commodity economy. The excessive rise in prices in the past few years, last year in particular, was connected with certain abnormal factors. They include the excessive issue of currency, the unduly large scale of capital construction, the inordinate growth of consumption funds and the outstripping of total supply by total demand. They also include the fact that a certain number of state-owned industrial and commercial enterprises made use of their monopoly position to raise prices without authorization, sometimes in disguised form, that there were too many intermediate links in the chain of circulation of commodity and that because the control over prices was not strict, speculators and profiteers took advantage of the situation to disrupt the market. Under conditions of rapid growth of the commodity economy in the rural areas, we failed to apply the law of value properly and in time to guide agricultural production. Accordingly, production of grain, pigs and other agricultural and sideline products fluctuated, which is an important reason that certain foods were in short supply and prices rose sharply. The emergence of these factors was also attributable to certain shortcomings and mistakes in our guidance of the work. Of course, the question of how to use the lever of price correctly to regulate production and consumption is one that requires further study. After repeated deliberations,

the State Council has recently decided to adopt the following comprehensive, co-ordinated measures concerning price:

(1) We shall continue to reform the irrational pricing system step by step according to plan, readjust the prices of agricultural and sideline products and straighten out the price parities among these products and between them and industrial products, so as to promote production.

(2) Starting by increasing supply and restricting demand, we shall control the extent of price rises and keep the overall price level relatively stable, preventing the rises from going beyond the endurance of various sectors.

(3) The various localities will give appropriate subsidies to workers and office staff for the rationed part of principal foodstuffs, in accordance with local price rises.

(4) We shall work hard to expand the market for means of production and shall fix price ceilings for the major items in that category.

(5) We shall strengthen control over commodity prices, tighten industrial and commercial administration, build and improve the system of supervision by the masses. We shall call to account and punish according to law any individual or organization that engages in speculation and profiteering or violates the price control regulations.

In order to further explain to deputies the situation of commodity prices and the reform of the pricing system, the State Administration of Commodity Prices will make a special report on the subject to the present Congress.

In the past five years we have achieved much in various fields, but there are still a great many difficulties and problems ahead and not a few shortcomings in our work. In the economic sphere there is still a tendency to be too impatient for quick results and to disregard economic returns. The economic structure is still irrational, and there is still a strain on energy, the supply of raw and semi-finished materials, transport and communications. There is still a large amount of deficit in state finance. Although the factors causing instability have been reduced to a certain extent, they have not been eliminated. During this period when the old structure coexists with the new, we are faced with many new contradictions in our effort to reform the old structure and explore new ways to improve the new. The economic relations between central and local authorities, between the state and enterprises, between collectives and individuals and between planning and the market have not been entirely straightened out yet, and our work in many fields cannot yet meet the needs of a growing socialist planned commodity economy. The market is

gradually opening up and the circulation of commodities and currency is steadily increasing, but many necessary laws, rules and regulations have not yet been established, while others are imperfect and still others have not been implemented to the letter. On top of that, administrative and supervisory work has lagged behind. For these reasons, such reprehensible practices as tax evasion, bribery, extortion, forgery and illegal imitation of brand-name products have appeared here and there; some cadres have abused power for personal gains and have even been guilty of embezzlement and corruption; certain government organs are extremely bureaucratic; and in some departments, localities, enterprises and institutions there is appalling extravagance and waste. Serious accidents are frequent in transport and production due to the fact that leadership is incompetent, management is poor, labour discipline is lax, and rules and regulations are not strictly enforced. All these problems have caused heavy losses to the work of reform and construction, and some of them have even caused loss of lives and property; they must be earnestly addressed.

By reviewing the practice of construction and reform over the past five years we have gained much useful experience and drawn a number of conclusions, of which the following are the most important for our future work.

1. We should firmly establish the guiding principle that construction must rely on reform and reform must promote construction, and we should continue to put reform at the centre of all our undertakings. In the period of socialism, the primary stage in particular, the central task is to accelerate socialist modernization and develop the productive forces. It is impossible to accomplish this task unless the old structures which were formed over a long period and are not suited to the development of the productive forces are reformed. Therefore, construction must rely on reform and reform must promote construction. Government work consists of a multitude of things, and only when we put reform at the centre of all our undertakings can we operate from a strategically advantageous position, deal easily with complicated situations and promote the work in all fields. The last five years' practice has also taught us that since China is a developing country which is economically poor and culturally backward and in which development has been very uneven, the reform cannot possibly be carried out in easy economic circumstances. We must continue to base ourselves on realities, observe objective laws and constantly resolve the contradictions in social and economic life, thus promoting steady and co-ordinated economic growth. The problems arising

from the process of reform must be solved by deepening it. That is the only way to make construction and reform promote each other and to progress in the right direction for expanding the productive forces and perfecting the socialist system.

2. In both construction and reform we must continue to proceed from actual conditions, emancipate our minds and respect practice. In carrying out construction and reform we cannot simply follow what the books say or mechanically imitate the example of other countries. Neither can we proceed from subjective wishes, divorce ourselves from reality and do whatever we please. Rather, basing ourselves on China's national conditions, we must persevere in making practice the criterion of truth and work hard to explore our own way. Since the Third Plenary Session of the 11th Central Committee of the Communist Party of China, all correct policies for construction and plans for reform have been the outcome of the emancipation of our minds, and the smooth progress of construction and reform in the future likewise depends on the further emancipation of our minds. Emancipating our minds means boldly breaking with traditional ideas and conventions that hinder the growth of the productive forces and shaking off the yoke of rigid ideas. We must firmly support whatever promotes the development of the productive forces and resolutely discard whatever hampers it. That is the only way to further liberate the productive forces and to advance the modernization programme.

3. In both construction and reform we must focus on improving economic results, constantly promote scientific and technological progress and strengthen modern management. Although the economic results of our production and construction have improved to some extent as the reform has been deepened and as relations between various sectors have been gradually straightened out, we are still far from overcoming our backwardness in this respect. Unless this problem is solved, we cannot modernize the economy. The present economic construction requires enormous amounts of money, and financial and material support is also needed for both structural reform and improvement of the people's standard of living. The only way to meet all these demands is to boost production and improve economic results. Improvement of economic results must be both the starting point and the goal of our construction and reform, and we must make it the criterion by which we judge their success or failure. On the condition of continued improvement of economic results, we must seek a fairly high rate of growth based on a rational economic structure. To

achieve big improvements in economic results and gradually shift from extensive to intensive management, we must vigorously promote scientific and technological progress and constantly strengthen scientific management. We must work at this perseveringly and with success; otherwise, the economic and technological gaps between China and the developed countries will be further widened, and our country will not be able to take its rightful place in the world.

4. To ensure the smooth progress of construction and reform, we must correctly handle the relations between their objectives and the steps to be taken to achieve those objectives. The 13th National Congress of the Communist Party of China decided on a three-step strategic plan for achieving economic development by the middle of the next century. It also defined the objectives of economic structural reform and outlined an overall plan for structural reform in other fields, particularly politics. Practice has proved, and will continue to prove, that the stated objectives of construction and reform are correct. However, we must also be aware that they are still, after all, only in rough outline that must be filled out and refined in practice. Likewise, the specific steps to accomplish them can only be explored in practice. The situation in the past five years shows that in order to achieve those objectives we sometimes have to make a detour. On the one hand, we should adhere to our original goals, maintain our direction in construction and reform, keep up our morale and be more confident; on the other hand, we should be mentally prepared for possible difficulties down the road, take into account what the state, the enterprises and the masses can tolerate, do our best within the limits of our capability and press forward vigorously and steadily. Since economic relations are very complex and our country is so big that conditions vary in a thousand ways, neither plans for construction nor programmes of reform can be worked out perfectly at one stroke, and they are bound to go through a continual process of modification and improvement. Now that our objectives have been determined, we must carefully draw up plans, define steps of implementation, conduct experiments in selected units and disseminate the experience thus gained so as to make steady progress.

5. We must properly balance the interests of various sectors and fully mobilize the enthusiasm of the cadres and the masses. Whether or not our reform can proceed smoothly depends to a large extent on how well the cadres and the masses understand and support it and on how successfully we can mobilize their enthusiasm. Basically, reform will liberate the productive forces enormously,

bring new benefits and higher living standards to the people and inevitably win their support. But this is a long and complicated process. It will take hard work and even great sacrifice to establish and perfect new systems and to make a success of reform. It would be unrealistic to expect that we can succeed without effort. Although reform will ultimately bring immense benefits to the people, a specific measure may not bring them immediate benefits and may even work temporarily against the interests of some people. We must face up to this problem, pay close attention to conflicts of interest and defects in our work that arise in the course of reform, study them carefully and remedy them. We shall firmly protect all income derived from diligent work and lawful operations but shall regulate excessively high incomes through taxation and by other methods according to law. We must resolutely punish those who seek exorbitant profit by violating the law and discipline. At the same time, we should greatly strengthen the work of publicizing the reform and rallying public support for it. We should help the masses to gain a clear idea of the content, significance and necessity of the measures we take, to increase their understanding of reform and to voluntarily support it and take part in it. To ensure the success of reform, which is their historic mission, cadres at all levels, leading cadres in particular, must stand in the vanguard and lead the masses forward. In both construction and reform, we should try to make overall plans that take into consideration the interests of all sectors and balance them correctly -- the interests of the state, collectives and individuals, of central and local authorities, of urban and rural areas, of different departments, of the coastal areas, the interior and the remote border areas, and so on.

Objective, Principles and Tasks Of Economic Development and Reform for the Next Five Years

The 13th National Congress of the Communist Party of China worked out a grand plan for our socialist modernization drive. The next five years will be the most important period for replacing the old structure with the new and completing the second step of the strategic plan for economic development in accordance with the guidelines set by the Congress. In the next five years, by accelerating and deepening the reform we shall promote the development of the productive forces,

fulfil the Seventh Five-Year Plan and draw up and begin to implement the Eighth Five-Year Plan. On condition that economic performance steadily improves, it is expected that the gross national product will increase at an average annual rate of 7.5 percent -- almost the same as the rate set in the Seventh Five-Year Plan -- and that by 1992 it will reach 1,550 billion yuan, a figure 2.7 times that of 1980. Judging from the present trend of economic development, we can certainly attain this objective, thus laying the groundwork for quadrupling our GNP and achieving a relatively comfortable standard of living by the end of this century.

To ensure that we achieve the objective of our economic and social development, we must firmly implement the Party's basic line for the primary stage of socialism, concentrate on economic development, uphold the Four Cardinal Principles and persist in reform and the open policy. In the next five years the government should do its work in accordance with this guiding idea and with the following principles:

-- Put reform at the centre of all our undertakings and integrate it more closely with economic development so that the two are co-ordinated and promote each other;

-- Conscientiously carry out the strategy of steady, long-term development of the economy, make greater efforts to promote the development and reform of science, technology and education and speed up the development of an export-oriented economy in the coastal regions in order to promote economic prosperity and advance modernization;

-- While accelerating and deepening reform of the economic structure, vigorously and steadily push forward reform of the political structure, develop socialist democracy, strengthen the socialist legal system and consolidate and develop political stability and unity; and

-- Concentrate on economic development, supporting it with ideological education and intellectual resources, and strengthen socialist culture and ideology so as to gradually foster good standards of social conduct, as required by our socialist society.

In implementing the foregoing policies all departments under the State Council, all localities and all enterprises and institutions should take the overall situation into account and bring their initiative, enthusiasm and creativity into full play so that our drive for socialist modernization will be full of vitality and our socialist society will advance steadily and harmoniously.

In accordance with the objective and principles just mentioned, the State Council will strive to accomplish the following ten major tasks in the next five years.

1. Step up agricultural production and substantially strengthen basic industries and infrastructure, so as to maintain steady economic growth.

The steady growth of agricultural production, especially grain production, is the foundation for sustained economic development. In the course of modernizing our economy, at all times we should try to prevent and overcome the tendency to neglect agriculture. We must strive to produce 500 million tons of grain by the end of this century, which will mean an average annual increase of 8 million tons. At the same time, we must try to produce more cash crops, such as cotton, oil-yielding crops and sugar-yielding crops, and to expand animal husbandry and aquatic production. With only 1.5 *mu* of arable land per capita, it is difficult to meet both the needs of national construction and the people's need for farm and sideline products and to move from a society in which people are merely assured of adequate food and clothing to one in which they lead a fairly comfortable life. Nevertheless, that is what we have to do. The self-contained or semi-self-contained economy in the rural areas is now changing to a commodity economy. The problems that arise in agriculture should therefore be solved in accordance with the law of value in the course of developing the commodity economy. This is an important guiding principle which we must firmly establish in our rural work.

