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Gorbachev's New Thinking & Soviet Foreign Policy



**LIAODONG PENINSULA RAPIDLY
OPENS TO THE WORLD**



A street scene in porcelain city — Jingdezhen, Jiangxi Province.

by Wang Wenlan

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COVER: Li Changchun, governor of
Liaoning Province.

Xue Chao

HIGHLIGHTS OF THE WEEK

Coping With Income Disparities

■ As the Chinese government has urged "some people to get rich first," so the incomes of various self-employed workers, owners of private enterprises and contractors, have far outstripped the wages of state employees. To counter polarization between the rich and poor, a progressive income tax has been introduced (p. 4).

Taiwan DPPers Visit Mainland

■ One recent group stands out among the thousands of visitors from Taiwan who have been pouring into China's mainland since last November when the KMT lifted its travel ban. The members of this group were mostly born after 1949, the year the Communists took over the mainland and the KMT fled to Taiwan (p. 6).

Liaodong Peninsula Gets an Economic Boost

■ In March the Liaodong Peninsula was declared an open economic zone. To take advantage of the possibilities this offers for export and foreign investment, the Liaoning provincial government has taken various measures to build the area's strong industrial base (p. 14).

Reports on Corruption Encouraged

■ China's Ministry of Supervision plans to open a corruption report centre to take telephone reports on corruption and bribery by central and state administrative departments and their staff. Both Chinese and foreigners are invited to file reports (p. 8).

Gorbachev's 'New Thinking' and Its Impact

■ Soviet leader Mikhail Gorbachev is now well-known for his "new thinking." This article attempts to briefly examine the background of the "new thinking," its basic elements and its impact on Soviet foreign policy (p. 19).

Dealing With Unfair Income Gaps

by Dai Yannian

A few years ago, there was much talk about the defects of absolute egalitarianism—the system known in China as “everyone eating from the same big pot.” Now it is the problem of large gaps in income which has become the hot topic for discussion among the people. What attitude should be taken towards this problem?

Today in China, some people earn comparatively high incomes. For example, the self-employed, owners of private enterprises and the staff of Sino-foreign joint ventures take home a lot more than those who work in state-owned companies. Now, about 10 percent of the nation's 12 million self-employed industrial and commercial workers earn over 10,000 yuan a year, and 1 percent of these earn far more—up to hundreds of thousands of yuan. Some contract construction workers, taxi drivers, designers, renters of property, actors and writers also earn much more than the average. As do some workers with second jobs and retired people who restart work.

In the primary stage of socialism, the central task for China is to develop production. At the moment, various economic sectors coexist alongside the main body of public ownership, supplementing and complementing it. They have played a positive role in promoting economic growth, meeting market needs and employing idle people, and so the relatively high incomes they offer through legitimate business should be protected.

According to a survey conduc-

ted by the State Administration for Industry and Commerce, the overwhelming majority of self-employed industrial and commercial workers across China receive an average annual income of 3,000-4,000 yuan, or about two times the 1,400 yuan average for workers in state-owned enterprises. However, the latter do enjoy various state subsidies—free medical care, labour protection, welfare, rent and price subsidies to which self-employed workers are not entitled. Adding these to the basic wage raises it to 2,000-3,000 yuan. Since self-employed workers generally work longer hours under poor working conditions and take greater risks, for the majority their higher incomes are not unreasonable.

The overly high incomes of a few self-employed workers can be regulated through levying personal income tax. The State Council issued regulations last year, and now in Beijing, people who receive a total monthly income of over 400 yuan are taxed at a 20-60 percent progressive rate.

By the end of 1987, 3.6 million people worked in China's 225,000 private enterprises with eight or more employees. At the moment they generate just 1 percent of the country's total industrial output. But if the number of these businesses hits the 2 million mark, their output value will make up 10 percent of the nation's total and 36 million surplus labourers will get jobs.

Recently, the State Council published the Interim Regulations

on Private Enterprises, Provisional Regulations on Private Enterprise Income Tax and Provisions on Levying Personal Income Regulatory Tax on Private Enterprise Investors. These state that while property, inheritance and other legitimate rights of the proprietors of private enterprises are protected, their high incomes have to be regulated. It is stipulated that the wages of directors cannot be greater than 10 times as much as the average wage of their workforce.

Private enterprises pay a basic 35 percent rate of income tax, and 50 percent of after-tax profits could generally be retained for the development of production. All income distributed to investors is subject to standard income tax regulations.

The same is true of contractors hired by state-owned enterprises. Many of them have injected fresh vigour into economic operations, and so deserve to be rewarded. But excessive incomes have to be regulated by taxation.

Admittedly, there are problems with China's tax system. It was introduced shortly after the initiation of the reform programme as part of the policy to discard absolute egalitarianism and encourage an appropriate income gap. With a lack of experience in this field, some of the regulations have proved incomplete and various loopholes have appeared leading to unfair distribution of wealth. Such problems should be gradually solved. Recently, regulations



were issued imposing fines of 5,000 yuan on minor cases of tax dodging and up to 30,000 yuan for serious ones.

Shortly, a system of reporting and recording personal income will be introduced into China, and the best way of dealing with speculation arising from the dual price system is to expedite the transition to a single price determined by the market.

Despite all these changes and the possibilities they offer for individual advancement, the egalitarian means of distribution remains deep-rooted in China. For many regions and work units, there are many difficulties in widening income differentials. But this should not prevent the "big pot" shared by all being pushed aside.

The problem of unfair pay has to be solved simultaneously, and so can be summed up as: Differences in pay should be widened so as to encourage individual enthusiasm and speed up the development of production, but disparities between personal incomes should not be so great as to lead to polarization between the rich and the poor. Subsidies will remain for low earners, and the social insurance and relief system should be gradually improved. In short, the ideal of seeking common prosperity remains unchanged. ■

Tragic Floods Hit Zhejiang

Violent floods after an unusually heavy rainstorm battered about one-third of Zhejiang Province on July 29 and 30. At least 214 people were killed and 449 were missing and considered "not likely to survive," according to the provincial Flooding and Drought Combating Department. It was the largest flood recorded in the province in nearly 40 years.

Incomplete statistics show that 16,949 houses toppled and 100 reservoirs and 305 bridges were destroyed in the 37,000-hectare area most seriously affected by the rushing torrents. Direct economic losses totalled 617 million yuan (about US\$165 million), including the loss of 34,746 tons of grain.

In the hardest-hit county of Ninghai, the death toll reached 136; 73 people were injured and 344 were missing.

Water sources in the flood-hit areas have been polluted by the rotting corpses of people and animals and by poisonous farm chemicals, and drinking water was in short supply. A number of

people have been poisoned by water they have drunk.

In Ninghai County, more than 200 tons of poisonous farm chemicals, submerged by the heavy rainstorm, polluted the water in wells and rivers.

The municipal government of Ningbo sent eight epidemic prevention teams to the disaster area.

To prevent the spread of contagious and infectious diseases, local authorities were trying to repair devastated water treatment plants.

Communications and power supplies were cut off by the flood.

The calamity was caused by a rainstorm that "came too much all of a sudden and poured down an extra-heavy rainfall" between the evening of July 29 and 9 a.m. the next day, an official said.

Meanwhile, 60 percent of the counties in northeast China's Heilongjiang Province have been hit by rain and hail. The most seriously affected areas were Lanxi and Hulan counties and

A flood in Jianyang County, Fujian Province, earlier this summer caused 66 deaths, injured more than 600, and destroyed 16,000 houses.

TAN XUAN



Acheng.

In Lanxi, an area 25 kilometres wide and 50 kilometres long was covered in hail 15 centimetres deep. The storms, which injured 424 people and damaged 35,100 hectares of crops, are expected to result in economic losses of more than 80 million yuan. ■

Taiwan DPPers Visit Mainland

One recent group stands out among the thousands of visitors from Taiwan who have been pouring into China's mainland since last November, when the island's ruling Kuomintang (KMT) lifted its travel ban. Unlike many of the visitors, who are in their 50s, 60s and 70s, the members of this group were mostly born after 1949, the year the Communists took over the mainland and the KMT fled to Taiwan.

There were 15 of them, including six reporters, calling themselves the Mainland China Affairs Observation Team. Most of them are members of Taiwan's opposition Democratic Progressive Party (DPP), and people tended to treat the group as a DPP delegation. In many mainlanders' minds, the DPP is closely associated with the idea of "Taiwan independence," a concept which is strongly opposed by China's government and most of its citizens. Allowing the DPPers to visit, said a member of the Beijing Committee of the Chinese People's Political Consultative Conference, reflects the openness of the mainland's central authorities and shows that they take the DPP seriously.

But the team did not come to negotiate "independence" with Beijing. It came to observe and understand. "Our team is not an official DPP delegation. Our goal is to promote peaceful and

equitable coexistence between the mainland and Taiwan, and openness and exchanges between the two sides," said Daniel Huang, special assistant to the DPP Caucus in the "Legislative Yuan" and head of the team.

Another member added, "We hope that we can gain first-hand knowledge and a better understanding of the mainland's politics, economy and culture."

The team came to the mainland via Hong Kong on July 25. On July 30, the visitors met several native Taiwanese living on the mainland at the headquarters of the Taiwan Democratic Self-Government League in Beijing.

"When I put my feet on this land, I was very scared. This is what the KMT called the 'bandits' area. It's very strange to me. Later I discovered that the people here are very kind; that makes me comfortable," the deputy editor of a DPP newspaper said at the gathering.