To bring into full play the peasants' enthusiasm for agricultural production, especially the production of grain, in the next five years we must consolidate and expand the achievements of the reform in rural areas, continue to reform the system for state purchase of farm and sideline products, gradually rationalize prices, stimulate commodity circulation and provide better service before, during and after the production process. We must increase our investment in agriculture and improve the material and technical conditions of farm production so as to provide the basis for its further development. We should step up the construction of water conservancy works, harness big rivers, plant more trees and strengthen our capacity to prevent natural calamities such as floods, droughts, windstorms and invasions of insect pests. We should take effective measures to check the arbitrary appropriation of farmland. In the dry region of the north we should plant more drought-resistant crops and try to find ways to get stable high yields from them. We should make further efforts to help poor areas cast off poverty and become prosperous, and we should try to achieve more in this regard. The state's investment in agriculture should grow as national strength

grows, and local authorities too should allocate more financial resources for it. Also and in particular, they should encourage rural co-operative organizations and vast numbers of peasant households to increase their savings and put more into agriculture, so that it can develop in a self-sustained way. To this end, while maintaining and improving the household-based system of contracted responsibility with remuneration linked to output, we should formulate policies which will further mobilize the peasants' enthusiasm for agricultural production and raise their confidence in those policies, so as to give them a sense of security and encourage them to manage and develop their land on a long-term basis. By renovating and expanding a number of chemical fertilizer plants, we shall increase the output of standard fertilizer by 15 million tons in the five-year period. This is an important measure designed to strengthen the potential for further agricultural development. Meanwhile, to increase soil fertility, we should promote widespread scientific application of fertilizer and encourage greater use of farm manure. We should increase the supply of diesel oil, plastic sheeting, pesticides and good quality farm machinery.

In the past few years village and township enterprises have developed very rapidly and have become a major pillar of the rural economy and an important component of the national economy. Their growth has not only provided job opportunities for the surplus labour force in rural areas but has also promoted intensive management and modernization of agriculture, thus opening up a new way to achieve industrialization with Chinese characteristics. In our endeavour to adjust the structure of rural production we must not relax our efforts to increase agricultural output, especially grain output; on the other hand, in our endeavour to increase grain output, we must not relax our efforts to adjust the structure of rural production. That adjustment should have two aspects. One is that we should exploit hilly or mountainous land and courtyards, transform average and low-yield land into high-yield land, develop more grassland, firmly protect and rationally utilize forest resources, use inland waters and shoals for the cultivation of aquatic products and develop farming, forestry, animal husbandry, sideline occupations and fishery in an all-round way. The other is that, in accordance with local resources and conditions, we should continue to develop village and township enterprises and service trades so that they become an important force supporting the development of agriculture. In short, to keep the rural economy thriving for a long time to come, we should integrate

the use of the abundant labour in rural areas with the exploitation of natural resources, the expansion of the urban economy with that of the rural economy and development of a domestically oriented economy with that of an externally oriented one.

The basic solution to the problem of China's agriculture is to change traditional agriculture into modern agriculture. In recent years intensive agriculture managed on a fairly large scale has begun to emerge in some areas where the economy is relatively developed and in the outskirts of large cities. This is the inevitable trend of economic development in rural areas. Only when agriculture is managed on a fairly large scale can we utilize science and technology more effectively, make rational, combined use of labour, land, technology and equipment and achieve the best economic results. The development of fairly large-scale management must be compatible with the level of the productive forces and is predicated on the transfer of surplus labour from farming to industry, the mechanization of agriculture and the expansion of a system of socialized services. We must not rush headlong into mass action, issue arbitrary orders and spoil things by excessive enthusiasm.

Basic industries and infrastructure stand out as the weak links of our economy. To strengthen them we should carry out technological transformation, renovation and expansion while improving management, fully tapping the potential of production and making rational use of resources and economical use of funds.

In the construction of basic industries, we should first accelerate the development of the energy industry (primarily of electric power). We should arouse the enthusiasm of the central and local authorities and enterprises for building power stations and corresponding transmission and transforming facilities. We must try to put into operation each year generator installations with a capacity of more than 9 million kw and thus to alleviate the electricity shortage in five years. In the coal industry, while building more mines, we should continue the technological transformation of existing mines run by localities, including villages and townships, and of mines whose products are solely distributed by the state, and provide them with support facilities. We should try to improve the quality of coal and ensure the increase of raw coal output by more than 30 million tons a year. In the petroleum industry, we should speed up the general survey of and prospecting for inland and offshore oil and natural gas and try to verify new reserves as soon as possible. We should exploit the potential of the old oil fields so as to ensure their steady growth.

At the same time, we should develop new oil fields, trying to increase the output of crude oil by 3 million tons a year. We should also accelerate the development of the raw and semi-finished materials industries so as to be more self-sufficient in these materials. We should increase their variety, improve their quality and make sure that they are used economically and rationally. Through technological transformation, tapping of potential and expansion of existing enterprises, we should strive to increase the output of steel by more than 2.5 million tons a year and substantially increase the output of nonferrous metals, chemicals and building materials.

We must speed up the development of transport, post and telecommunications services. We should develop a comprehensive transport system, integrating the existing railways, highways, water routes, air routes and pipelines and rationalizing the division of loads among them so as to raise their overall efficiency. In railway construction, emphasis should be on increasing our capacity to move coal out of Shanxi Province and to transport more goods by removing the bottlenecks in certain sections. Vigorous efforts should be made to improve the old lines and to build urgently needed new ones, with a view to increasing transport capacity by over 40 million tons a year. We should continue to build more coastal harbours and highways. We should take full advantage of our long coastline and many rivers and lakes to greatly expand inland water transport. We should also expand ocean transport to serve foreign trade. Civil airlines are a modern means of transport, and we should increase their capacity and accelerate the construction of airports and the technological transformation of existing facilities. We should speed up the development of post and telecommunications so as to ease the strain on local calls in large and medium-sized cities and to increase the capacity of long-distance domestic and international communications.

We should vigorously develop the machine-building and electronics industries and promote lateral economic ties and extensive co-operation between specialized departments. This will enable us to provide a greater amount of advanced equipment for the technological transformation of the economy and for the expansion of exports. In textiles and other light industries we should strive to improve quality and grading and to increase varieties and designs in order to satisfy the needs of the people and enable more of our products to enter international markets.

In transport industrial production, and capital construction we should maintain a policy of safety first with prevention of accidents as our main

concern. We should pay special attention to safety in the workplace, improve management, strengthen labour discipline, raise the quality of working people, enforce rules and regulations, keep equipment in good repair, adopt advanced technology and guard against fatal accidents.

To keep the economy growing we must implement a long-term policy favourable to steady economic development. Of course, if we want it to be steady, we must strive for both speed and good results, and the rate of growth must be appropriate, neither too high nor too low. In the past few years the scale of capital construction has been over-extended, institutional purchasing and individual consumption have risen sharply, too much currency has been issued and government expenditure has been inflated. These have been the major factors affecting the steady development of the economy. We should therefore keep up our efforts to control demand and increase supply, trying to maintain a rough balance between the two. In its economic work the State Council will do all it can to open up new sources of income, increase revenues and control expenditure so as to ensure that the deficit does not exceed the figure set in the state plan. We should strictly control the issuance of currency and fix appropriate amounts for bank credit, in order to keep the money supply compatible with the economic growth rate. We should strictly limit investment and readjust the investment pattern, restricting the number of projects that are outside the plan, non-productive and non-key, so as to ensure the completion of key projects and technological transformation. In order to raise the people's living standards on the basis of increased production and improved economic results, we should also exercise proper control over the increase of consumption funds. While developing agricultural production and increasing the supply of farm and sideline products, we should expand the output of manufactured items of everyday use and, in particular, turn out more brand-name and high-quality products and more of those products that are in short supply. Commercial departments should ensure an adequate supply of goods for markets, and state-run shops should play their part in stabilizing prices. The nationwide campaign launched last year to increase production, practise economy, raise revenues and reduce expenditures has produced notable results. However, its development has been very uneven, and there is still a vast untapped potential. We should therefore continue with the campaign, broadening and deepening it.

2. Accelerate the development and reform of science, technology and education, so as to push forward economic development through advances in

science and technology and improved quality of the work force.

Science and technology are the key to the realization of the four modernizations, and education is the foundation for the success of this endeavour. In China, the development of the productive forces, the improvement of economic results and indeed the progress of the whole society depend on the development of science, technology and education. Therefore, it is the whole society, not just the scientific, technological and educational community, that should be concerned with accelerating progress in these fields and tapping intellectual resources. Governments at all levels, all localities, all departments and people in all trades should give first priority to the expansion of undertakings in science, technology and education and work with enthusiasm to make a success of them by following correct policies and taking correct measures.

In accordance with the proposal put forward by the 13th National Congress of the Communist Party, the State Council has instructed the State Science and Technology Commission and departments concerned to draw up as soon as possible medium- and long-range programmes for the development of science and technology, defining the strategic objectives, the priorities and the measures to be taken. We shall then be able to mobilize and organize all forces throughout the country to promote technological progress in all sectors of the economy.

To this end we must intensify reform of the management system for science and technology, encourage increasing numbers of scientists and technicians to gear their professional activity to economic development and shorten the length of time it takes to translate research results into productive forces. We must steadily improve the technology market, push forward the commercialization of technological achievements and promote and guide associations between scientific research institutes and enterprises. We should introduce more flexible policies towards scientists and technicians so as to encourage more of them to work in the forefront of industrial and agricultural production and especially to contract to provide technical services in towns, rural areas, remote areas and poverty-stricken areas. We should concentrate necessary financial, material and human resources on key scientific and technological projects and on pilot projects in sectors having strategic priority in economic development, such as agriculture, energy, transport, post and telecommunications, raw and semi-finished materials, machinery and electronics. We should transform enterprises, particularly large

and medium-sized ones, by introducing advanced production processes, technology and equipment. We should gather funds in society to carry out the "spark programme" to develop the rural economy. We must maintain a contingent of highly qualified research workers, strengthen both basic and applied research and accelerate the development of new and high technology, so as to prepare conditions for further advance of the economy. We must apply the patent law to protect inventions and encourage creativity so that scientists, technicians and workers will go in for technological innovation.

The basic function of education is to turn out qualified workers and professionals for socialist construction. Schools at all levels should promote the moral, intellectual, physical and aesthetic development of their students. And students should also be taught to do some physical labour. Governments at all levels should attach greater importance to education, do as good a job in education as they do in economic work, and make it a significant part of their overall plan for economic and social development. As the economy grows, the state and localities should increase funds for education and encourage people in all walks of life to raise or donate money for schools so as to speed up the development of education.

We should energetically set about improving elementary education. We must enforce nine-year compulsory education wherever local conditions permit. This is the foundation for raising the people's educational level and improving the quality of the nation as a whole. It should be the focus of our education work. We must continue to build a better contingent of teachers, enhance their social status and improve the facilities of primary and middle schools. Governments at various levels and departments in charge of education should take effective measures to help schools to follow the right orientation and to overcome the tendency to place undue emphasis on the proportion of their graduates who are admitted to schools of a higher level. They should also attach great importance to family education, integrating it with school education so as to help the healthy growth of youngsters. To meet the demands of various quarters in society, we should promote vocational and technical training and adult education in both urban and rural areas, expand the content of professional training and encourage people to continue their study in spare-time schools or to become trained through self-education. Employees of enterprises should be given on-the-job training and be encouraged to study to improve their skills and capabilities. In rural areas, we should continue our efforts to wipe out illiteracy among young and

middle-aged people. It is very important for the development of the rural economy to co-ordinate rural education with efforts to disseminate scientific knowledge and advanced techniques in agriculture.

In reforming higher education, we aim to gradually build an educational mechanism adapted to society's needs for professional personnel. Further efforts should be made to reform curricula and teaching methods and also the systems for college enrolment and for assignment of graduates. We should introduce competition into institutions of higher learning in order to improve the quality of teaching and to encourage students to display more initiative in study. All these principles should also be applied to vocational and technical schools. Our drive for modernization requires that we send students abroad for further study, and doing so is a concrete expression of our policy of opening to the outside world. We shall therefore continue the practice for a long time to come. We should improve the work of sending students abroad and guiding them.

Institutions of higher learning have on their faculties large numbers of scientists and technicians. We should encourage them to gear their professional work to economic development and to offer their services to society, provided that they fulfil their teaching obligations. As higher education in China has already developed to a certain extent, emphasis should now be placed on improving the quality of universities and colleges and adjusting their levels and structure, instead of on expanding their size or increasing their number.

While improving the faculty's teaching and other professional work, schools at all levels should make an earnest effort to improve the teaching of courses in ideology, ethics and political science and to strengthen ideological and political work among students. In the past few years good results have been achieved in institutions of higher learning and some secondary schools through various activities enabling students to take part in social practice. We should continue these activities and regularly review our experience so as to improve them. People in all walks of life should actively support them.