His comments were echoed by Wu Tse-lang a Taiwan "National Assembly delegate" and also a DPP member.

"I have two impressions. First, the mainland people are very kindhearted, very nice, full of the

human touch. Second, the mainland is more backward than I had imagined." He added that too many civil wars and problems with the social system and structure account for the backwardness.

Wu, 41, made news by visiting the mainland twice in two weeks. He first flew by himself to the mainland from Japan on July 16. On July 25 he left for Hong Kong, where he learned from the DPP team that the Taiwan authorities plan to punish him for visiting the mainland by not allowing him to go abroad for two years. To protest against this decision, Wu decided to revisit the mainland along with the DPP team.

"I will let everybody know by my actions that I can freely enter and leave the other side of the Taiwan Strait, which is described as an 'iron curtain' by the Taiwan authorities, while in an alleged 'free region'—Taiwan—I'll lose this kind of freedom."

Wu said there is an urgent need for the two sides to communicate with each other. He agreed with the "three exchanges" (of mail, trade, and air and shipping services) proposed by the mainland as early as 1981. He promised that after his return to Taiwan, he

Taiwan visitors ask Beijing University president Ding Shisun (centre) for his autograph.

TANG MENGZONG



will try to persuade the authorities to let Taiwanese people living on the mainland visit their former home. "As far as I can predict, your dream of going home will come true within one year," Wu told the gathering. Mainland dwellers responded to his remarks with applause.

But when he said it is too early to talk about "one country, two systems" and reunification, which have also been proposed by the mainland, he met with disagreement. Such discussions are premature, according to Wu, because the gaps between the two sides are "too big" and the estrangement has gone on for "too long." Under such circumstances, how could we talk about reunification, he asked. He proposed peaceful rivalry between the two sides before talking about reunification.

The hosts conceded that there are gaps and misunderstandings but said they are not insurmountable or as serious as the visitors imagined. A young physicist who grew up in Taiwan and came to live on the mainland in 1979 after studying in the United States, said the gaps do not mean Taiwan is always advanced while the mainland backward.

"It's true that the mainland is behind Taiwan in some respects such as light industry. But at the same time we have to realize that the mainland can do many things Taiwan can't do, and its heavy industry is more advanced than that of Taiwan."

He added that reunification would be mutually beneficial. The mainland has "vast territory and abundant resources." It represents "a big market," of which Taiwan business people should make full use, he said.

But the visitors appeared less interested in reunification. One DPP member said, "If you talk about reunification, I don't think I can accept it in the short term. But

I agree on your proposal for 'three exchanges'."

Huang said, "I personally oppose reunification. Perhaps this is an example of democracy. I didn't expect that the mainland would be so backward. I can't adapt myself to the life of your side and I find your inefficiency unacceptable. Maybe I will change my mind in 50 years, but not right now."

It seems that the mainland's promise that the Taiwan people would be allowed to keep their life style and living standard after reunification has not convinced the people of the other side of the strait. From this point of view, exchange visits to gain mutual understanding are imperative, one mainland resident said.

Some visiting DPP members said that if the mainland really wants reunification, it should declare officially that it will never resort to force on Taiwan issue. But the hosts said the mainland cannot undertake that obligation. "When we say we cannot rule out the possibility of using force, the statement is aimed not at the Taiwan people but at the KMT," said a member of a Beijing-based Taiwan research centre. He added that the statement is also aimed at the United States and "We will never take responsibility for not using force before the US." His remarks failed to convince the visitors, however. They continued to insist that Beijing make that pledge as a prerequisite to reunification.

According to mainland resident Jiang Nong, it is unfair to speak about force without referring to history. The Communists do not want civil war, he said. It was the KMT that first attacked the Communist-led areas after the end of World War II. In 1946, he said, the KMT issued an order to attack the Communists which it has not rescinded to this day. "Why doesn't it rescind its combat

order? If it does so, I think the Communists will make a corresponding response," Jiang said.

Despite the many differences of opinion between the hosts and visitors, Jiang described the DPP team's visit as a historically significant "breakthrough."

by LI Haibo

Tibetan Policy Paying Off

All 2,080 residents of Yaoqia Township in Anduo County in northern Tibet have moved from tents into permanent new houses since 1982.

They attribute the change to the government policy of fostering initiative among Tibetan farmers and herders, under which collectively owned livestock and pastures were distributed to individual herders.

Other measures implemented under the policy include exempting both collectives and individuals from all kinds of taxes for a lengthy period and lifting mandatory quotas for farm products and animal by-products.

"With these policies, I'm confident of my family's eventual prosperity," said Rang Zhuo, a 45-year-old herdsman.

Since 1982, Rang Zhuo has built a new house with five rooms, and increased his herd to 230 yaks and 870 sheep.

"I'm quite satisfied although my family's living standard is just average in Yaoqia Township," he said.

Six years ago he wore the same clothing all year round. Today the members of his family have different sets of clothing for different seasons.

"My family has seven pulu (woolen coats) lined with otter fur, each costing about 1,000 yuan (US\$270), as well as a tape recorder, woolen blankets and Tibetan-style chests of drawers," he said.

His family earned a net income of 21,000 yuan last year, compared with a maximum of 2,000 when they were working in a rural collective.

Like most other herders, his family had no grain or yak butter to spare before. Now it has four tons of surplus grain—enough to last the family for two years.

Rang Zhuo goes to other areas in Tibet to sell butter in exchange for grain—a practice banned before 1982 when the state enforced a policy of mandatory purchase and sales of farm products and animal by-products.

Now farmers and herders can sell their products either to the state or on the free market, and the government has lifted price controls, said Jieba, magistrate of Nagqu County, a pastoral area in northern Tibet.

"I hope the present government will not change its policies," said 38-year-old Dawa Fando, one of the 1.7 million farmers and herders in Tibet who have benefited from the government policies.

Dawa Fando lives in the farming county of Guangze. Her family of four was given 1.5 hectares of farmland and some farm tools by the collective in 1982.

Her family also raises 50 sheep and 12 cows. It sold 3.5 tons of grain last year and still has five tons left. Before 1982 each person received only 200 kg of grain a year from the collective.

Almost every rural household in the county has surplus grain, the county magistrate said. Eighty percent of them have built new houses, and most have bought expensive furniture and electrical appliances.

"Although we farm individually," Dawa Fando said, "the government guides us in expanding the commodity economy, holds agro-technical training courses for us and sends

technicians to teach us about scientific farming."

Last year, the local agricultural department helped her build a 60-square-metre greenhouse, enabling her to eat fresh vegetables all year round.

The result of the policy of fostering initiative among Tibetan farmers and herders is a soaring enthusiasm for production, said Doje Cering, chairman of the Tibet Autonomous Region government.

Between 1982 and 1987, the output of animal by-products grew 40 percent and the average net income per rural resident rose by 173 yuan to 360 yuan.

Rural residents consumed an average 10 kg of meat last year, double the 1982 figure.

The government policy will remain in place for a long time to boost Tibet's economy and enable Tibetans to prosper, Doje Cering said. ■

Centres to Fight Against Corruption

China's Ministry of Supervision plans to open a corruption report centre to take telephone reports on graft, bribery, blackmail and other criminal activities by central and state administrative departments and their staff.

Speaking at a news conference on August 4, Vice-Minister Xu Qing said the aim of the centre is to encourage the public to monitor the work of the departments and their employees to keep them honest and responsible.

Chinese citizens, foreigners and compatriots from off the mainland will be able to dial the centre's number—2025391—to make reports 24 hours a day.

Xu said similar corruption report centres should be set up in provincial capitals, special

economic zones and coastal open cities by the end of September. Supervisory bodies above county level should establish centres by next June.

The initial focus of the centres will be on accepting and hearing reports of abuses by administrative personnel at all levels. Some key cases will be processed publicly, Xu said.

So far, two provincial-level corruption report centres have been set up—in Jilin Province and the Guangxi Zhuang Autonomous Region.

Beijing's east district government opened a report centre on July 29, inviting both Chinese and foreigners to report cases of corruption and bribery among officials of the east district government by telephone, letter, interview or any other means.

From June 24 to July 19, a similar centre in Fuzhou, Fujian Province, received 112 visits, letters and telephone calls. ■

Chinese Family Getting Smaller

Chinese families are becoming smaller despite the traditional belief that big broods are best. The trend is mainly the result of the country's one-child-family policy.

The State Statistics Bureau reports that there was an average of 423 people for every 100 families on the mainland last year, compared with 441 per 100 families five years ago.

In Beijing, Shanghai and Tianjin municipalities and Jiangsu, Zhejiang and Shandong provinces, for example, a typical family has less than four members.

Families made up of two parents and their children account for 65 percent of the total. Compared with five years ago, there are fewer families made up of

one, two or more than five people, and there has been a sharp increase in families with three or four members.

At the same time, there are more families in which three generations live together. Experts say three-generation families are better than two-generation families in terms of labour distribution and mutual aid.

They say such families should be encouraged as they will help to solve problems arising from small families and the increasing percentage of elderly people in the population.

People aged 60 or over make up more than half of the single-member families. ■

Anti-Cancer Drug Made of Herbs

A new anti-cancer medicine made of herbs has been developed in Baoji City, Shaanxi Province.