Intellectuals working in science, technology, education and other fields are the key people in our drive for socialist modernization. Along with the workers and peasants, they work hard and devotedly for the country. Many model workers have emerged from among them, and they have performed many meritorious deeds. We must create a social climate in which knowledge and educated people are respected, and we must continue to improve the material conditions of intellectuals, particularly of teachers and of scientists and

technicians working in rural or remote areas. We should encourage working personnel in institutions of higher learning, scientific and research institutes and medical establishments to offer various kinds of services, including services for pay, provided they accomplish their own work and offer their services under overall arrangements, so that in the process of creating wealth for the state and society they can gradually improve their own working and living conditions. We should make a point of selecting and training technical personnel and master craftsmen from among workers, peasants and other working people. Governments at all levels should show concern for intellectuals, listen to them, solve the practical problems of their working and living conditions and encourage their initiative and talent so that they can make more contributions to socialist modernization.

3. Carry out comprehensive supplementary reforms to deepen the reform of enterprises and gradually establish the dominant role of the new economic structure.

Stable, long-term economic development essentially depends on the smooth progress of reform of the economic structure. To promote the development of the productive forces we must speed up the transformation of the operating mechanism and system of management of the entire economy by carrying out the main comprehensive supplementary reforms in stages.

The central element in the overall structural reform is the revitalization of enterprises, especially large and medium-sized state enterprises, through in-depth reform. And the key to current reform is to institute various forms of the contract system of managerial responsibility, in accordance with the principle of separating ownership of enterprises from their management. Practice has proved that contracting the management of enterprises is an important means of invigorating the urban economy and that it provides conditions for reforms in other sectors. In line with the principle of improving, broadening and deepening the reform of enterprises and of introducing supporting reforms, we must constantly push forward the transformation of management -- primarily by instituting the contract system -- so that enterprises will be able to make their own management decisions and take full responsibility for their own profits and losses.

To deepen the reform of enterprises, it is necessary to do the following:

1) Introduce competition into the selection of managers or groups of managers, through public bidding, appointment, democratic election or other methods, so as to gradually build up a large contingent of people who are good at scientific

management.

2) Strengthen such basic work of enterprises as ensuring that the factory director assumes full responsibility; improving the accounting system; and introducing, to the extent conditions in the factory permit, the method of operating at full capacity and such other systems and methods as have proved effective elsewhere. We should strengthen democratic management and improve the system of congresses of workers and administrative staff. Workers and other employees should be encouraged to display their initiative and creativity as masters of their enterprises. This is an indispensable condition for good management.

3) Promote lateral ties between enterprises and develop group enterprises. On the basis of voluntary participation and mutual benefit, enterprises should be encouraged to take on the management of other enterprises, through contracting or leasing, to purchase each other's shares or to implement a system of shares on a trial basis, so as to rationalize their structure and the mix of products.

4) Under certain conditions, allow the property rights of factories which are standing idle or operating far below capacity to be sold, so that their assets will be more fully used.

While deepening the reform of management of enterprises, we should introduce comprehensive supporting reforms. For example, we should expand socialist market systems, enable cities to perform comprehensive economic functions and rationalize the division of functions among planning departments, financial departments and banks, so as to establish a system of macro-control based mainly on indirect control of enterprises.

The principal aims of reform of the planning system are to change the functions of state planning departments by reducing mandatory planning in favour of guidance planning, to work out medium- and long-range industrial policies, to establish a correct overall balance among the different sectors of the economy and, by the use of various economic means, to introduce a new economic mechanism by which the state regulates the market and the market guides enterprises.

The main aims of reform of the investment system are to improve the quality of projects, economize on investment, shorten the time it takes to complete a project, improve the pattern of investment, raise economic returns and rationally control the investment in fixed assets. The way to do all this is to establish and perfect a system of investment in fixed assets and to introduce public bidding for the design and construction of projects. In future, funds for construction should be gathered

from different sources and compensation should be made for their use. The state should gradually become responsible for investing only in infrastructure and basic industries affecting the economy as a whole, leaving it to the enterprises to provide most of the investment designed to earn profits. This reform should be co-ordinated with reform of the financial and monetary structure.

In reform of the financial structure, while implementing the contracted managerial responsibility system, we should gradually separate taxes and profit so as to rationalize their distribution to the state and enterprises. On the basis of unified leadership, separation of management at different levels and division of managerial power, we should adjust the revenues and expenditure of governments at different levels and introduce various types of contracts according to which each unit is responsible for its own surplus or deficit. We should gradually improve the tax system, appropriately readjusting rates and categories of taxes, and create conditions for the introduction of a system of tax distribution and a system of loan repayment under which taxes are deducted first. We should strengthen the collection and administration of taxes and use taxation as a means of regulating the economy. We must lose no time in establishing a system of management of state-owned assets.

In the reform of the monetary system, we should strengthen regulation by the central bank, letting it play an important role in macro-economic control. The bank should limit the amount of currency issued so as to avoid inflation and at the same time ensure an adequate supply to maintain steady growth of the economy. In the future, the government will finance any deficit spending chiefly by issuing bonds. To support the construction of key projects, industrial and agricultural production and export designed to earn foreign exchange, we should raise funds through loans from specialized banks that operate in the same way as enterprises and through money markets. In providing loans, we should give help to the most promising undertakings and make the pattern of production more rational.

So far as price reform is concerned, our policy should be to practise a combination of deregulation, adjustment and control, gradually straighten out the price structure and the system of price administration and promote the growth of a commodity economy. We must gradually readjust the irrational prices of certain products essential to the national economy and to the people's everyday lives, continue to relax control over prices of ordinary commodities and, at the same time, strengthen guidance and administration of the

market. With respect to energy and major raw and semi-finished materials, the state should establish fixed prices for those commodities listed under mandatory planning, while for the rest it should allow localities and individual enterprises to set prices through negotiation. When necessary, we should set ceilings for negotiated prices or restrict price fluctuations. We should firmly prevent the monopoly of pricing by trades and put a stop to arbitrary price rises and rises in disguised form.

In management of commerce we must accelerate the reform, promote the development of various kinds of wholesale markets and explore futures exchanges. While making use of the market, we must redouble our efforts to regulate and oversee market activities. We should speed up the reform of supply and marketing co-operatives in rural areas and promote the growth of a commodity economy there. We must also accelerate the reform of the system of handling commodities, reduce the varieties and quantities of those commodities that are subject to unified allocation, tighten the control of major commodities, gradually establish and develop various kinds of markets for means of production and enliven the circulation of commodities.

Wage reform must go deeper. We must continue to implement the labour contract system, delegating to enterprises the power to recruit staff and workers, and press for the optimum organization of labour in enterprises. We must expand the labour and technology markets and encourage a reasonable degree of mobility of qualified personnel. We should gradually institute a system whereby the total wages of a region or department are administered by itself, and enterprises in a position to do so should begin to tie their total wages to their economic performance. Enterprises should have complete power to make decisions in matters relating to their internal wage scales, evaluation of work performance, workers' bonuses and discipline, the state regulating the growth rate of wages through taxation. In this way, the wage system in enterprises will be separated from that in Party and government offices and public institutions. Furthermore, all enterprises should establish their own risk funds.

We must accelerate reform of the housing system in urban areas, particularly in large and medium-sized cities. The commercialization of housing will help greatly to readjust urban patterns of consumption and to change attitudes towards it. It will also help to overcome the abuses which have arisen from the system of allocated housing. This will benefit both the state and the people. Under a unified state policy, governments at all levels should

make studies, draft measures for housing reform and implement them in stages, in accordance with local conditions. Along with the housing reform, we should develop the real estate market and introduce the sale of rights to use land.

We must also accelerate the reform of the system of social security, establish and improve various kinds of social insurance, expand social welfare undertakings and continue to do a good job of providing relief and of giving special care to disabled servicemen and to families of servicemen and revolutionary martyrs, thus gradually forming a social security system with Chinese characteristics.

It should be emphasized that the reform of different areas of management must include strengthening our work in economic legislation and the administration of justice, improving the systems of taxation, industrial and commercial administration, auditing and supervision and tightening economic management and supervision, so as to guarantee the normal functioning of society and the healthy development of the economy.

4. Lose no time in implementing a strategy of economic development for the coastal regions and open wider to the outside world.

Today the economic interdependence of the nations of the world and economic co-operation as well as competition among them are steadily increasing. The fact that developed countries have been readjusting their economic structure and increasing their overseas investment has provided a good opportunity for China to find more international markets. We must open China wider to the rest of the world, speed up the growth of an export-oriented economy in the coastal regions and take an active part in world economic exchange and competition. The prosperity of the coastal regions will stimulate the economic growth of the country as a whole.

We must consolidate and expand our achievements in opening to the outside world and make full use of the existing special economic zones, open coastal cities and open economic areas. On this basis we shall introduce still more open policies in Guangdong and Fujian provinces and on Hainan Island. We shall establish comprehensive experimental zones there for reform and opening-up, so as to accumulate experience that will help us deepen reform and open wider to the outside world. The State Council recommends that because of its unique history, geography and natural resources, Hainan Island be made into a province and that it become the country's largest special economic zone, adopting policies that will give foreign investors even more preferential treatment than those

pursued in other special economic zones. It will be an arduous task to develop Hainan Island. We shall have to do hard, practical work. We must rely on Hainan's natural resources, make overall plans, concentrate on key projects and attack the work in one area at a time. One of the first things to do is to improve the investment climate, so that the island will eventually be able to build a more open and export-oriented economic structure.

The relatively developed provinces and cities along the coast should further expand their open areas. Relying on their respective advantages, they should make full use of their labour resources, which are abundant and relatively cheap, two very favourable factors. Furthermore, they should put into effect a policy of importing raw and semi-finished materials and exporting finished goods, encouraging both labour-intensive and labour/technology-intensive processing for export and participating in international exchange. In developing an export-oriented economy, coastal industrial cities and the special economic zones should serve as the vanguard, letting large and medium-sized state-run enterprises play a major role in earning foreign exchange through export. We must attach special importance to taking advantage of the rural labour force in the coastal regions and of town and township enterprises to develop export-oriented industry and agriculture in the countryside. We must also promote the establishment of economic ties between the coastal regions and the interior and the transfer of technology, managerial experience and technical and professional personnel to the central and western regions so that they too can develop rapidly. In this way we can make better use of the coastal areas in opening China to the outside world. In implementing the strategy for economic development in coastal regions, we must have a sense of urgency and must not let the opportune moment pass. But we should also be prepared for long-term, arduous work. We cannot succeed if we are too impatient for quick results. While developing the coastal regions, we must, in accordance with the principle of rational geographical distribution of productive capacity, make an overall plan for economic development of the country as a whole. The interior regions should take advantage of the development of the export-oriented economy in coastal areas to promote the development of their local economy and should, in accordance with local conditions, open wider to the rest of the world. To meet the needs of the open policy and the development of an export-oriented economy, we must quicken and deepen the reform of our system for managing foreign trade. We must adhere to the policies of letting enterprises assume

sole responsibility for their profits and losses and have a free hand in their own management, of combining production with marketing and of promoting a new system of export and import agents. We must "smash the communal rice bowl" [abandon egalitarianism -- *Tr.*]. Beginning this year, we shall introduce the contract system of management in foreign trade throughout the country and make localities responsible for their earnings of foreign exchange and for the amount of foreign exchange to be turned over to the central government. We shall also adjust the percentage of foreign exchange earnings that they are entitled to retain, in order to provide them with better conditions for doing business. Except for certain commodities which are essential to the national economy and the people's everyday life and the export or import of which the central government will continue to manage directly, management authority over most commodities will be delegated to lower levels, and departments concerned with such management will also be transferred to lower levels. The contract responsibility system must be introduced in enterprises engaged in foreign trade and production of exports in order to stimulate their initiative. National corporations which engage in foreign trade or which combine production with marketing should gradually diversify their range of products and services to suit the international market. In a planned way, they must try to concentrate their efforts on opening up world markets and providing services for foreign trade enterprises at home. We must quickly adopt a system whereby foreign trade corporations can act as agents for enterprises that wish to import and export goods. We must also expand lateral economic ties and encourage the overall development of foreign trade.

The way to open up even further to the outside world and to develop our economic ties and trade with other countries is to increase our earnings of foreign currency. We must select our best products for export, gradually adjust their mix, develop production bases for export goods and enlarge and improve our sales and service network for overseas markets. To guarantee the healthy development of our foreign trade, we must strike an overall balance between the needs of the domestic market and those of the export trade and co-ordinate the various mechanisms for managing it. We should make full use of the regulating function of the departments of foreign trade, pricing, financial administration, taxation, banking, customs, commodity inspection, foreign exchange control and industrial and commercial administration, of the supervisory function of the auditing and supervision

departments and of the co-ordinating function of the foreign trade associations. We must explore the international market for contracting labour services, strengthen management and co-ordination of such services and take further steps to increase our contracts for projects and labour-services co-operation abroad. We should expand our tourist industry, and vigorous measures should also be taken to tap our potential in this regard. We must improve the quality of tourism personnel and the service they offer as well as our management of the industry. We must make further adjustments in our import mix, with a view to promoting economic efficiency, scientific and technological progress and self-reliance. We must seek diverse channels for importing technology, guard against haphazard importation, strengthen the work of absorbing and improving imported technology, develop the production of import substitutes and speed up the process of substituting China-made goods for ones manufactured abroad.

We should explore more ways of attracting foreign capital. Bearing in mind our ability to repay foreign loans and our capacity to provide supporting funds and materials for projects involving foreign capital, we should borrow an appropriate amount according to a rational pattern, guide foreign investment in the right direction and raise the overall efficiency of its use. We should try to attract direct investment by foreigners and work hard to develop joint ventures, co-operative enterprises and wholly foreign-funded ones. We should encourage existing enterprises to co-operate with foreign investors so as to accelerate their technological transformation. We should further improve the climate for investment, accelerate the building of an infrastructure, raise administrative efficiency and protect the independent managerial rights of foreign-funded enterprises, so that foreign investors can invest in and manage enterprises in China in the same way as they do elsewhere.

5. Carry out a genuine reform of the structure of government organizations and work hard to overcome bureaucratism, raise efficiency and tighten law and discipline.

Reform of government organs is an important component of reform of the political structure and one of the central tasks of the next government. A proposal for reform of the structure of the State Council has already been presented to this Congress, and State Councillor Song Ping will explain it in detail when you come to examine and approve it. Now I should like to make some comments chiefly on the objective, principles and major emphasis of that reform.

The ultimate objective of the reform of the organs of government is to establish a flexible, efficient and smoothly operating system of administration and management with Chinese characteristics, a system with a full range of functions and a rational structure in accordance with the principles of separation of Party and government, separation of government and enterprises, simplification, unity and efficiency. A long-term effort will be needed to attain this objective. In the next five years we must work hard to create conditions for straightening out the relations between government on the one hand and enterprises, institutions and people's organizations on the other, between the various government departments and between the central and local governments. In working out the proposal for structural reform, the State Council has emphasized the following points.

First, the reform will focus on introducing changes in functions. In several years of reforming the economic structure we have fairly clearly identified the places where the existing government structure is unsuited to the demands of the reform. The government has gained some new experience on how it should manage the economy. This has made it possible for us to introduce a change in functions, to define spheres of responsibility and to reorganize government departments in accordance with the requirements of deepening the reform and the principle of increasing macro-control and reducing direct control. Those departments that should be abolished will be abolished, those that should be strengthened will be strengthened and those that should be added will be added. We shall not simply abolish some offices, merge others and cut back staff but shall reorganize the government to make it better suited to the demands of the economic structural reform and to the development of a socialist commodity economy.

Second, the government reform will focus on those departments of economic management that are most closely bound up with economic reform, and in particular on the specialized units of specialized departments and of the departments in charge of comprehensive management. Newly established departments should be structured according to their functions, and functions and number of units and personnel should be clearly stipulated. When departments are to be abolished appropriate transitional measures must be taken to ensure the continuity of their work. In the spirit of reform, departments that are to be retained should also change their functions, delegate powers to lower levels, readjust their organizational structure and streamline their staff.

Third, the reform of the government structure should be in accord with the general progress of the reform of the economic and political structures. The proposal that has been presented to you has taken into all-round consideration both the needs of the reform and the practical possibilities. It is a decisive step forward, but at the same time it takes account of the people's limited capacity to stand strains. The present reform will be both a break with traditional patterns of administration and a reform of a transitional nature.

Structural reform is a very complicated task, requiring both determination and prudence. It will proceed in the following stages: When the proposal has been examined and approved by this Congress, the new ministries and commissions will be established and put into operation within three months. Internal adjustments and streamlining of staff in the old ministries and commissions must be completed within six months. The reform of local governments should be well planned and well guided, and it should progress from the top down in orderly stages. Except for those cities which are selected for pilot projects with the approval of the State Council, the structural reform of governments of provinces, autonomous regions and municipalities directly under the central government is to begin in 1989. Reform of county and township governments will be carried out somewhat later. Departments under the State Council should support the reform of local governments and should not force them to have organs corresponding to those of the central government.

At the same time as we are reforming government structures, we must put into effect step by step a national public service system. Regulations concerning public servants must be formulated as soon as possible and a law governing them should then be drafted. We should establish schools of administration and train administrative personnel. From now on, the recruitment of personnel by governments at all levels must be done in accordance with the forthcoming regulations on public servants, so that outstanding people are selected on the basis of examinations.

Reform of the government structure and the personnel system is a great event in the political life of this nation. Government personnel, especially leading cadres at all levels, must change their old ideas, put the general interest above everything else and with a positive attitude try to carry out the reform well. To be specific, in order to make the reform a success they must make meticulous plans, carefully organize their implementation, and do thorough ideological and organizational work.

An important purpose of structural reform is

to overcome bureaucratism, raise efficiency and foster a good style of work. After organizations have been streamlined and administrative functions changed, there should be a major change in ways of thinking and style of work in governments at all levels. It is not enough to issue general calls for action. We must see to it that action is indeed taken and that inspection and supervision are carried out. All cadres, especially leading cadres at all levels, should keep in touch with what the people are thinking and share their concerns. They should firmly oppose corruption (the use of power for personal advantage, jobbery, the taking or offering of bribes), put a stop to extravagance and waste (wining and dining of official guests, touring the country at public expense) and promote a commendable work style based on honesty, hard work, plain living and the desire to serve the people loyally, energetically and conscientiously. The State Council and local governments at all levels should set an example. Their conduct will have a direct bearing on the general mood of society and on the success or failure of construction and reform. It is therefore a matter that deserves our closest attention. We must constantly keep in mind that China is a developing country, that the people's standard of living is still low and that we are carrying on large-scale construction with limited capital and inadequate supply of goods, so that any extravagance is a serious crime. If for a long time to come we are to lead the people in an arduous effort to overcome our country's backwardness and attain our goal of modernization, we shall have to be conscientious, diligent and thrifty. Those who disobey orders, defy prohibitions, are extravagant and wasteful and violate law and discipline must be severely penalized. Auditing, supervisory and financial departments at all levels must strengthen their work and open, public surveillance by the people and the mass media should be warmly welcomed.

6. Further strengthen socialist democracy and the socialist legal system, safeguard equality and unity among nationalities and consolidate and develop political stability and unity throughout the country.

Building socialist democracy involves, above all, mobilizing the initiative of basic units and the masses, broadening and institutionalizing democracy at the grass-roots level and guaranteeing that the workers, peasants, intellectuals and other people can exercise their rights as masters of the country. To promote democracy at the village level and to advance rural construction, governments at different levels must implement the Organic Law of Villagers' Committees of the People's Republic of China, ensuring that the villagers manage their own

affairs, as provided by law.

The system of democratic consultation and dialogue is an effective way for governments at all levels to correctly handle the contradictions among the people, exchange ideas with the masses, deepen mutual understanding and eliminate barriers between them. It is a lively and effective way of doing political and ideological work and also a new way of realizing socialist democracy, and it has injected new vitality into government work. Responsible cadres at all levels of government and in various government departments should conduct regular, direct consultations and dialogues with the people on a basis of equality, listen to what they have to say, show concern for their hardships and accept their reasonable suggestions and correct criticisms, so as to improve work and overcome unhealthy tendencies.

Governments at all levels should keep in closer touch with the People's Political Consultative Conference, the democratic parties and patriots without party affiliation, listen to their views and respect their proposals. They should rely on the trade unions, the Communist Youth League, the Women's Federation and other mass organizations and strengthen socialist democracy. They should institutionalize consultation on public matters and discussion of state affairs, so that democratic supervision on all sides will be carried out with greater regularity and effectiveness.

Ours is a unitary multinational country. It is in the common interest of all our nationalities to strengthen solidarity among them and to safeguard the unity of our country. Governments at all levels should pay special attention to protecting the equal rights of the minority nationalities and the right of autonomy of the national autonomous areas and respecting their customs and habits. Further efforts should be made to implement the Law on Regional National Autonomy and the policies towards minority nationalities, to train more cadres and competent personnel for construction among them and to perfect the system of regional national autonomy. We should conduct thoroughgoing education about unity among nationalities and to develop new socialist relations of equality, unity and mutual assistance among them. The national government and the economically developed areas should energetically help minority nationality areas speed up their economic and cultural construction and promote the common prosperity of all our nationalities. All our nationalities should unite more closely and join efforts to protect the unity of our motherland. The recent riot in Lhasa created by a handful of splittists was a grave incident that violated the law and undermined the unity of the motherland. The rioters must be severely punished.

Tibet is an inseparable part of China's sacred territory, and any words or deeds designed to split the region from the motherland run counter to the fundamental interests of the people of all our nationalities, including the Tibetan people.

The state respects the citizens' right to freedom of religious belief and protects normal religious activities. But such activities should be conducted within the bounds of the Constitution and the law, and no one should be allowed to engage, under the cloak of religion, in activities that impair national unity and undermine public order.

We have always paid great attention to and protected the legitimate rights and interests of Chinese nationals overseas, of those who have returned to China and of their families. We should listen to their opinions and suggestions with regard to the work of the government and unite with them so that they can make greater contributions to the development of China's economic, technological and cultural exchanges and co-operation with foreign countries, to the enhancement of friendship between the Chinese and other peoples and to the rejuvenation of China.

Socialist democracy requires the protection of a socialist legal system. China's socialist system of law, based on the Constitution, has now been basically established, and the political and economic life of the country, together with the functioning of the government, are gradually being brought within the jurisdiction of law, so that the situation where there are no laws to go by has changed greatly. We must continue to strengthen our socialist legal system so that it will develop along with reform and construction. While we are invigorating the economy, deepening the reform and opening wider to the outside world, we must promptly draft laws and administrative regulations and organize their implementation. At the same time we must strive to build a contingent of law enforcement officials and judicial personnel, improve the administration of justice, put a stop to the non-observance and lax implementation of laws, ensure that law-breakers are not allowed to go unpunished and adamantly defend the principle that all are equal before the law. All government workers should study and understand the law, enhance their concept of legality, strengthen their discipline, abide by the law in everything they do and set an example for others. Any government worker who breaks the law, violates discipline or is derelict in his duty must be dealt with strictly, in accordance with the law. Members of departments of public security, state security and justice and the people's police should likewise set an example, maintain strict discipline, improve their style of

work, constantly raise their political and professional levels, be honest in the execution of their official duties and firm in enforcing the law and make every effort to ease the people's anxieties and resolve their difficulties. We must use legal means to punish all hostile elements who disrupt our socialist system, crack down on all espionage that threatens state security, punish all criminal and economic offenders and ban all activities that disrupt public order. We must implement the resolutions of the Standing Committee of the National People's Congress and complete the task of spreading knowledge of the law among all our citizens. Laws should be regularly publicized and explained so as to enhance people's awareness of them. Disputes and other contradictions among the people should be promptly and correctly mediated or otherwise dealt with, and comprehensive measures should be taken to ensure public order. All this will serve to ensure the smooth progress of the reform, of the opening to the outside world, of economic development and of all other branches of work and to guarantee unity, stability and lasting order in our country.

7. Create an advanced socialist culture and ideology so as to further the smooth progress of reform and the opening to the outside world and to ensure the success of our drive for modernization.

It has been our consistent policy to build a socialist society that is advanced not only materially but also culturally and ethically. Governments at all levels and all grass-roots units must assume overall responsibility for both aspects of this endeavour by adopting effective measures, including the provision of necessary financial and material conditions, and vigorously promote the cultural and ideological progress of their respective districts or units.

Making political and ideological education more appealing and a more cohesive force is essential to the success of the reform and the opening to the outside world, and it is also an important guarantee of our socialist construction. Governments at all levels, people's organizations and all sectors of society should improve political and ideological work at the basic level in order to bring up a new socialist generation of better educated, self-disciplined people with high ideals and moral integrity. We should constantly publicize and explain the Party's basic line in the primary stage of socialism, continue to carry out the policy of emancipating minds and seeking truth from facts and try to create an environment of public opinion favourable to modernization, reform, and the open policy. We must advocate the spirit of self-reliance and hard work and correctly handle the relations between the state, the collective and the individual.

We must combine sound political and ideological work with material benefits and further stimulate people's socialist initiative and creativity. We must inspire patriotism and encourage a national spirit of dedication and aspiration. We must explore new ways to carry out ideological and political work in enterprises in the new environment of reform and the open policy and under the new conditions of directors assuming full responsibility. We must teach workers and office staff to love their jobs and to observe professional ethics. The masses should enhance their desire and ability to educate themselves, manage themselves and serve themselves. Mass activities to raise cultural and ideological levels must continue to expand. The virtues of unity and mutual help should be developed. In creating advanced units, villages and townships and in building advanced units through the joint efforts of the army and the masses, we should start with undertakings that are necessary and feasible and raise the quality of this work, stressing its practical results. The transformation of outmoded habits and customs, particularly in rural areas, should be undertaken as an important aspect of the programme to advance cultural and ideological development. Feudal, superstitious activities and gambling, which disturb public order and are damaging to the physical and mental health of our people must be stopped in accordance with the law.