The new medicine, developed by a local cancer hospital, works according to the tumour formation theories contained in traditional Chinese medicine, medical experts said.

It cures cancer mainly through stimulating the blood circulation and killing noxious elements, they added.

The success rate on laboratory animals has reached 41.7 percent for curing cancer and 58 percent for checking the growth of tumours.

Experts said that unlike other anti-cancer medicines, this one promotes the growth of white blood cells, and has few side effects on the nervous, cardiovascular and respiratory systems.

On human subjects, it has proved particularly effective for tumours of the digestive tract, uterus and ovaries. ■

Weekly Chronicle (August 1-7)

POLITICAL

August 1

■ A circular issued by the State Council urged local governments to cut back on news conferences and commemorative activities in Beijing.

It says such activities must be approved by the State Council and governed by the principle of thrift. Dinner parties and gifts must not be given on such occasions.

August 2

■ Chinese Vice-Foreign Minister Zhu Qizhen meets William Burns, director of the US Arms Control and Disarmament Agency, in Beijing for a fifth round of arms control consultations. The talks started in 1984.

On the previous day, Chinese Foreign Minister Qian Qichen met Burns.

August 4

■ Zeng Tao, vice-chairman of the Foreign Affairs Committee of the Chinese National People's Congress, comments on the US Senate amendment on so-called Chinese arms sales. Zeng says the amendment, which was proposed by Senate Republican leader Bob Dole and a few others and passed on July 27, made indiscreet remarks and interfered without reason in China's sovereign affairs.

"We express regret and unhappiness over this," he says.

ECONOMIC

August 2

■ The Shanghai Shenlian Co-operative Group, specializing in the production of automobiles for special purposes, is launched in Shanghai.

The first of its kind in China, it

is composed of 16 units including the Shanghai Heavy Duty Automobile Factory, the Machinery College of Tongji University and the Shanghai Research Institute for Automobiles and Tractors.

August 5

■ China successfully launches its 11th recoverable satellite designed to conduct scientific exploration and technological experiments. The launching, which takes place at 4:30 pm at the launching centre in Gansu Province, is the first in China to be observed by foreigners.

The satellite carries experimental devices owned by three Federal German companies.

CULTURAL

August 5

■ Professor He Zuoxiu, a member of Chinese Academy of Sciences and a researcher at the academy's Institute of Theoretical Physics, says the recent experiments in the United States revealing discrepancies in Newton's law of gravity might be reliable, Xinhua reports.

Professor He is leading a group of scientists in designing experiments to search for evidence of the existence of "a fifth force" to correct the law of gravity.

SOCIAL

August 4

■ Zhu Wenbo, 43, a former Beijing opera performer, has been charged with the murder of Japanese traveller Koji Kobayashi in Shanghai.

Kobayashi, 58, a private businessman from Okayama County, had been in Shanghai for two days. A post-mortem examination revealed that he had been strangled.

A police spokesman says Zhu confessed to the killing on July 29.

JORDAN-PLO

Relations Take a Dramatic Turn

Jordan's decision to sever legal and administrative ties with the West Bank sent shock waves through the Middle East.

Jordan's King Hussein announced on July 31 that Jordan had decided to sever its legal and administrative ties with the Israeli-occupied West Bank. He also said that Jordan will continue to support the Palestinian struggle until the Palestinians reach their national goal. The announcement marked a sudden turn in relations between Jordan and the Palestine Liberation Organization (PLO) and shook the Middle East.

The decision is an important aspect of a series of radical changes in the Jordanian government's West Bank policy. On July 28 the government halted a US\$1.3-billion, five-year development programme for the West Bank. On July 30 King Hussein signed a decree dissolving the lower house of Jordan's parliament, half of whose 60 elected seats were reserved for West Bank Palestinians. And reports say that Jordan will eliminate its Ministry of Occupied Territories Affairs and revise the electoral law under which the Palestinians on the West Bank have the right to participate in Jordan's general elections. The effect of all these moves will be the cutting of the West Bank's ties with Jordan.

Jordanian Information Minister Hani al-Khasawneh said the new policy is a step towards the liberation of the Israeli-occupied territory, and that Amman's decision was designed to bury any shadow of doubt about Jordan's intentions regarding the territory. It reflects Jordan's desire for liberation of the West Bank and

could clear the way for the establishment of an independent Palestinian state. He also said the shift was called for by the PLO.

Reports say the decision was not a tactical one but rather marks a historical turn. The Jordanian government stressed that its policy changes are in keeping with the spirit of 1974 Rabat conference of the Arab League and 1982 Fes Resolution, which affirmed the PLO as the sole legitimate representative of the Palestinian people and called for the establishment of an independent Palestinian state. Amman maintains that the shift will underline the position of the PLO and encourage the United States and Israel to negotiate directly with the PLO on issues relating to the occupied territories.

The Israeli authorities have long maintained that Jordan is the Palestinian homeland, attempting to avoid direct dealing with the PLO by adopting what they call the "Jordan option." Several US Mideast plans were based on treating Jordan as the surrogate of Palestine. Observers believe Jordan's move has dealt a heavy

blow to Washington's ideas about how to resolve Mideast problems, at least eliminating the possibility of the ordinary face. For this reason, the move was well received by some factions and senior officers of the PLO.

The question of how Jordan's move will affect both Jordan and the PLO is a delicate one. On receipt of the news, the PLO Executive Committee held an emergency meeting in Baghdad. PLO Chairman Yasser Arafat ordered members of the group not to comment on King Hussein's decision until the Executive Committee takes a final stand. The committee decided to send a senior delegation to Amman to gain a full understanding of the intentions behind Jordan's actions.

Some people consider that the separation of the West Bank from Jordan will free Palestinians from anxiety about "Jordanian control of the West Bank" and pave the way to the establishment of a Palestinian state. Others believe that the full intentions behind Jordan's unilateral move remain to be seen. Meanwhile the decision has put the PLO under financial pressure as well as pressure to take over administrative affairs on the West Bank. Moreover, the question of whether Jordan will maintain its key role in the Mideast peace process once it cuts its ties with the West Bank is under serious review by the PLO and other concerned parties.

by Lin Jiaoming

LAOS

Economic Reform Brings Results

Economic reform has rejuvenated the economy of Laos and improved the living standards of the people.

Laos is a landlocked country in Indochina with an area of some 237,000 square kilometres

and a population of about 3.58 million. It is rich in forestry, hydroelectric and mineral re-

sources. But as a result of historical circumstances, these resources have not been fully explored and exploited and industry remains underdeveloped. Today Laos is still a backward agricultural country, with 90 percent of its population engaged in farming. Like other developing countries, it faces the tough task of eliminating poverty and raising people's living standards.

Since the establishment of the People's Democratic Republic of Laos in 1975, the Laotian people under the Lao People's Revolutionary Party (LPRP) have put great efforts into economic development and have achieved some successes. In 1980 grain output hit 1 million tons. Animal husbandry has developed rapidly; industry has started to develop slowly, and exports have increased.

In 1981 Laos began to implement its first five-year plan. In 1982 the LPRP said agriculture and forestry must be the foundation of the economy, with the stress on grain production. At that time the LPRP further readjusted and eased its economic policies. In 1983 Laos began to carry out economic reform on a trial basis, allowing some enterprises to keep 40 percent of their profits to expand production and increase their employees' wages and benefits. The output of many products, including textiles, salt, cigarettes and beer, has increased in recent years.

In 1984 the contract system was first introduced into agricultural co-operatives and led to good results. Grain output has been growing at an average of 5.25 percent a year. In 1985 it reached 1.54 million tons, and Laos became self-reliant in grain for the first time, producing some 420 kilogrammes per capita. Animal husbandry has also flourished. In 1985 Laos had 1.55 million head of cattle, up 250,000 from 1980.

Transportation and communications have also improved. Highways are constantly being built and now connect nearly 80 percent of the villages in the country. Today Laos has 12,983 kilometres of highways.

At the end of 1986, the Fourth National Congress of the LPRP decided to reform the production management system, increase the decision-making powers of local governments and enterprises, implement economic accounting, improve piece-rate wage and bonus systems, promote new economic ideas, and improve the style of leadership and the cadre system.

A series of measures were adopted to realize this plan. They include giving enterprises the power of management, implementing the director or manager responsibility system, and gradually allowing enterprises to run independently and take responsibility for their profits and losses. Commodity pricing has been reformed and price controls have been relaxed, although the prices of a few strategic materials and important commercial goods are still in the hands of the government.

The tax system has also been reformed. Agricultural taxes have been reduced or eliminated, while industrial and commercial taxes and import and export taxes have been adjusted with some new types of taxes added. The circulation of commercial goods has been rationalized and restrictions have been lifted. The foreign trade management system has been revamped; joint ventures with

foreign countries have been launched on a trial basis, and a foreign investment law has been formulated.

The reform has brought vitality to the Laotian economy and an improvement in living standards. Despite a drought in 1987, grain output was still 1.23 million tons. Coffee production increased 92 percent compared with 1976, while the number of cattle increased 60 percent to more than 1.7 million head. As a result of increased production, prices have remained stable or even dropped. A kilogramme of rice cost 120 kips in 1987 compared with 150 kips in 1986.

Foreign trade also increased. Trade with Thailand rose to US\$37.5 million last year, up 36 percent from 1986.