In developing an advanced socialist culture and ideology, we must adhere to the principle of serving socialism and serving the people, carry out the policy of "letting a hundred flowers bloom, a hundred schools of thought contend." implement a stable policy with regard to cultural affairs and help all cultural undertakings to grow and flourish. Workers in the social sciences must further emancipate their minds and, firmly basing themselves on the practice of reform and construction, engage in creative theoretical research. They should enrich and perfect the theory concerning the primary stage of socialism. Writers and artists should go among the masses, plunge into the thick of life and then reflect in their art the great tide of reform and construction, kindling the people's aspirations and their will to forge courageously ahead and producing outstanding works befitting this great era. Theatrical groups and other cultural institutions should be encouraged to reform their structure after having summarized their experience. We should be concerned with the development of such public institutions as libraries, museums, science and technology halls and cultural centres and support them so as to enrich people's lives. We should develop China's fine cultural tradition, promote cultural exchanges with other

countries and assimilate the achievements of civilization the world over. We should gradually improve the body of laws relating to cultural affairs, strengthen control over the cultural products market, protect healthy cultural undertakings, ban reactionary and obscene things and combat the corrosive influence of decadent feudal and capitalist ideas. Governments at all levels should pay close attention to the development of such enterprises as broadcasting, television, film production, the press and publishing, and let the mass media play an active part in publicizing policies, keeping in touch with the masses and developing consultation and dialogue. We should also encourage the mass media to play their part in supervision by public opinion, supporting their conscientious efforts to expose and criticize bureaucratism, breaches of law and discipline and other forms of corruption. In the field of publishing, reform should centre on improving the selection of titles, readjusting the publication structure, raising the quality of publications and speeding up structural reform in distribution. The press, publishing houses and other cultural enterprises whose major function is to create and disseminate intellectual products should take measures to improve their management and increase economic returns, but economic returns must be combined with social benefit and subordinate to it.

In health work, we should carry out the policy of putting prevention first and uniting practitioners of Chinese and Western medicine in the endeavour, develop both modern and traditional Chinese medicine and strengthen the prevention and treatment of infectious diseases, endemic diseases and other illnesses that seriously endanger people's health. We should improve supervision over medical and pharmaceutical undertakings and attach importance to food hygiene. We should expand the patriotic health campaign and improve the system of primary health care and the training of health workers at grass roots to protect people's health. We should strengthen the health care of the aged. Sport is an important means of improving people's physical condition and also of building a society with an advanced culture and ideology. Accordingly, governments at all levels should give it due attention. With the support of the entire society, we should develop physical culture to improve the physical condition of our children and young people and of all our citizens. We should establish competitions of all kinds and select and train outstanding athletes so that we attain world standards in more and more of our sports events. We must make active preparations to ensure the success of the 11th Asian Games in our country in 1990. All levels of government and the whole of

society should attach great importance to the affairs of the handicapped, display a spirit of socialist humanitarianism, show concern for them and help them, so as to bring about steady improvement in their medical and health care, education, employment opportunities and general welfare.

8. On the basis of the current situation and future requirements, implement the two basic state policies of family planning and environmental protection.

It is a basic policy of our country to ensure family planning, control the growth of population and improve the population quality. Governments at all levels and people working in family planning have made strenuous efforts to carry out this national policy and have done so with marked success. However, our population base is large, and we are now in a peak period of births. Moreover, the influence of traditional attitudes is very strong, and many new situations and new problems emerge in the course of reform. All this increases the difficulties of our work in the field of family planning, and we should not treat them lightly. To keep China's population at about 1.2 billion by the end of the century, we must strictly carry out the current policies of promoting later marriages and later childbirth and of each couple having only one child. Even though we make some exceptions for a small number of rural families with real difficulties, we must control this strictly. We should promote good prenatal care, sound practice in bringing up children and good education, so that while controlling the population quantitatively, we improve it qualitatively. This is a matter of great importance and one that will profoundly affect the modernization of our country and the future of our people. All levels of government must strengthen their leadership in this connection to make population growth compatible with economic growth. We must strengthen the organizations at all levels responsible for family planning, step up scientific research on family planning, conscientiously carry out propaganda and education in this regard, offer proper services for birth control and make a success of the family planning work, particularly in rural areas. All relevant departments and all people's organizations must co-operate closely and make joint efforts to implement this state policy.

It is another basic policy of our country to protect the environment. In recent years we have made some progress in this area, but on the whole environmental pollution and disruption of the ecological balance are still very serious problems, and the task of environmental protection is still very demanding. We must start with the actual situation in the country and co-ordinate the planning, implementing and developing of our economic

construction, urban and rural construction and environmental protection. We must pay particular attention to the protection of natural resources such as soil, water, forests, grasslands, wild animals and plants and marine life, and to the rational exploitation of mineral resources. We must, in particular, put a stop to the unauthorized use of arable land and the destruction of forests, and promote the planting of trees and grass in both town and country, which will benefit the people. We should take comprehensive measures to improve urban and rural environments, emphasizing control of air and water pollution and better treatment of solid wastes. We must improve the work on environmental protection, see to it that environmental protection departments exercise their supervisory functions, and make persistent efforts to ensure a sound ecological system.

9. On the basis of increased production, raise the incomes of urban and rural people and improve their material and cultural life.

The starting point and the end result of socialist construction is the satisfaction of the material and cultural needs of the people. Governments at all levels will, as always, work energetically to raise the people's living standards. We must try to attain the objective set in the Seventh Five-Year Plan of increase in the median real per-capita consumption level of both urban and rural populations. All our construction projects need large amounts of capital, and at the same time we need to steadily improve the life of a billion people. This is a major problem that will be hard to solve. The economy of our country is still relatively backward, and if we are to make China strong and prosperous and our people well off, we shall have to go through a long period of hard struggle during which living standards can improve only step by step. We must maintain the principle of "both feeding the people and building the nation" and integrate our immediate interests with our long-term interests. We must oppose both the tendency to place one-sided emphasis on production while neglecting consumption and the tendency to strive for high consumption without regard for the country's level of economic development so that the expansion of production and construction and the rise in the standard of living will be compatible with and promote each other.

At present, taken as a whole, public consumption in our country is at an intermediate level between sufficiency and comfort and so we must pay special attention to handling well the relations between economic development and the people's standard of living. First, we must determine the correct ratio of consumption to accumulation and explore ways to control

ballooning consumption, making its expansion commensurate with the development of production and the increase in productivity. Second, we must formulate correct policies for consumption and guide and regulate it so as to create a structure of production and consumption with Chinese characteristics. Our country has a huge population for which resources are insufficient, and for a long time to come we shall have to maintain our fine tradition of diligence and thrift, adapting the structure of our consumption to the need to conserve resources. For a relatively long time, because of the restrictions imposed by the average per-capita amount of grain, a major increase in supplies of meat, poultry, eggs and other animal food products will not be possible, and eating patterns will have to conform to that situation. We should regard this as one of our long-term and important policies, stress its importance and study it. Third, we must improve the distribution of the national income, continue to combat egalitarianism and persevere in our policy of permitting a part of the population to become prosperous before the rest, through honest labour or lawful management. At the same time we should keep to our objective of common prosperity. Judging from the present level of production and anticipated future trends, so long as there is a steady expansion of the economy and a constant increase in economic returns and so long as the structure of production and consumption is kept more or less rational, the living standards of the people are sure to rise.

10. Further strengthen the building of national defence as our economy develops.

In the next five years we must strengthen national defence on the basis of steady development of the economy. In strengthening defence we should take the overall interests of economic development into account and include national defence in the general plan for economic and social development. The People's Liberation Army must intensify its military training, political work and research in military science, expand its logistic services and constantly improve its quality and increase its defence capabilities. The army should work out a comprehensive plan designed to speed up and deepen its reform and carry it out systematically, actively and prudently, on the basis of the significant progress it has already achieved. We must formulate sound regulations and rules for the army and put them into effect. We must also continue to give special care to disabled servicemen and to families of servicemen and revolutionary martyrs and to make arrangements for army cadres who are transferred to civilian work. The defence-related scientific and technological departments and industrial enterprises must continue to follow

the principle of combining military with civilian production. They must work hard both to serve economic construction by developing civilian production and to modernize defence by developing military production and constantly improving the army's technical equipment. We must teach the people about national defence, enhance their awareness of the need for it and create an atmosphere of love and respect for the army and of support for the reform and the building of the army. We must further improve relations between the army and the government and strengthen the unity of the army and the people. We must continue to build the system of militias and reservists. All officers and men of the People's Liberation Army, imbued with a strong sense of responsibility and high enthusiasm, should accelerate the building of a revolutionary, modern regularized army, constantly making new contributions to the defence and construction of our motherland.

Relations With Foreign Countries

In the past five years we have scored important achievements in foreign relations and a new situation has emerged. This is thanks to our resolute implementation of an independent foreign policy of peace and to our continued correct adjustment of some specific policies in response to changes in the international situation and to the needs of our socialist modernization.

In these five years the principal leaders of our country paid visits to 46 countries on the five continents, and heads of state and government from 89 countries visited China. The exchange of such visits has enhanced mutual understanding, strengthened amicable relations and co-operation between China and other countries and promoted friendship between the people of China and the rest of the world. Co-operation and exchanges with foreign countries in the fields of economy, science and technology, culture, education, public health and sports have been expanding at an increasing rate. Since 1983, we have entered into diplomatic relations with ten more countries, namely, Antigua and Barbuda, Angola, Cote d'Ivoire, Lesotho, the United Arab Emirates, Bolivia, Grenada, Nicaragua, Belize and Uruguay. At present, China maintains diplomatic relations with 135 countries and economic and trade relations with 178 countries and regions. The expansion of our foreign relations has created a better international environment for our reform, our opening to the outside world and our drive for modernization.

The current international situation presents both encouraging trends and disturbing features.

Taken as a whole, it is developing in a direction favourable to the world's people.

Recently there has been some improvement in relations between East and West and a certain degree of relaxation in the international situation. Last December, after many years of negotiations, the United States and the Soviet Union finally signed the Intermediate-range Nuclear Forces (INF) treaty for the destruction of medium- and shorter-range missiles. This treaty represents the first step towards reduction of nuclear weapons, and like many other countries, we have made a due evaluation of it and hope that it will be implemented in earnest. However, it must be pointed out that the nuclear weapons covered by the terms of the treaty comprise only a tiny part of the nuclear arsenals of the United States and the Soviet Union and that their destruction will by no means suffice to free mankind from the threat of nuclear war. The people of the world have ample reason to demand that the United States and the Soviet Union make still greater efforts for disarmament.

China has never participated in the arms race and has always advocated comprehensive disarmament instead. The world has seen that when the international situation permitted we voluntarily and resolutely reduced our armed forces by 1 million. China is a developing country, and it is exclusively for the purpose of self-defence that it possesses a small number of nuclear weapons. The Chinese government has on many occasions declared to the world that at no time and under no circumstances would China be the first to use such weapons, and it declared in the spring of 1986 that from then on it would stop nuclear testing in the atmosphere. The Chinese government has repeatedly stated and still believes that the United States and the Soviet Union, which possess more than 97 percent of the world's total nuclear weaponry, should take the lead in stopping the testing, manufacture and deployment of such weapons and substantially reducing their existing number. Only after this is done will necessary conditions be created for the convocation of a broadly representative international conference on nuclear disarmament with the participation of all the nuclear states. At present, the United States and the Soviet Union are still improving their nuclear weapons and extending their arms race to outer space and other fields of high technology. Even if they cut their strategic nuclear arms by 50 percent, the nuclear weapons they possess would still make up more than 90 percent of the world's total. Disarmament remains an arduous task. As always, along with all peace-loving countries, China will continue to work for the cessation of the arms race,

the complete prohibition and thorough destruction of nuclear, chemical and other weapons of mass destruction and the substantial reduction of conventional arms.

The armed invasion of small, weak countries by foreign powers and protracted regional conflicts not only bring disaster to the local people but also threaten world peace. Lately, the parties concerned in such conflicts have been actively seeking political settlements to them. To reach fair and reasonable settlements, the accepted norms governing international relations must be observed, the sovereignty of the countries concerned must be respected and foreign aggression must be stopped.

Viet Nam's aggression against Kampuchea has entered its tenth year. The Vietnamese authorities should realize that armed invasion will not subdue the Kampuchean people and has only placed themselves in a grave predicament. We firmly support the Kampuchean people in their struggle against Vietnamese aggression, and it has consistently been our view that the key to a fair and reasonable political solution of the Kampuchean problem is the complete withdrawal of Vietnamese troops at the earliest possible date. This will permit the various parties in Kampuchea to solve their internal problems through consultation. Although the Vietnamese side has expressed the desire to withdraw its troops, facts prove that it is not sincere. Viet Nam is a party to the Kampuchean conflict. If it wishes to pull out, it should do so straightforwardly; if it wishes to seek a political settlement, it should hold talks with Samdech Norodom Sihanouk, with the Coalition Government of Democratic Kampuchea. We respect the efforts made by Prince Sihanouk and the international community to achieve a fair and reasonable resolution of the Kampuchean issue so that Kampuchea will once again become an independent, peaceful, neutral and non-aligned state.

Recently some progress has been made with regard to the political settlement of the Afghan problem. For a long time the world community has been strongly demanding that the Soviet Union end its military occupation of Afghanistan and restore that country to independence, neutrality and non-alignment. The Soviet Union has announced that it will withdraw all its troops from Afghanistan. We hope that this will indeed happen. And we hope to see that a coalition government formed by various parties concerned will be established in Afghanistan as early as possible and that millions of Afghan refugees will be able to return safely to their homeland to enjoy a peaceful life once again.

The tension in the Persian Gulf region has been a matter of concern to all nations. Resolution 598

adopted by the United Nations Security Council last year provides a good foundation for the peaceful settlement of the conflict between Iran and Iraq. We support the secretary-general in his efforts for mediation. China will always support any measure conducive to the implementation of Security Council Resolution 598 and the early termination of the Iran-Iraq conflict. We disapprove of the military involvement of the superpowers, as it breeds the danger of an escalation of the conflict. China has friendly relations with both Iran and Iraq. We hope that they will stop the war and make peace. We have consistently stood for the settlement of international disputes through peaceful negotiations. Conflict will only bring harm to the developing countries, and friendly coexistence alone will benefit all parties concerned.

We support the Arab countries and the Palestinian people in their just struggle against Israeli aggression and expansion and condemn the Israeli authorities for their atrocities in suppressing the Palestinian people in the West Bank and the Gaza Strip. We favour the convening of an international conference on the Middle East issue under the sponsorship of the United Nations to work out a just and comprehensive settlement.

We support the just struggles of the people of South Africa to combat racial discrimination, of the Namibian people to gain national independence and of the peoples of southern Africa to safeguard their national security and resist aggression by South Africa.

We also support the Central American countries in their efforts to achieve peace and stability in the region. We are concerned with the tension now existing in the region, and we oppose any superpower interference in the internal affairs of other countries.

The increasingly turbulent world economic situation in recent years has aroused attention and anxiety in many countries. Although the economic growth of the developed countries continues at a low rate, there have been intensified clashes among them, and a new economic recession is looming larger and larger. Many developing countries are also facing hard times because of reduced export earnings and increased debt. Under these circumstances, the developed countries are seeking to co-ordinate their economic policies and stabilize finance. To revive their economies, quite a few developing countries are groping for development strategies that are suited to their particular conditions and have adopted some measures to promote South-South co-operation. It should be pointed out that given the ever-closer economic ties among all countries, a solution can be found only

when North and South work together to overcome the difficulties in accordance with the principle of mutual benefit. History has created the gap in wealth between South and North, but in today's world it is increasingly difficult for the developed countries to maintain their prosperity and stability on the basis of widespread poverty and backwardness in the developing countries. The North-South dialogue should be continued, and the irrational world economic order should be altered. We support the third world countries' just demands and reasonable proposals for opposing trade protectionism, raising the prices of primary products and reducing the burden of foreign debt. We hope the developed countries will pursue far-sighted policies and take effective measures in matters of finance, trade and technology transfer and especially for the alleviation of the heavy burden of debt on the third world countries, so as to create a favourable international environment and conditions for the development of the third world. Only by so doing can the developed nations solve their own problems with regard to commodity markets, outlets for funds and supplies of raw materials, thus promoting the common prosperity of all nations.

Deeply concerned with its own development, China hopes to have friendly co-operation with all countries in the world on the basis of the Five Principles of Peaceful Coexistence.

Sino-US and Sino-Soviet relations are issues of concern to everyone. As is known to all, China, persisting in its determination to act independently, will never attach itself to either superpower or enter into alliance or strategic relations with either. The pursuit of such a policy by China -- a developing socialist country with a vast territory and a huge population -- is not only in the interest of the Chinese people but also conducive to world peace and stability.

In the past five years Sino-US relations have been generally stable. High-level contacts have been maintained, and economic and trade relations, scientific and technological exchanges and exchanges of personnel have been expanded. However, a handful of people in the United States have always attempted to interfere in the internal affairs of China under various pretexts, in particular refusing to follow the one-China policy openly declared by the US government with regard to Taiwan. Their words and deeds, which run counter to the principle guiding the establishment of diplomatic relations between China and the United States, will inevitably harm relations between the two countries. We hope that American politicians will realize that it is not only in the interest of China but also in the interest of the United States to have

normal relations between the two countries. Stable development of Sino-US relations will be possible only when the three communiqués issued by China and the United States are strictly observed.

Trade, scientific and technological exchanges and exchanges of personnel have also increased between China and the Soviet Union in recent years. Consultations are going on for the normalization of state relations between the two countries, as are border talks. The normalization of relations conforms to the desire and fundamental interests of both peoples. We note that the Soviet Union has also stated that socialist countries should strictly abide by the principles of peaceful coexistence. But the three well-known obstacles that still exist between the two countries are at variance with these principles. To facilitate the settlement of the problem, the Chinese leaders have long expressed their willingness to meet with their Soviet counterparts, with the necessary precondition that the Soviet Union stop supporting Viet Nam in its aggression against Kampuchea and urge Viet Nam to withdraw its troops from Kampuchea as soon as possible. Such action on the part of the Soviet Union will greatly accelerate the process of normalization of Sino-Soviet relations and will be welcomed by the international community.

China has always attached great importance to the maintenance and development of good-neighbourly relations with the countries around it and, in particular, to peace and stability in Asia. The Democratic People's Republic of Korea is our close neighbour. We support the Korean government in its reasonable proposal for the independent and peaceful reunification of Korea and its efforts for the relaxation of tension in the Korean Peninsula. We maintain good relations with the ASEAN countries as well as with Burma and various South Asian countries. Sino-Mongolian relations have been developing. There has been improvement recently in our relations with Laos. There has also been gradual improvement in our relations with India in the past few years. We hope that China and India will settle their border question in the spirit of mutual understanding and accommodation and through friendly consultation, so that our relations can be further developed, and that prior to the settlement of the question peace and tranquility will be maintained in the border region. We condemn Viet Nam for its invasion and illegal occupation of certain isles and reefs in China's Nansha Islands and its armed provocations in the surrounding waters. It is the Vietnamese authorities who have engaged in expansion and invasion, but they have made slanderous accusations against China in an attempt to undermine the friendly relations between China and

the ASEAN countries. Such a scheme will never succeed.

Japan is our near neighbour and there are close economic and trade relations and frequent exchanges of personnel between our two countries. Sino-Japanese friendship conforms to the fundamental interests of the people of both countries. Neither the Chinese people nor the Japanese people wish to see such incidents as those that occurred in Japan recently to the detriment of the normal development of Sino-Japanese relations. We believe that the problems existing in our bilateral relations can be solved on the basis of the Sino-Japanese Joint Communiqué and the Sino-Japanese Treaty of Peace and Friendship and that good-neighbourly relations between the two countries will steadily expand.

In recent years, major progress has been made in our relations with the socialist countries in Europe. We have maintained all-round friendly relations and co-operation with Romania and Yugoslavia. We have normalized our relations with Poland, the Democratic Republic of Germany, Czechoslovakia, Hungary and Bulgaria. We shall exchange experience in socialist construction and reform with them in the spirit of mutual respect, equality and mutual benefit, and expedite the further development of friendly relations in all fields.

Our relations with various West European countries, Canada, Australia and New Zealand are sound. We hold identical or similar views on many major international issues. We note with satisfaction that these countries have taken a positive attitude towards developing economic and trade relations with China as well as scientific and technological exchanges. There are broad prospects for our co-operation in these fields, and we shall be happy to work with them to expand it for our mutual benefit.

To strengthen our unity and co-operation with other third world countries is the cornerstone of China's foreign policy. We appreciate the efforts made by the various organizations of regional co-operation in other third world countries to maintain security and promote development in their respective regions. We are ready to exchange experience in economic development and national construction with other third world countries so that we may learn from each other. As a member of the Third world, China understands the difficulties faced by other developing countries, sympathizes with them and has provided aid to some of them to the extent possible. Our ability to offer aid is limited, however, because we ourselves have a poor economic foundation and a large population. We shall continue to actively develop economic and

trade relations with them as well as scientific and technological co-operation, in accordance with the principles of "equality and mutual benefit, stress on practical results, diversity of form and common progress." We believe that to abide by these principles is an effective way of promoting South-South co-operation.

We favour and support the objectives of the non-aligned movement and highly appreciate the important role it has played in international affairs.

China has joined a wide range of international organizations and actively engaged in multilateral diplomacy. Together with friends in the United Nations and other international organizations, we shall continue to work for peace and development.

All our work in foreign relations is designed to serve the two major objectives of peace and development. Active in the international arena as a major force for opposing hegemonism, maintaining world peace and promoting common development, China has drawn increasing attention and won widespread acclaim from the community of nations. Practice has shown that our foreign policy is correct, and we shall pursue it unswervingly.

Fellow deputies,

The reunification of the country and rejuvenation of the nation are the common aspirations of the people of all China's nationalities and the glorious mission entrusted to our generation by history. I therefore want to address in particular the question of reunification of the motherland.

During the term of the Sixth National People's Congress, the Chinese government has satisfactorily settled the Hong Kong and Macao questions left over by history, through friendly negotiations with the British and Portuguese governments and in accordance with the principle of "one country, two systems." These settlements are major events in the contemporary history of China and of the world, and they have received warm support from the people of the whole country, including our compatriots in Hong Kong and Macao, and have been widely welcomed by the international community. In the three years since the signing of the Sino-British Joint Declaration, Hong Kong has enjoyed social stability and economic prosperity. China and Britain have co-operated closely to carry out the terms of the declaration, and there have been positive results in many fields. The overall situation in Macao since the signing of the Sino-Portuguese Joint Declaration has also been satisfactory.

The general and specific policies of the Chinese government relating to Hong Kong and Macao shall not change. The Basic Law of the Hong Kong Special Administrative Region is already under preparation. A similar law needs to be drawn up for

the Macao Special Administrative Region, and I propose that this session set up a drafting committee for the purpose. These two laws will give legal form to China's policies on the two regions and will play a vital role in their development in the decades to come. The further implementation of the reform, the open policy and the programme of modernization on the motherland will provide powerful support to the prosperity and stability of Hong Kong and Macao, and the development of Hong Kong and Macao will in turn play an even greater role in the development of the motherland as a whole. Now that Hong Kong and Macao have entered a new historical stage, we hope that our compatriots there will work hand in hand with the people of the rest of the country to ensure the prosperity and stability of the two regions and the smooth and peaceful transfer of political power.

Fellow deputies,

The question of the early reunification of Taiwan with the mainland now stands out very prominently before the Chinese people. For many years we have been in favour of establishing links between the two sides in trade, mail service and air and shipping services and of free flow of people so as to promote understanding through increased contacts and eventually to bring about reunification in accordance with the principle of "one country, two systems." We are glad to see that having loosened restrictions on visits by the people of Taiwan to family members on the mainland, the Taiwan authorities have recently decided to give permission to more people for such visits. At the same time, cultural, academic and economic exchanges between people on Taiwan and on the mainland have expanded. This conforms to the fundamental interests of the compatriots on both sides of the Straits. We hope that more and more

Taiwan compatriots will come to the mainland to visit their relatives or to see the sights. We also hope that more and more businessmen and entrepreneurs in Taiwan will do business, make investments or set up factories in the special economic zones or other regions of the mainland, so that we may help each other economically. The 1 billion Chinese people, including the Taiwan compatriots, eagerly desire the early reunification of the motherland and its prosperity. That is the will of the people, and it accords with the general trend of events. We are ready to consult with the Taiwan authorities and with prominent individuals in all walks of life on the reunification of the country. We accept all proposals that are favourable to reunification, reject those that are detrimental to it. And we firmly oppose any action designed to split the nation, whether it is initiated on Taiwan or outside it. We hope that the Taiwan authorities will put the interests of the whole nation above everything else and that they will take measures to establish the three links with the mainland -- trade, mail service and air and shipping services -- and to bring about peaceful reunification. We hope that our compatriots in Taiwan, Hong Kong and Macao, Chinese nationals abroad and people of all nationalities on the mainland will unite more closely, pool their wisdom and their efforts and work with one heart and one mind to expedite the process of reunification.

Fellow deputies,

The current domestic and international situation is favourable both to our construction work and to the reform. Under the leadership of the Chinese Communist Party, we should rouse ourselves to seize this opportune moment, unite as one, work hard and advance courageously along the road of socialism with Chinese characteristics.