The reform has changed the Laotian capital of Vientiane and other cities and towns. Recent visitors say there has been large-scale construction in Vientiane. New housing has been built and many restaurants have opened. Wages have also increased. The monthly wage of ordinary workers rose to 8,000 kips in 1987 from 4,000 a year earlier.

The province of Luang Prabang has seen its first sales of cement, iron nails and paint since the 1970s. Thousands of bicycles and motor vehicles from abroad fill the streets of Pakse city.

Laos is developing and moving forward. Although the Laotian people face difficulties on the road to reform and development, their future is bright.

by Yin Zhiping



THE WEST

Study Forecasts Economic Growth

World economic experts say the imbalance of international revenue and expenditure and renewed inflation are the two biggest threats facing the Western economy.

The world economy will be little affected by last October's stock market storm and the economies of the major industrial nations will grow faster than earlier expected—at a rate of around 3 percent, according to the findings of a recent study for the European Community (EC). Generale de Banque, Belgium's largest bank, reported that the US economy is growing rapidly and that the momentum of economic growth in Japan and Western Europe will continue because of brisk domestic demand.

International economic growth will spur the development of world trade. Lively domestic demand will lead to increased imports in Europe, Japan and Asia's "four little dragons"—Singapore, Hong Kong, Taiwan and South Korea—and many developing countries are expected to step up imports as their export earnings rise.

The study also shows that international revenue and expenditure will continue to be imbalanced. This is attributed to the high US foreign trade deficit, which has failed to decline satisfactorily; the slow decrease in the foreign trade surpluses of Japan and Federal Germany; and the skyrocketing foreign trade surpluses in the newly emerging industrial nations and regions in Asia. There is little room to reduce the international economic imbalance, according to Generale de Banque.

Inflation is the other major economic threat facing the international market. Because the

economy is growing too fast in countries such as the United States, prices will rise too rapidly in industrial nations this year and the inflation rate is expected to be up to 3.5 percent next year. Moreover, the problem will be tough to handle.

A Belgian economist, who predicted soon after last October's stock market crash that the world economy would not decline, recently predicted that the US economic growth rate will soon drop to 2 percent from the current 4 percent and the European economic growth rate will also drop. This will help limit the rise of

SYRIA

Economic Adjustment Plan in Full Swing

The Syrian government has recently taken measures that have infused the country's economy with vitality.

Since the beginning of this year, the Syrian government has been taking steps to adjust the country's economy. The measures include relaxing export and import trade restrictions; easing foreign exchange controls; devaluing the Syrian pound; permitting private enterprises to import raw materials, machinery, equipment and parts needed for industrial and agricultural production; and encouraging private enterprises to expand production and increase exports. Private investment is permitted in state-owned enterprises to help maximize their productivity, and the government

has adopted financial programmes aimed at encouraging production.

He said that the tightening of the money supply by the US Federal Reserve Board when the US dollar dropped in value helped to keep a lid on expenditure, reduce imports, lower economic growth rate and avoid the recurrence of inflation. The slow growth of the world economy, fierce competition and tax reductions will prevent the inflation rate from becoming as high as in the 1970s, he said.

The imbalance of international revenue and expenditure and inflation may reduce public confidence in the Western economy, leading to the instability in the financial markets. If US inflation goes up, the value of the US dollar may be jeopardized, thus affecting the international monetary system. Trade protectionism and the third world debt problem are also factors working against resolving the imbalance of international revenue and expenditure.

by Le Zushan

has adopted financial programmes aimed at encouraging production.

Syrian Minister of Economy and Foreign Trade Muhammad al-Imadi says a major aim of the economic policy adjustments is to strengthen the co-operation between state-owned and private enterprises so that private companies can play a more important role in the country's economic construction. This reflects a significant change in Syria's economic policy.

In the past, private enterprises played an important part in the

market economy and in promoting the development of the national economy. In recent years, however, the shortage of foreign exchange made it difficult for Syria to import raw materials needed in production. As a result, many factories had to cut production or stopped operations. Syria's official statistics show that for several consecutive years, the country has been unable to fulfil the industrial and agricultural production growth targets set in the government's plan. This has seriously impeded economic development.

Agriculture is stressed in the economic adjustment programme. Syria is an agricultural country rich in grain and cotton. But with the emphasis on industrialization in the past dozen years, agricultural production was neglected. Investment in agriculture fell year after year, and a large proportion of the farming population moved to the cities. Droughts and water shortages led to successive bad harvests. Every year the state had to spend large amounts of foreign exchange on grain imports.

To end this difficult situation, the government has given priority to agricultural development, formulating clear-cut economic construction principles that center on agriculture. It has increased agricultural investment and provides tax incentives and financing programmes to encourage farm production. The government is also using loans and aid offered by the European Community and other international organizations to import agricultural machinery, build water conservancy projects and improve the soil.

The new agricultural policy is popular. An engineer who has been involved in farming for a long time said that developing agriculture is the correct way to rid Syria of its economic difficulties.

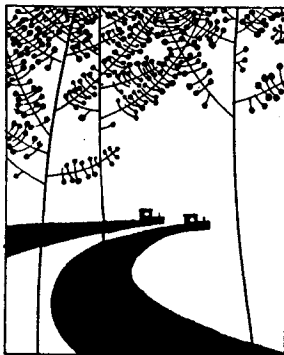
The shortage of foreign exchange has long been a major

factor hindering Syria's economic development. As part of its adjustment programme, the government is seeking to use the country's internal resources to develop traditional industry to meet domestic demand and reduce imports. At the same time the government is trying to develop commodity production and increase exports to bring in more foreign currency.

At the beginning of this year, the government decided to devalue the Syrian pound by a large margin in order to strengthen the competitiveness of the country's products. The exchange rate changed from 3.9 to 11.2 pounds to the US dollars. Syrian Prime Minister Mahmoud Zouebi said recently that the government wants to encourage the highest possible level of exports to raise funds for economic construction.

Syria's economic adjustment programme is still in its initial phase. Unremitting and protracted efforts will be needed to turn the economic situation around.

by Lu Zhixin



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China's Foreign Relations: A Chronicle

Boosting the Economy of Liaodong

In March, the State Council approved the formation of the Liaodong Peninsula Economic Development Zone. Now the task is to promote the economic expansion of the region in conjunction with the rest of Liaoning Province and the northeast of China as a whole.

by Li Changchun, governor of Liaoning Province

The Liaodong Peninsula stands at the centre of northeast Asia. It borders Korea in the east, in the north lies the Soviet Union, and across the sea to the southeast stands Japan. The peninsula is the main shop window for Heilongjiang, Jilin and Liaoning provinces and Inner Mongolia.

In March, the State Council approved the formation of the Liaodong Peninsula Economic Development Zone, encompassing the area from the port of Dalian at the peninsula's southern tip to Shenyang, the capital of Liaoning Province. Now the task is to promote the economic expansion of the region in conjunction with the rest of Liaoning Province and the northeast of China as a whole.

International Involvement

Since the Chinese government implemented its open policy in the late 1970s, Liaoning Province has forged economic and trade ties with 140 countries and regions world-wide. Its 1987 exports totalled US\$3.785 billion, of which local products (not including oil) constituted US\$1.51 billion—a 29.3 percent increase from the previous year. New areas of intensive processing have been opened up and a number of new products developed. Between 1979 and 1987, the province imported more than 38,032 technological items with a total value of US\$3.125 billion and initiated 212 foreign-funded enterprises, 112 of

which have been completed and put into operation. Their annual output value is now 300 million yuan and export volume US\$20 million.

In recent years, Liaoning Province has invited 360 technicians, managerial and educational experts from other countries to work in the area and established friendly links with seven prefectures (counties) and 24 cities in seven countries.

And so the province has laid solid foundations for accelerating its economic growth and exposure to the world.

Strong Industrial Heritage

The Liaodong Peninsula has always been the most economi-

cally developed region of Liaoning Province. The peninsula's population of 21.5 million is spread over an area of 54,210 square kilometres. The region abounds with resources—110 different minerals have been discovered so far—and its iron, magnesite, diamond, talc, jade and solvent limestone deposits rank first in the country. The Liaohe Oilfield is the third biggest in China with 15 percent of the nation's oil reserves and 10 percent of its natural gas reserves.

Eighty percent of Liaoning Province's gold, silver, copper, aluminium, zinc and asbestos are found on the peninsula. It is also agriculturally rich, growing rice, maize, fruit, peanuts and silk, and with a long shallow coastline has well developed fisheries known

The fitting shop on the production line imported by the Liaoning No. 7 Radio Factory to produce East Zerowatt refrigerators.

LI RONGXIA



both in China and abroad for their prawns, abalones, scallops and sea cucumbers.

In 1987, the Liaodong Peninsula's industrial and agricultural output valued 74.12 billion yuan (74.6 percent of the province's total), and it bought 4.93 billion yuan's worth of commodities for export.

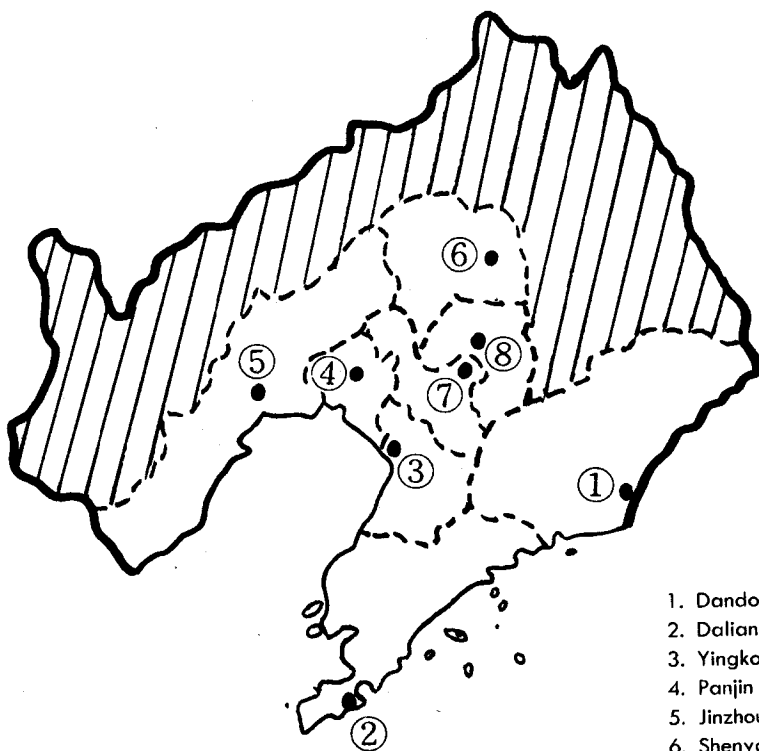
The region has a complete array of industries. Metallurgical, machine-building, petrochemical and building materials form the mainstay, and each year 10 million tons of crude oil, 10 million tons of pig-iron, 10 million tons of steel, 10 million tons of cement and 20,000 machine tools are produced.

The region also boasts 687,000 professional scientists and technicians (85 percent of the province's total), many trained in the 58 local institutions of higher education.

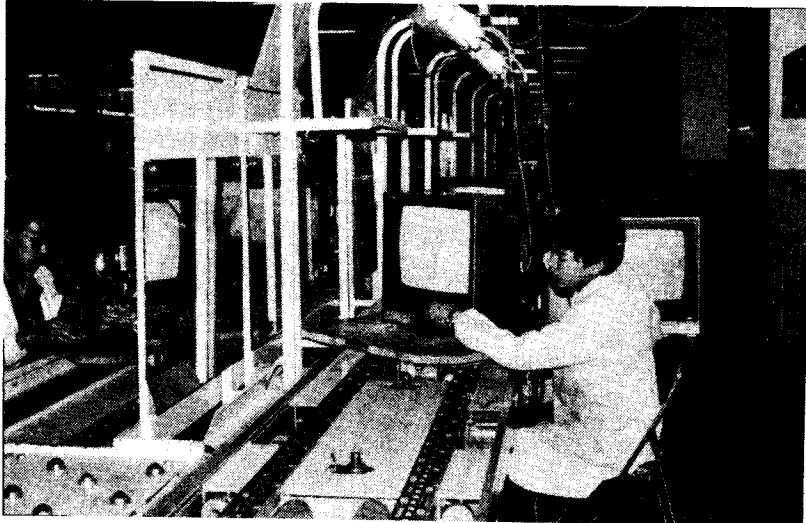
Plans for Expansion

The Liaoning provincial government has recently put forward provisional plans for economic expansion on the Liaodong Peninsula. The major points are:

- Accelerating efforts to turn the port of Dalian into a shop window for products from Liaoning and the rest of northeast China. Located at the southernmost tip of the Liaodong Peninsula, Dalian is a major trade port and industrial city. First applying certain policies for a special economic zone in May 1984, Dalian has absorbed foreign capital and imported advanced technology and equipment. Liaoning hopes to build on this economic strength.
- By increasing exports, companies on the peninsula will be forced to raise standards, improve their product mix and develop commodities with high added value through exposure to international competition.
- Expanding the peninsula's exports and bringing in advanced



1. Dandong
2. Dalian
3. Yingkou
4. Panjin
5. Jinzhou
6. Shenyang
7. Anshan
8. Liaoyang



LI RONGXIA

"Chrysanthemum" brand televisions produced by the Dandong TV Factory are popular at home and abroad.

million and a long recovery period.

3. The following items will be exempt from tariff and import product tax for five years: key equipment, instruments, meters and other indispensable appliances imported for the technical transformation of existing enterprises; improved seed varieties, animals, fodder, pesticides, farm product processing machinery and other necessary technical equipment imported for agricultural development.

4. Land transfer with compensation will be operated in the Dalian Economic and Technological Development Zone and Yingkou Bayuquan and Shenyang Tiexi industrial districts. Foreign businesses are encouraged to develop and contract tracts of land. Leases may be for up to 50 years.

In addition, the Liaoning provincial government is improving the investment environment. Preparations for establishing a joint examination and approval office for foreign-funded enterprises and an investment service office are under way to simplify procedures and raise work efficiency.

People in industrial, commercial and financial circles from overseas countries and regions are welcome to invest in the Liaodong Peninsula, and we are determined to create favourable conditions for the success of any co-operative enterprise. ■



technology and managerial techniques from abroad so that personnel can be trained.

■ The Dalian Economic and Technological Development Zone will principally be oriented towards export, with Yingkou Bayuquan district devoted to processing and Tiexi in Shenyang becoming an experimental area where foreign capital is used to revamp existing enterprises.

■ Promoting the economic prosperity and technological progress of Liaoning as a whole and other regions, the roles played by Dandong, Dalian, Yingkou, Panjin and Jinzhou will be fully utilized.

Preferential Policies

To realize these provisional plans and accelerate the opening of the Liaodong Peninsula, the Liaoning provincial government will implement the following special policies:

1. In accordance with state policies, the zone will be given greater powers to approve projects involving foreign capital. The provincial government has stipu-

lated that municipal governments can authorize projects under US\$30 million, county governments can approve projects under US\$2 million, large and medium-sized enterprises with the right to handle import and export business will be authorized to approve projects under US\$5 million, and the Anshan Iron and Steel Co., the Benxi Iron and Steel Co. and the Liaoyang Chemical Fibre Plant will have the same rights to approve projects as has the province.

2. Based on the principle of mutual benefit, foreign businesses are encouraged to run joint ventures, co-operative enterprises and exclusively foreign-owned enterprises in Liaoning Province. A 20 percent reduction in income tax will be given to those who run enterprises in the Liaodong Peninsula Economic Development Zone. With the approval of the state, a 15 percent rate of income tax will be levied from foreign business people who run energy, communications and harbour projects, technology-intensive and knowledge-intensive projects or a project with an investment of more than US\$30

Liaodong Looks Towards World Markets

by Our Correspondent Li Rongxia

The Liaodong Peninsula emerged as one of China's major industrial bases in the 1950s. Since becoming an open economic zone in March, it has readjusted its industrial policies to adapt to international competition on the world's markets.

Investment Environment

To make the Liaodong Peninsula more attractive to foreign investors, the local authorities have been concentrating on improving the area's infrastructure and eliminating red tape.

Recently, a computer-controlled telephone exchange came into operation, making direct-dial phone calls possible from Dalian to the rest of the world. The ports at Dalian, Yingkou and Dandong are already open to foreign ships, and construction is under way at Jinzhou and Panjin. On completion in 1990, the five ports' combined annual handling capacity should be 70 million tons—compared with 50 million tons last year.

To help foreign companies establish themselves, Anshan's Mayor, Ma Yanli, said the bureaucracy involved had been slashed. It used to take more than two years to get the 131 seals necessary for a joint venture to get going. Now, only 11 stamps are needed. By streamlining departments, it now takes 28 days from feasibility studies to the conclusion of contracts. One Canadian business which already had a furniture venture in Anshan decided to build another factory—within half a day all the procedures for expansion had been completed.

The West District Industrial Co. of Yingkou, a Hong Kong business and two other local enterprises signed a contract in April last year for a textile company, and a month later they received their business licence. Construction of the factory began in June on a stretch of reed marshes, and within 144 days trial production began. Now 70 percent of the company's denim is sold on the world market.

Currently, there are 250 foreign-funded businesses on the Liaodong Peninsula, 40 of which were set up in the first half of this year—two times as many as in the same period the year before.

Learning From Abroad

As Liaodong companies enter world markets, it has proved necessary to adopt international business practices. And one shortcut to do so is to enlist the services of foreign experts.

The Liaoyang Printing and

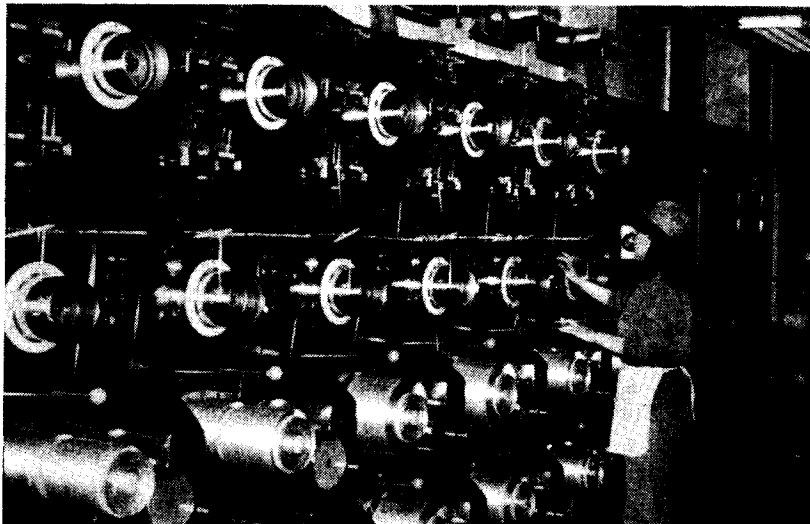
Dyeing Mill, with 750 employees, had been running at a loss since its trial operation in 1985. In July 1987, one of its four workshops was handed over to four Hong Kong management experts.