Lottery Tickets Draw Depositors

"JINGJI RIBAO"

(Economic Daily)

On March 17, 66 branches of the Beijing Post Office began to issue 4 million lottery tickets. People making one-year fixed deposits in post office savings accounts were given one lottery ticket for each 20 yuan deposited.

Many people queued up at the doors of Wangfujing, Dongdan and Hujialou post offices before they opened at 8 am.

Wang, head of the Wangfujing Post Office, pointed at a notice on a desk and said, "We put up this notice yesterday. We planned to invite people making deposits of more than 5,000 yuan to come to this desk without queuing up outside. Unexpectedly, more than 10 people entered the post office together just after we opened our door. One of them was holding 20,000 yuan in cash. Considering the number of people queued up outside, we had to take the notice down."

On March 16, the day before the lottery tickets were issued, officials of the savings department of the Beijing Post Office were worried not about whether their 80 million yuan worth of lottery tickets would sell well but whether they could satisfy the demand of people who would queue up at its branch post offices.

Originally the Wangfujing Post Office was responsible for issuing lottery tickets worth 800,000 yuan. It began to accept bookings on March 6. Its quota was subsequently increased to 2 million yuan because the number of advance orders was far above its original target.

One worker, about 50 years old, said, "I'll buy several tickets to try my luck. Come what may, the post office will pay back the principal

next year." But one fresh young man chipped in, "It's very clear that buying more will lose you more. I'll purchase only three to take a chance." Some people teased him, "Maybe all three tickets will have winning numbers." People who had never met each other before talked cheerfully and joked in a nonchalant way, secretly hoping to win the first prize in the lottery.

Before its latest experiment, the Beijing Post Office twice offered bonuses for fixed deposits in the outer suburbs of Beijing. On those occasions urban residents complained that they should share the "small advantages." Many people made telephone calls to the post offices and some people even went to the suburbs by taxi to take advantage of the offer. As a result of this pressure, the Beijing Post Office extended its offer to the urban areas this time.

Statistics for 1987 show that residents of China's rural and urban areas held at least 120 billion yuan in cash and 300 billion yuan in savings deposits. The 120 billion in cash is like an invisible big hand that can be stretched towards the market at any time. The lottery scheme, aimed at converting cash in the hands of the people to fixed deposits, can only temporarily lessen the potential threat to the market.

One policeman in front of a post office, looking at all the people holding so much money, wondered where and how they got it. Do economists understand? In the face of this phenomenon do they have counter-measures?

The fact that a great deal of cash is in the hands of consumers shows that the total supply of goods is short of total demand. What are the consequences? Can we move the big hand only by arousing people's desire to gamble? Serious

consideration should be given to these problems.

(March 18, 1988)

How Many Years Can Pandas Live?

"Da Zi Ran"

(Nature)

In regard to the giant panda's life span, experts' opinions vary. Cross-sections of the teeth of 69 panda specimens indicated that the animals live a maximum of about 26 years in their natural habitat and their average life span is 13.3 years.

Whether giant pandas can survive a long time in captivity depends on the conditions and level of management of the zoo. Generally, pandas live longer in Chinese zoos than in foreign ones. For example, Lili, the first panda raised in a Chinese zoo, was captured in the wild at the age of about 6 and taken to the Beijing Zoo in 1958. She lived there for 24 years and died of an illness at the age of 30 in July 1982. Lili gave birth to a male panda in 1963—the first panda to be born in captivity. Another master of longevity was Damao in the Nanjing Zoo. Damao lived to be 29.

The pandas which have survived the longest in foreign zoos were Anan and Jiji. Anan lived at the Moscow Zoo for 13 years and two months after arriving at the zoo in 1959, and died at the age of 18. Jiji died at 15 after living for 13 years and 10 months at the London Zoo.

Compared with other countries, China has a shorter history of raising giant pandas in captivity. But the life span of pandas in Chinese zoos is longer. This could be related to good conditions and a high level of management in the zoos and a climate more favourable to the giant pandas.

(Issue No. 1, 1988)

The Second Photographic Art Exhibition

“China Through Foreigners’ Eyes” Sponsored by China *Bridge* Magazine

Exhibition Date: August 10-20, 1988

Closing Date for Entries: July 1, 1988

Exhibition Place: The Nationalities Cultural Palace, Beijing, China

Contributions to Photo Exhibition

Personages over the world are welcome to send in their selected works to the Second Photographic Art Exhibition under the title of “China Through Foreigners’ Eyes” to be opened in Beijing, China on August 10, 1988 with the purpose of enhancing friendship between the peoples of China and other countries and exchanging photographic art.

The exhibition is sponsored by China *Bridge* magazine and under the auspices of the Chinese People’s Association for Friendship With Foreign Countries, the Chinese Association for Cultural Exchanges With Foreign Countries, the China International Cultural Exchange Centre, the Chinese Photographers Society, China Central Television, Radio Beijing, *Renmin Ribao*, China Tourism Service, *Beijing Review*, *China Pictorial*, China Picture Company, Photo World, China Overseas Chinese Photographers Association, Youth Society for Art Studies, China Journalists and China *Bridge* magazine.

Details of Entry

(1) Foreign correspondents having worked or at present working in China, foreign staff members in the foreign embassies, foreign firms and companies in China, Chinese descended foreigners, foreign students as well as other foreigners who are or who were in China and foreign tourists are welcome to send their photographic works to the exhibition.

(2) All pictures submitted to the exhibition must be taken in China. There are no restrictions on the content of pictures, photographic forms and styles or the period of which they were taken.

(3) All prints might be enlarged by the entrants themselves or send the negatives to the exhibition office. Each entrant may submit a maximum of 8 monochrome and colour prints. The size of prints should be between 25×30 cm to 45×60 cm. Each print must be marked clearly on the back with the name, address, occupation and nationality of the entrant plus the title, location and date of the print, please write in English or Chinese.

(4) Entries should be mailed, before July 1, 1988 to China *Bridge* magazine, Floor 5, the Nationalities Cultural Palace No. 49, Fuxingmennei Ave., Beijing, China.

(5) Each entrant whose works are accepted will be presented with a certificate.

(6) The submitted prints in principle will not be returned to the owners, but the negatives will be returned. The organizer of the exhibition reserves the right to reproduce any of the accepted prints for publication. (The author of the prints will be presented with a copy of the magazine carrying his works.)

(7) The mailed prints should be well packed. No responsibility will be taken by the organizer of the exhibition for any damage or loss during transit.

(8) All works submitted to the exhibition will be judged by a panel composed of authorized personages from various circles in China.

Entry Form For Prints

No.	Title
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Remark	
Exhibitor's Signature:	
Nationality:	
The following is the print mailing label	
Addressee: China <i>Bridge</i> Magazine	
Address: Floor 5, the Nationalities Cultural Palace,	
No. 49 Fuxingmennei Ave., Beijing, China	
Addresser:	
Address:	

Open Coastal Economic Zones Expanded

China recently decided to expand its open coastal economic zones to a total area of 320,000 square km, raising the number of counties and cities in open areas from 148 to 284, and the total population, from 90 million to 160 million.

The newly opened cities include Tangshan and Cangzhou in Hebei Province, Shenyang, Dandong, Yingkou, Panjin, Jinzhou, Anshan and Liaoyang in Liaoning Province, Nanjing, Zhenjiang, Yangzhou and Yancheng in Jiangsu Province, Hangzhou and Shaoxing in Zhejiang Province, Weifang and Zibo in Shandong Province, and Wuzhou in the Guangxi Zhuang Autonomous Region.

According to a State Council spokesman, this time Liaoning, Jiangsu and Zhejiang provinces see a great increase in their open areas. Liaoning used to have only one open city—Dalian—but now the province has 27 open counties and cities. The Chinese government has high hopes for Liaodong Peninsula (east Liaoning Province) with its sound industrial foundation. Jiaodong Peninsula (east Shandong Province) has also expanded its open zones, which mostly cover rural areas. This is expected to encourage township enterprises in the area to expand their labour-intensive production for the export market.

China began to make coastal areas its main open zones in early 1979 and allowed Guangdong and Fujian provinces to implement special policies and flexible measures in September that year. At the same time, Shenzhen, Zhuhai, Shantou and Xiamen special economic zones were established. In April 1984, 14

coastal port cities were opened to the outside world to form an open zone extending from north to south. In early 1985, the Changjiang (Yangtze) River Delta, Zhujiang River Delta and the south Fujian (Xiamen, Zhangzhou and Quanzhou) triangle area were included among the coastal economic open zones.

Authorities concerned said the opening of coastal areas has allowed China to make good use of foreign investment. By the end of 1987, more than 10,000 foreign-funded enterprises had been approved. Foreign investment agreements totalled US\$22.8 billion, with direct foreign investments of US\$8.5 billion (including those in offshore oil exploitation). More than 4,300 foreign-funded enterprises have been put into operation, 80 percent of which are located in the main cities of coastal areas. ■

Coca-Cola Co. Markets Products

With more than two years to go before the 11th Asian Games in Beijing in 1990, Coca-Cola China Limited signed an aid agreement with the organization committee in Beijing on April 8, acquiring the right to sell its soft drinks including Coke, Fanta orange juice and Sprite soda water at the games.

According to R. Fenton-May, president of the company, Coca-Cola China has set up seven factories in Beijing, Shanghai and Guangzhou. Annual production last year totalled 40 million crates.

He also said a Coca-Cola raw juice factory in Tianjin with 50 percent of his company's investment and another factory in

Shanghai in joint co-operation with the company will go into operation this autumn. The products from these two factories will be able to meet China's demands and about 30 percent of their output will be exported. During the games, China will not need to spend foreign exchange in importing Coca-Cola raw juice.

by Yao Jianguo

Foreign Trademarks Protected in China

Last year, the Xiongying Confectionary Plant of Guangdong Province adopted for its own products the trademark SUGUS registered in China by a Swiss firm. The Swiss company considered this a violation of its special trademark rights and Guangzhou's Industrial and Commercial Administration immediately investigated and dealt with the case. The forged trademark was cancelled. Another case of violations of trademark rights was reported against the Beijing Yili Foodstuffs Co. which was publicly exposed for its offence.

According to an official from the Trademark Bureau under the National Industrial and Commercial Administration, China will protect foreign registered trademarks in China according to law. Any violation of trademark rights must be published and in serious cases, people held responsible may be fined or face imprisonment, detention or other penalties.

Since China promulgated its Trademark Law in 1983, the number of application for registered trademarks in China by foreign businesses have progressively increased. Before 1982, 13,000 of more than 84,000 registered trademarks were for overseas businesses. By the end of last year, 28,500 of the 187,600 registered trademarks across the

country were foreign trademarks, 15.2 percent of the country's total. These registered manufacturers were based in more than 50 countries and regions, including the United States, Japan, Britain, Federal Germany, Switzerland, France and Hong Kong. The USSR car trademark *Moscovite* was registered in China for the first time.

To safeguard the legitimate rights and interests of trademark registerers, China plans to adopt methods popular in most countries of the world to classify new trademarks. Authorities concerned expressed their hopes to strengthen co-operation with trademark authorities of other countries in trademark protection.

by Li Ning

Tianjin's JVs Recall Investments

So far, 21 Sino-foreign joint ventures in Tianjin, 15 percent of the total in operation, have recouped their investments.

According to Zhong Xiuying, chief accountant for Tianjin's Foreign Investment Service Centre, the joint ventures involved include the Sino-French Joint Wine Co. Ltd. whose product has won three international gold medals, the Sino-US Otis Elevator Co., the Sino-Federal German Liming Cosmetics Industry Co., and the Dial and Hand Factory and a chemical fibre mill invested jointly with Hong Kong businesses. The ventures not only include industrial enterprises with imported production technology and equipment and scientific administrative methods but also service businesses involving small investment and requiring a shorter investment recovery time. Most of the ventures directed much of their net profits into re-investment.

So far, Tianjin's 135 foreign-

funded enterprises have recorded annual sales of 600 million yuan, and more than 20 of them net over 100 million a year. ■

Three-River Plain Set for Development

A letter of agreement to develop the Three-River (Heilong, Songhua and Wusuli) Plain in northeast China was recently signed in Beijing by He Kang, then minister of Agriculture, Animal Husbandry and Fishery and head of the leading group in charge of the national land development construction funds, and Hou Jie, governor of Heilongjiang Province.

Located in northeast Heilongjiang and covering a total area of 109,000 square km. the Three-River Plain is a fertile land, with abundant water resources and good communications. Since the founding of the People's Republic in 1949, mechanized state farms have been set up there. To compensate for imbalances between the population growth and China's limited cultivated farmland, the country recently decided to further develop the Three-River Plain and the areas of the Huanghe (Yellow) River, Huaihe and Haihe rivers to meet the goals of agricultural development set for the end of the century. The development of the Three-River Plain will involve contract bids from both China and abroad.

From 1988 to 1990, equal investments will be contributed by the central and local governments, and foreign funds will also be accepted. More than 1.2 billion yuan of investments are expected to be used to improve low-yielding land, expand irrigated land and raise per-unit output. Some waste land will also be opened up.