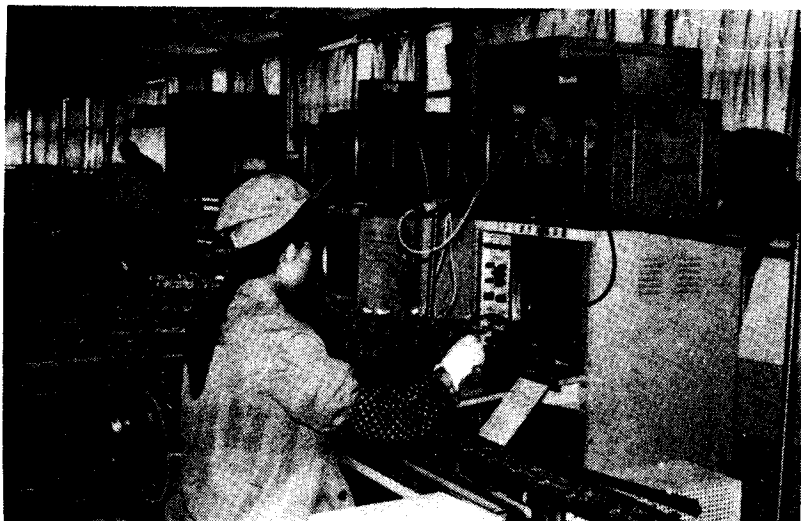
One day, a production line broke down when the maintenance worker was away. By the time he was contacted, the shift had finished. On the excuse that he was busy and could not leave home, he refused to return and repair the machine. This prevented operation the next day and caused a loss of more than 100,000 yuan. The Hong Kong experts thought this intolerable. The worker faced dismissal, but was given the chance of six months probation, and the duty director was fined. This incident shook the mill, but served to raise the workers' sense of responsibility.

Now, the three other workshops in the mill have been handed over to the Hong Kong experts. Working procedures have been simplified, with the number of sections cut from 23 to four and

The filament workshop of a factory run by the Dandong Synthetic Fibre Industrial Co.

LI RONGXIA





LI RONGXIA

The product monitoring workshop of the Dandong Regulator Factory.

the number of staff from 98 to 49.

This has promoted production, with pre-tax profits of 1.53 million yuan in 1987, and exports to over a dozen countries, including Japan, the United States and Canada. Last year these hit US\$850,000, with expectations of US\$5 million in 1988.

Although there are a large number of enterprises in Liaoning which are unsuitable for joint ventures, many have used their buildings and equipment to work in co-operation with foreign businesses in a way known as "one factory, two systems."

In May 1986, the Shenyang Chemical Agents Factory established a joint venture with a Japanese company. Six million yuan was needed to build a separate factory. As only 2.6 million could be raised, the venture was housed in an existing building. Ten months after signing the contract, production of treatment agents for metal surfaces began. In 1986, the venture's output value was 1.01 million yuan with 190,000 yuan net profits. These jumped to 4 million yuan and 1.15 million yuan respectively in 1987. In 1986, the Japanese side picked up a dividend of 1.8 million Japanese

yen, increasing to 14 million yen last year.

A representative of the Japanese business said his business first planned to invest in Shanghai. The Shenyang factory, however, prepared all the reference material in a week, and it was this efficiency which made them opt for Shenyang.

He said life in Shenyang was a bit dull—not as colourful as Beijing or Guangzhou—but it was the business that mattered, and Shenyang won hands down. And so, with the help of their Japanese partner, this chemical agents factory can now market its goods worldwide and keep abreast of international trends.

Expanding Exports

On the 54,000-square km Liaodong Peninsula there are more than 610 large and medium-sized metallurgical, machine-building, petrochemical and construction enterprises, as well as a large number of up-and-coming rural enterprises. Many of these now intend to become more involved in export.

Dalian Shipyard, with 15,000 employees, is a state-owned

enterprise with a solid economic history. Despite the depressed state of the world ship-building market, it has endeavoured to expand sales abroad. Since 1980, it has concluded export contracts totalling 600,000 tons of roll-on-roll-off ships, oil tankers, oil rigs and so on. It has also repaired a foreign oil rig and built an offshore oil production centre for a foreign business, and enabled the shipyard to master international ship-building standards. Its vessels now satisfy Lloyd's of London, and insurance registers in the United States, Japan, Norway and France. At the same time, the shipyard has raised its production capacity. Since 1980, it has completed 17 key projects, including a semi-dock slipway and a bulk goods dock for 100,000-ton vessels, a pipe-processing factory building and a computer centre housing IBM 3031 computers. It has purchased a 580-ton gantry crane, the largest in China, and can now build 150,000-ton vessels. Construction of a slipway for 200,000-ton oil tankers should begin soon.

The Anshan Broadcasting Equipment Factory was almost in the red in 1980. Its products were so poor, the Ministry of Radio, Film and Television warned clients not to use them. However, in September 1984, the factory signed a 10-year technology transfer agreement with the US TBC Co. and imported US\$300,000 worth of software. This turned the company around: profits increased year by year until in 1987 they hit 7 million yuan. Exports now go to the United States, Pakistan, Singapore, Thailand and Hong Kong, and are expected to top US\$1 million this year.

Of the numerous rural enterprises on the peninsula, the Yangshufang Clothing Co. in Dalian's Xinjin County has been the most successful. Founded in 1979, it began to process garments



LI RONGXIA

Products of the Shanhua Clothing Factory, a township enterprise in Liaoyang, enjoy a ready market both at home and abroad.

for China's foreign trade departments in 1980 and received its own export licence in 1986. Its main products, cotton and padded jackets, are much favoured by foreign clothing dealers and find a ready market in North America, Europe and the Far East. The factory exported 1.3 million pieces of clothing valued at US\$10 million last year. From being a small processing workshop employing 85 people, the company now has eight factories, two trading companies and a workforce of 3,200. Earlier this year, it

reached an agreement with the Hong Kong China Resources Group to establish the Xinhua Clothing Co. Ltd. in the Dalian Development Zone.

Machine-Tool Centre

The Shenyang No. 3 Machine-Tools Plant, founded in 1937, was one of the first machine-tool producers in China. In 1985, approval was granted to produce machine-tools for export. Allowed to handle exports on its own, it founded the Shenyang Automatic

Machine-Tools Import and Export Co. in 1987 and sent US\$6.135 million worth of machine-tools abroad.

Director Liu Baoli said the factory's products had been less competitive in the past because they could only offer a very small range. But since the company started to import modern machinery and engaged the service of foreign specialists in 1985, it has turned out digitally controlled machine-tools to 18 specifications which have proved far more attractive to foreign buyers. And at an international machine-tools exhibition held recently in Chicago, the PW Co., one of America's 10 largest machine-tools manufacturers, proposed joint production with the Shenyang No. 3 Machine-Tools Plant.

Today, Shenyang is China's largest machine-tools export city, and last year, exports of electronic machinery from the Liaodong Peninsula rose 84 percent from the previous year. Finally, the area has transformed itself from sound but slow economic growth into a region capable of competing in world markets on international terms. ■

Gorbachev's 'New Thinking' and Foreign Policy Adjustments

Gorbachev's "new thinking" has attracted widespread attention in the world. But of more interest to observers is whether the Soviet leadership can translate the theory into concrete action.

by Rong Zhi and Zhang Wuzhuan

In a statement on the complete elimination of nuclear weapons made on January 15, 1986, General Secretary of the Communist Party of the Soviet Union

(CPSU) Mikhail Gorbachev introduced for the first time the concept of "new political thinking." He later elaborated on the concept in his address to the 27th

Congress of the CPSU, and further elaborated and added to the theory in his report at the rally commemorating the 70th anniversary of the October Revo-

lution of 1917. In his book, *Perestroika and the New Thinking*, he made a complete and systematic exposition of the "new thinking" and the current Soviet foreign policy. Now still in their early stages, Gorbachev's "new thinking" and the Soviet foreign policy based on it still have a long way to go.

Background

The advancement of Gorbachev's "new thinking" is closely related to the economic situation in the Soviet Union. Since the mid-1970s, the Soviet economic growth rate has been on the decline. According to official Soviet statistics, during the ninth five-year plan period (1971-75) national incomes were increasing at the comparatively fast rate of 5.1 percent. But during the 10th five-year plan (1976-80), the rate fell sharply to 3.9 percent and in the 11th five-year period (1981-85), it dropped further to 3.2 percent.

Gorbachev described the situation in even more serious terms in *Perestroika and the New Thinking*. He was concerned that if such a situation persisted, the Soviet Union might not be able to maintain its status as a major power. A sense of crisis about the prospects of the Soviet Union forced Gorbachev to make drastic reforms to the Soviet economic system. To achieve this he needed a comparatively relaxed international environment.

In the first place, East-West relations had to be relaxed and the pace of the arms race slowed in order to reduce military spending and grab every opportunity for investment and technology transfers from the West to promote Soviet economic and scientific and technological progress.

In the late 1970s and early 1980s, the Soviet Union was faced

with an adverse international situation. Moscow was plunged into an arms race with Washington, pursuing an offensive strategy worldwide, especially in the third world. The policy culminated in its armed invasion of Afghanistan and support for Vietnamese aggression in Kampuchea, risky endeavours which not only strained East-West relations but also directly threatened the peace and security of many third world countries. Voting results at the United Nations General Assembly sessions on Afghanistan and Kampuchea indicated that the Soviet Union was very unpopular in the international community.

Since assuming the post of general secretary of the CPSU, Gorbachev has made every effort to lift his country out of the shadow of this unpopularity. He gradually adjusted foreign policy by relaxing Soviet relations with the West and trying to reach a compromise with the United States on arms control and regional conflicts.

The Soviet Union also had many problems in its relations with some of its East European allies and most West European communist parties. The old stereotype view of these relations—mainly characterized by Moscow's self-centredness and its demand that others obey its dictates at the expense of their own sovereignty—has become more and more unfashionable. "New political thinking" is needed to resolve these problems.

Basic Theoretical Framework

Looking at the current domestic and international situation, Gorbachev reinterpreted some basic problems. These reinterpretations, or "new thinking," were based on the Soviet theory on imperialism and new arguments

formed since the 20th CPSU Congress in 1956, revised after tackling the many problems, both internal and external, encountered over the years. The "new thinking" can be summed up as follows:

1. Definition of the current times. The revised CPSU programme, approved at the 27th CPSU Congress presided over by Gorbachev, stipulated that the nature of the current times is still characterized by a transition from capitalism to socialism. But, compared to previous ones, this programme emphasized the long-term nature of the transition and the necessity for the use of peaceful means to achieve its completion. Gorbachev maintains that it is no simple and short-term thing for socialism to override capitalism. In a nuclear age, it will not do to forcefully promote the transition. It is useless and intolerable to incite revolution from outside through military means. Socialism must influence the world through its power as a model.

2. Relations between two different political and social systems. In a nuclear era, the two systems are both conflicting and inter-dependent, forming a relationship of unity among opposites. In the past, Gorbachev contends, conflict was overemphasized and unity ignored. Now man must confront the energy and ecological crises facing all, and the threat posed by nuclear war. He asserts that East and West should now turn their attention to global issues.

Gorbachev deleted off the line that "peaceful coexistence is a special form of class struggle" from the party programme and said, "Peaceful coexistence is the continuation of the policy of the proletariat which has already won its victory. In the future, especially in a nuclear era, it will become the precondition for the survival of all

human beings."

While stressing long-term coexistence of the two systems, Gorbachev still insists that the West is the source of tensions and gives little consideration to the errors made in Soviet theory and policy. He holds firmly to the persistent Soviet argument that the general crisis in Western capitalism is deepening.

"Against the background of the new scientific and technological revolution, the contradiction between radically increased productive forces and the private ownership of social relations has become more acute." He declares that economically, the general crisis has not caused an absolute stagnation of capitalist development, but politically, "the policies of some capitalist countries and their domestic situations have turned more rightist, constituting a grave danger to international relations."

3. The question of war and peace. In a nuclear era, Gorbachev says, war is not useful as a means of achieving political, economic, ideological, or any other aims. A nuclear war should be avoided to protect the earth from the possibility of being turned into a radioactive desert. There is no question of one side defeating another in the nuclear era, only the question of how to exist and develop together.

Gorbachev repeatedly reaffirmed that the Soviet armament policy is based on rational and sufficient strength and does not seek superiority. Peace can no longer be regarded as merely an interval between wars, nor should war be linked to revolution. The revised edition of the Party programme passed at the 27th Congress of the CPSU rejected the thesis that imperialist aggressors daring to start a new world war would be overthrown and annihilated by the people of all countries unwilling to accept a system which

would cast them into war.

4. The third world situation. Although most third world countries have achieved political independence, they still face many difficult problems. Contradictions between Western and third world countries are still severe. Prosperous Western countries still continue to extort tributes from the third world. In the past 30 years, the disparity between per capita incomes in liberated and developed countries has widened.

Third world countries face the problems of feeding and educating their people; child death rates are high, and epidemic diseases spread uncontrolled. The chief culprit is imperialism. But the debt problem has also hampered economic development in the third world. Latin America is undergoing major changes. The Asia-Pacific region, though still riddled with contradictions and plagued by political instability in some places, is becoming more important, and the Soviet Union is having to move its economic activities to Siberia and the Soviet far east areas.

5. Relations between socialist countries and between communist parties. Diversification in socialist countries and the international communist movement should be admitted. The solidarity of socialist countries and the international communist movement should be based on independence, rather than equalization and uniformity. There is not one model of socialism for all to follow. But, the international communist movement still exists in that various parties maintain multilateral ties and exchange views. Of course, complete unanimity on all issues is impossible. The main and decisive factor which unites communist parties in various countries is their common goal for peace and socialism.

Foreign Adjustments

Policy

In line with the theoretical framework of his "new thinking," Gorbachev has made a series of adjustments to Soviet foreign policy, adhering to principles but at the same time allowing for some flexibility. His adjustments are as follows.

1. To work towards relaxed relations between the East and the West. Towards this end, Gorbachev first seeks to improve Soviet-US relations, seeing the destiny of the world as largely decided by these relations. The two problems which need to be resolved to achieve this are the arms race and regional conflicts.

As early as the 1970s when East-West relations began to relax, the Soviet Union and United States twice reached agreements on limiting strategic weapons. Although the second agreement (SALT II) signed in 1979 was not ratified by the US Congress, the two sides both expressed a willingness to comply with its stipulations. When SALT II expired in 1984, a new agreement was needed to restrain the arms race. The United States recommended that ceilings should no longer be set on nuclear weapons, that existing nuclear weaponry be reduced, and that past negotiations on limiting strategic weapons be geared towards strategic weapons reduction.

At the Reykjavik Soviet-US summit in 1986, Gorbachev made negotiations on nuclear weapons reduction the order of the day, raising a set of concrete proposals to reduce medium-range missiles and strategic weapons. After negotiations, the Soviet Union and United States finally reached agreement on the total elimination of medium-range and shorter-range missiles. The two sides also agreed in principle to reduce

strategic weapons by 50 percent.

In 1987, Gorbachev visited the United States and signed the intermediate-range nuclear forces (INF) treaty with US President Ronald Reagan. The two leaders agreed to continue to negotiate on strategic weapons reduction with the hope of reaching further agreement.

During negotiations for the INF treaty, Gorbachev adopted a positive attitude, raising many new proposals and presenting a new, more flexible approach to verification issues, which won him the high regard of Western media.

Gorbachev repeatedly asserts that the Soviet defence policy aims at defence not offense. He stresses that international security cannot be divided, that the security of other countries is necessary to each country's own security, and that a low-level strategic balance of power provides a guarantee for that security.

He also stresses that, as long as the threat of war still exists and retaliation remains at the core of Western military strategy, the Soviet Union will make all necessary efforts to keep its defence at a level which can remove imperialist superiority over socialism.

Turning to regional conflicts, Gorbachev seeks political settlement of major conflicts if Soviet interests can be preserved. For example, the agreement for political settlement of the Afghan problem signed on April 14 this year stipulates a timetable for Soviet troop withdrawal. But the agreement is only the first step towards resolution; it is a long way from final settlement. Soviet activity in Central America is reportedly being limited. As for Kampuchean problem, Gorbachev has not adopted initiative action.

To appease fears that the superpowers may barter away the interests of other countries,

Gorbachev offers an assurance that the Soviet Union will respect such interests while it has dealings with the United States.

To improve relations with West European countries is another important factor in Gorbachev's effort to relax East-West relations. He prefers to support group co-operation between East and West European countries, and also allows East European allies to individually set up co-operative relationships with West European countries. He sees the seeds of "new thinking" in ruling groups in West European countries. He supports the stands of social democratic and labour party leaders in some West European countries to oppose nuclear threat and advocate denuclearization in Western Europe.

To further East-West relaxation, Gorbachev is also promoting the development of East-West economic and trade relations. In this, he is more progressive than his predecessors, stressing the establishment of joint ventures. In January 1986, the Supreme Soviet of USSR passed a law on jointly-owned enterprises, which stipulates that foreign capital can total 49 percent of enterprise assets. The Soviet Union has adjusted its foreign trade structure to facilitate foreign trade development. From January 1, 1987, more than 20 Soviet ministries and departments and more than 70 large joint corporations and enterprises were granted the right to directly handle imports and exports (including in the markets of capitalist and developing countries), thus breaking with the old foreign trade monopoly.

Gorbachev has also shown a great interest in co-operation in science and technology with the West, and has consulted with Western countries on peaceful research into and exploitation of outer space, mastering controlled nuclear fusion, exploiting

bioengineering, setting up safety systems in nuclear power industries, ensuring environmental protection and other areas of study. The Soviet Union also positively seeks to co-operate with the West in the fields of robotics, micro-electronics, computers, new materials, automatic control systems, ecology, marine exploitation and information technology, and even attempted to participate in the Eureka Plan. It seems that Gorbachev wants to move much faster than his predecessors in this pursuit.