The plain is expected to become an export commodity grain production centre and an agricul-

tural and sideline products comprehensive processing base with soybeans as its main products. The State Council has formulated preferential policies for developing the area, including exempting the newly opened farmland from agricultural taxes for five years after its second year of operation.

According to the mayor, new development policies will encourage investment in the plain and make it possible for investors to earn profits. Foreign governments and non-government organizations are welcome to enter into economic and technological co-operation through loans and direct investment.

by Han Baocheng

News in Brief

■ The contract to jointly manage the Beijing Kunlun Hotel was signed in Beijing on April 8 by the Beijing Xinhua Enterprise Industrial Corp., Cheong Profit Development Limited of Hong Kong and the Shanghai Jinjiang (Group) Holding Co. The Beijing Xinhua Corp. has a 51 percent share in the management, Hong Kong Cheong, 25 percent, and Shanghai Jinjiang, 24 percent.

The hotel, established in 1982, has 854 rooms and 74 offices worth a total investment of US\$95 million. It opened for trial business in September 1986 and is expected to formally go into operation this June. The board of directors made up of the three parties has invited the Shanghai Jinjiang Group to take charge of administrative work.



Director of 'Red Sorghum' Interviewed

In February this year, the Chinese film *Red Sorghum* won the "Golden Bear" prize at the 38th West Berlin film festival, and caused a world sensation. The London *Daily Mirror* called the film an epic eulogizing freedom. The success brought Chinese films to a new plane in international film circles.

The film, adapted from a novel by Mo Yan, tells the story of people living in China's Shandong Province in the 1930s. The heroine Jiu Er is forced at the age of 19 to marry a leper, Li Datou. When her bridal sedan chair comes to a sorghum field called Qing Sha Kou, a highwayman suddenly jumps out from the field and forces the bride to walk into it. At this critical moment, one of the sedan chair carriers, Yu Zhanao, boldly rescues the bride with the help of other carriers. Three days later, when Jiu Er is returning to her mother's home and passes the same place on the road, she is "kidnapped" by Yu Zhanao, who has fallen deeply in love with her. The two are in love from then on.

The leper Li Datou is killed and Jiu Er is carried away by the bandit nicknamed Bald-Head Sanpao, who releases her several days later. Yu Zhanao fights a desperate battle with Sanpao to avenge Jiu Er. Jiu Er and Yu Zhanao "get married." Soon afterward, Japanese soldiers come to Qing Sha Kou, where they burn and loot and kill local people. The peasants stand up to the Japanese. Jiu Er is killed by Japanese soldiers when she is taking a meal to the men, while her friends sacrifice their lives in a battle to save the village from the aggressors. The only survivors are her husband and son.

Red Sorghum is currently being

shown in large cities in China. *Beijing Review* interviewed the film's director Zhang Yimou.

BR: I understand that *Red Sorghum* is the first film you have directed. Could you tell us something about your experiences?

Zhang: I am 38 years old. I graduated from the department of cinematography of the Beijing Film Art Institute. I did the photography for the films *The One and the Eight*, *Yellow Earth* and *Military Review*. I played the hero Wang Quan in the film *The Old Well*.



Zhang Yimou receiving the "Golden Bear" prize.

BR: The film *Yellow Earth* won a prize at the Hawaii international film festival and also won China's top "Golden Rooster" award. You were also named the best actor at the Tokyo film festival for your part in *The Old Well*. Now *Red Sorghum*, which you directed, is very successful. People are saying that you are an unusual talent indeed.

Zhang: That's because I'm lucky. Anyway, if I decide to do something, I will try my best to do it well. That's just the way I am.

BR: How did you select *Red Sorghum*? What was your purpose in directing the film?

Zhang: I like stories with a rough and strong artistic style and love works with a strong flavour of life and ideas. The qualities of the original novel suit my tastes exactly. Along with the free and bold expressions of love and generosity—it all greatly attracted me.

The theme also expressed my current thinking about life and films. I hope that people are getting ever more lively, and that they dare to love and dare to hate, dare to live and dare to die. I want to express a certain attitude towards life and to entertain audiences with an exciting and thrilling story, which may stimulate the nation to look forward. That was my reason for directing this film.

BR: What artistic effects were you seeking?

Zhang: The nature of art lies in creation. Every time I create, I rack my brain seeking a new and better angle, trying to avoid imitating the techniques of other films. In *The One and the Eight* and *Yellow Earth*, I actively focused on depicting strong thoughts on the screen. Then I set out on a new course, seeking a style that combines a philosophical message with entertainment. *Red Sorghum* is my first attempt at this. I like to portray the most natural feelings of ordinary people. Viewers have liked the film and consider it exciting. I think I have reached my goal of creation.

Film is only meant to be seen once. I do not expect people to see my films again and again. As to the general effect of the film, I want it to be beautiful, lively and true to life. We've transformed the camera from a passive recording

tool to an active, movable sense of organ of the creator. As to the music, the general requirement is that it must be rich in national characteristics and reflect the flavour of rural life. To give the film more national identity, we used the *suona* (Chinese clarinet) and big drum.

BR: People like to talk about the national features and international style of films. What do you think?

Zhang: The more national flavour artistic works have, the better the international response. Only by expressing the real spirit of our nation and the genuine local flavour of rural life can our films be appreciated by other nations in the world. Chinese films cannot just imitate the films of foreign countries. Only by planting our own film art in the rich soil of the Chinese nation can China's movies enter the world arena.

BR: Most Chinese people were delighted to hear that *Red Sorghum* won an international prize, but some people think that some Westerners liked the film because it exposed the ignorance and backwardness of the Chinese people in the past. What is your opinion?

Zhang: I've taken part in six international film festivals in recent years and have met hundreds of journalists, and festival officials and jury members. Not one of them evaluated our films with such a thought in mind. What they see from the films *Red Sorghum* and *The Old Well* is not China's backwardness and poverty, but people's quality, spirit, sorrow and joy, as well as their quest. I do not deny that we bared the sufferings of the Chinese people in our film. But more importantly, we aimed to express the spirit of people overcoming difficulties and setbacks, and their appeal for a new life. The world knows about our backwardness and poverty. We don't need to

instruct foreign people through our films. What we need is a down-to-earth attitude towards our backwardness and poverty.

BR: You once said that *Red Sorghum's* success is the result of a collective effort. Please say something about the participants in the film.

Zhang: Generally speaking, their ages range from 20 to 30. The photographer Gu Changwei, 35, was my schoolmate at the Film Art Institute. The composer Zhao Jiping, 27, graduated from the Xian Conservatory of Music. The hero Jiang Wen, 26, graduated from the Central Drama Institute, and the heroine Gong Li, 20, is a third-year student at the Central Drama Institute. The art designer Yang Gang is a little bit older. He is 42.

BR: What is the main factor that made *Red Sorghum* so successful?

Zhang: First of all, I think our achievements lie in our government's wise policy on art and literature. Under the policies of reform and opening up to the outside world, art and literature are respected. I basically did what I wanted in producing this film.

BR: I noticed that the settings for your films are all in the countryside. I wonder whether this will continue to be the case.

Zhang: Not really. My next film will tell a story about the lives of young people in large cities. I'll try something new.

by Zhang Wei

Ba Jin: A Great Chinese Writer

One of the first exhibitions sponsored by the National Library of China after it moved to its new quarters was a tribute to Ba Jin. The display, which included 320 photos and various other objects, introduced visitors to the life and achievements of this

outstanding contemporary Chinese writer.

Early photos showed Ba Jin, now 83, with his family in his old home in Chengdu, Sichuan Province. His feudal, patriarchal family provided him with materials for several important novels. His mother and brothers, who began his cultural education, influenced him greatly.

Photos showed Ba Jin leaving home at the age of 18 and going to study in France when he was 22. Upon his return, he taught and wrote. In the late 1930s, he lent his skills to the fight against Fascism in Shanghai and the southwestern city of Chongqing.

Other photos showed Ba Jin visiting the Korean battlefield, talking to workers at a construction site and participating in artistic and literary discussions. He was seen at the World Peace Conference and the International PEN Centre after the founding of New China. On one such occasion he said, "To welcome this great new era, I am willing to contribute my heart, my pen and and my whole strength."

Also displayed were photos of Xiao Shan, Ba Jin's wife. Xiao, a specialist in Western literature, married Ba Jin in 1944. Both she and her husband were persecuted during the "cultural revolution." The couple lived together until Xiao's death from cancer in 1972. Ba Jin has written two deeply moving essays recalling his deceased wife.

Works Displayed

An enlarged copy of Ba Jin's manuscript *I Am Living and Striving in my Works*, written 1985 was displayed at the entrance to the exhibition. In this manuscript, he wrote, "Why do people need literature? We want it to sweep the debris from our minds, and need it to bring us hope, encouragement

and strength—to brighten our outlook.”

For more than half a century, Ba Jin's works have given his countless readers just this feeling. Translated into more than 20 languages, they have struck a sympathetic chord in the hearts of readers in many countries. Objects, photos and manuscripts relating to his translated works and to different editions of various publication were also on display. One exhibit showed a paragraph he wrote when he revisited France in 1978: "I will not, even for a minute, stop my pen, which kindles the flames to burn me. My love, my feeling will not be buried in this world even if I am reduced to ashes."

Photos showed some of his earliest works including manuscripts of essays written on the way to France in 1927 and a first edition of his first translation, *Bread and Freedom* by P.A. Kropotkin of the Soviet Union. There was also a photo of the first edition of his first novel, *Dying Out*, written in 1929. It was then that the young author, whose real surname is Li, first used the pen name Ba Jin. He chose the name Ba in memory of Basibo, a student studying in France who committed suicide there. Jin was adapted from the name Kropotkin at the suggestion of a friend who saw that Ba Jin was translating one of Kropotkin's works.

The exhibition included two pages of the manuscript of *Family*, one of the books in Ba Jin's excellent *Torrent Trilogy*. *Family*, completed in 1931, is one of the author's most representative works. Its account of the decline of a Chinese feudal family in the 1920s has attracted generations of readers.

The popular novel *Winter Night* is most typical of Ba Jin's later work. *Random Thoughts* was begun in 1978 and finished in 1986, when the writer was over 80

years old. In this voluminous and influential work which the author styled as "books of my mind," he portrays, through his own experiences, the mental struggles China and its people have undergone.

Many Friendships

One photo shows the young Ba Jin carrying Lu Xun's coffin in October 1936. Ba Jin greatly respected this founder of contemporary Chinese literature and the proletarian cultural movement. For more than half a century, he has treasured the gifts he received from Lu Xun. At the exhibition they were displayed for the first time.

Photos showed many of Ba Jin's friends and other people he respected such as Mao Dun. In early 1920s, Ba Jin was an admirer of Mao Dun's translated works and novels. During the War of Resistance Against Japan, they co-edited and published literary works and participated together in the fight against Fascism. One photo in the exhibition showed Ba Jin in 1981 paying his last respects to his "teacher," whom he deeply loved and respected. After Mao Dun's death, Ba Jin took over the chairmanship of the Chinese Writers' Association, with its more than 10,000 members.

The exhibition showed that Ba Jin has spoken with some great leaders, including Mao Zedong and Ho Chi Minh. He was a friend of the late Premier Zhou Enlai and his wife Deng Yingchao, and of the late marshal and poet Chen Yi (who once served as mayor of Shanghai where Ba Jin works and lives). He also spoke with Peng Dehuai, commander of the Chinese People's Volunteers, who fought in Korea. He has made many close friends among people in all walks of life and has contacts among children and youth, soldiers, and film and television

artists as well as librarians and writers.

Other photos showed Ba Jin with friends from Japan, France, the Soviet Union, Yugoslavia, the United States, Thailand, and the International PEN Centre. Between 1982 and 1984, he was awarded Italy's International Dante Alighieri Prize, a medal from France's Legion of Honour and an honorary doctorate from the Chinese University of Hong Kong.

Silk Road Rally Set for October

China's first motor touring rally is scheduled to take place in late October this year. The planned route will follow the ancient Silk Road.

More than 300 cars and motorcycles manned by about 1,000 competitors will participate in the rally. Setting off from Beijing, they will go west through the cities of Shijiazhuang, Zhengzhou, Lanzhou, Jiuquan and Dunhuang; cross the great Taklimakan Desert to Hotan and finally turn eastward to Urumqi.

The famous Silk Road was an ancient route for economic and cultural exchanges between China and the West. It attracts people to this day.

The competition will be thrilling as rally drivers negotiate steep mountains, deserts and desolate beaches along the tricky 7,500-km route. "This will be a severe test showing the skill of the sportsmen and the performance of their vehicles," said Qi Jincheng, secretary-general of the China Motor Sports Association.

The rally will be co-hosted by the China International Sports Travel and the Japan Systems Co. Ltd. It has the approval of the International Automobile Federation and the International Motor Federation.

by Zhang Wei