2. Launching into the Asia-Pacific region. Gorbachev sees this region as having great potential, and is attempting to take part in the regional co-operation. In his speech in July 1986 in Vladivostok, Gorbachev explained in detail the policy on this region. He sought to improve relations with Japan, hoping to have Tokyo's co-operation in developing Siberia. In January 1987 Eduard Shevardnadze visited Tokyo, the first visit by a Soviet foreign minister in more than a decade. The Soviet and Japanese foreign ministers agreed on a system of regular consultation, thus raising the level of dialogue between the two countries.

The Soviet Union has gained a firm standing in Indochina. In an effort to consolidate their position in the area, the Soviets are expanding their influence in Southeast Asia. Senior Soviet representatives have visited the countries of the Association of Southeast Asian Nations (ASEAN), selling ideas on strengthened bilateral relations and the political settlement of the Kampuchean problem.

In March 1987 Shevardnadze visited Australia, expressing support for that country's proposal to establish a nuclear-free zone in the South Pacific. He also discussed with Australian officials the Soviet

naval base in Cam Ranh Bay, Viet Nam, and the Kampuchean and Afghan issues.

The Soviet Union has also established diplomatic relations with the South Pacific island countries Vanuatu and Kiribati to promote economic co-operation, and is trying to join the Pacific Economic Co-operative Commission so that it may enjoy the economic co-operation of the Asia-Pacific region.

Gorbachev, like his predecessors, is keen on developing relations with India. He sees Soviet-Indian relations as an example of the friendly, co-operative ties being developed by the Soviet Union with third world countries and countries, with different social and political systems.

3. Readjusting third world policy. The Soviet Union has tried to develop relations with all countries, whether socialist or capitalist.

Gorbachev is striving to improve relations with Arab countries and strengthen the Soviet position in the Middle East. Moscow has bettered relations with Egypt, established diplomatic ties with the Sultanate of Oman and the United Arab Emirates, and achieved major progress in relations with Saudi Arabia. At the same time, the Soviets are looking to their relations with Israel, reaching an agreement last year on consular relations.

In recent years the Soviet Union has improved its relations with Sudan, Morocco, Tunisia, Somalia and Guinea, and maintained its position in southern Africa.

Moscow is also trying to extend ties with Latin America. Shevardnadze has visited Uruguay, Argentina and Brazil.

Gorbachev exhorted those involved in armed struggle to be cool-headed and give up all extremist tendencies.

4. Improving and developing

alliances with East European allies. Gorbachev agrees that allied East European countries should enjoy the right to decide their own individual policies, but he stresses that the Warsaw Pact foreign policy should be co-ordinated with Soviet foreign policy. At the same time he stresses that the member states of the Council for Mutual Economic Assistance (COMECON) should speed up the process of integration. In the future, members will co-ordinate their economic policies and outline a series of long-term co-operation plans. Meanwhile they will also formulate a series of laws and regulations for the integration machinery. These measures are aimed at consolidating the unity of Warsaw Pact members and COMECON and strengthening the Soviet position.

Perspective

Gorbachev's new thinking and the readjustment of the Soviet foreign policy have attracted the attention and interest of all countries of the world. His reasoned, conciliatory approach and his efforts towards achieving agreement on elimination of the Soviet and US intermediate-range nuclear forces have won the applause of the world's people. Not long before the INF treaty became effective, Gorbachev decided to bring back SS-12 shorter-range missiles from the Democratic Republic of Germany and the Czechoslovak Socialist Republic in advance in an attempt to form a good impression on the people of Western Europe and Federal Germany in particular.

With the mutual visits by Soviet and US leaders and the compromises on arms control and regional issues, a new round of detente is drawing near. But while the future is encouraging, there are

difficulties ahead.

During his meeting with Zambian President Kenneth Kaunda, Comrade Deng Xiaoping said, "At present hegemony still exists. The hegemony pursued by the superpowers threatens world peace. The signing of the INF treaty by the United States and the Soviet Union is just the first step towards detente. We welcome this start. However, the question of the reduction of US and Soviet nuclear weapons needs constant settlement. In terms of regional issues, the United States and the Soviet Union have not come up with solutions to questions they should resolve. Therefore, it will be necessary for the people of all countries to keep fighting for many years to realize real detente."

US President Ronald Reagan has some doubts about Gorbachev's "new thinking." In his security report to the US Congress he said that Washington would welcome real Soviet changes, but that the growth of Soviet military strength did not seem to be slowing, nor were there any signs that the Soviet Union would give up its expansionist aims. He said that he would listen to what Soviet leaders have to say and watch what they do.

The contradictions between the East and West in Europe are worthy of attention. Although the two sides have established a system of consultation, the two main military blocs still exist. Each of them has large, well-trained forces armed with sophisticated weapons; each is afraid that the other's forces may be superior to its own; and each wants to have the edge strategically.

In the face of Soviet strength, all West European countries need the protection of the United States. The signing of the INF treaty has raised some fear in Western Europe that the United States will

reduce its commitment there. Britain and France in particular are very concerned about West European "denuclearization." Because both sides lack confidence, the possibility of real relaxation in Europe will be somewhat constrained.

Moscow's effort to promote detente by developing economic and trade relations between the East and West will probably achieve only limited results.

Observers in the West see possible obstacles to Western economic co-operation with the Soviet Union on both sides. One is that the West cannot reduce its limitations on exports of sophisticated products to the Soviet Union, for it wants to stop Moscow from using them to

develop arms. Another is that Soviet repayment potential is limited, making it difficult for the country to develop economic and trade relations with the West on a large-scale.

The Soviet paper *Izvestia* published some views of Soviet economists on this question on October 10, 1987. The Soviet export system was considered full of faults, with exports largely of only raw materials. Because raw material prices have fallen in the past year and a half, the Soviet Union has been suffering losses of about 6 billion roubles. In the past the total value of Soviet exports was 20 billion roubles; now it is 13 billion roubles. It is a big problem that a large amount of Soviet foreign exchange earnings must be

used to import grain. And it is hardly possible for the Soviet Union to borrow foreign money to solve its lack of foreign exchange. According to Western estimates, the accumulated Soviet foreign debt is more than US\$37 billion.

Although Soviet leaders are attempting to solve regional conflicts to reduce their burden, they also want to hold on to their interests in those regions. Therefore, there is good reason to doubt whether all these questions can be truly solved.

The Soviet leader's "new thinking" has already aroused a great deal of interest. The main concern now is whether or not the Soviet leader will actually put his words and ideas into action. ■

FACTS & FIGURES

China's National Debt

by Liu Zhiqiang, People's Bank of China

Running a national debt has always been an important means for governments to raise funds and regulate macro-economic operations. In the early years of the People's Republic, the Chinese government made effective use of its national debt to speed up the recovery and development of the national economy.

The practice was then suspended, but since 1979, China's open door policy and repudiation of highly centralized and planned economic management has led to the more effective use of market mechanisms for macro-economic control. As a result, the practice of issuing government bonds, which

was suspended for 22 years since 1959, has resumed and gradually become commercialized.

A Brief History

Since 1949, the Chinese government's practice of raising construction funds through issuing bonds can be divided into three stages.

First Stage (1950-58). In the immediate post-liberation days, China's economy faced huge problems. Prices soared due to a huge deficit in the government's budget, excessive issue of banknotes, the continuing influence of the run-away inflation of the

Kuomintang regime and the speculation of lawless businessmen.

To stabilize prices and reduce the deficit and issue of banknotes, the Government Administration Council (the State Council's predecessor) in 1950 issued 200 million "victory" bonds to be repaid in kind: each bond would realize three kilogrammes of rice, 0.75 kilogramme of flour, about 1.33 metres of white cloth and four kilogrammes of coal for both the principal and interest. The bonds were to be repaid in five years with an annual interest rate of 5 percent.

From 1950 to 1958, the Chinese government made seven issues of

bonds with a total value of 3.847 billion yuan. Two of these were repaid in kind with the money raised used mainly to offset the government's budgetary deficits. State construction bonds made up the remainder and were used to promote a vigorous development of the economy.

In May 1958, the State Council decided to stop issuing the bonds from 1959. It made provision, however, for local economic construction bonds to be issued wherever necessary. And on June 5 of the same year, the Standing Committee of the National People's Congress approved the Regulations Concerning Local Economic Construction Bonds. In fact, no such bonds were ever issued, and by 1968, the government had cleared the principal and interest of all its debts.

Second Stage (1981-86).

China started its economic structural reform in 1979 when the national economy was on the brink of collapse following the ten-year "cultural revolution." To remedy the seriously disproportionate development of the national economy and tackle the many problems left over in production and people's lives, the state treasury had spent a vast amount. In 1979, China's budgetary deficit was 17.07 billion yuan, dropping to 12.75 billion yuan in 1980.

To offset this deficit, the government had used all surplus funds from the previous years, become 9.02 billion yuan overdrawn at the People's Bank of China (China's central bank), and had borrowed 8 billion yuan. In 1981 it decided to issue 4.5 billion yuan of state treasury bonds, reopening the national debt market for the first time in over two decades.

The bonds were mainly sold to state-owned and collective enterprises through departments in charge of enterprises and insti-

tutions and local governments. Only a small amount were sold to individuals on a voluntary basis. With a repayment period of five years, the bonds had an annual interest rate of 4 percent. All 4.866 billion yuan worth of the bonds were sold out in the year.

After 1981, with the development of the national economy, the issue of state treasury bonds became a regular means for the Chinese government to raise funds, as the following table shows.

In 1987, it was decided to speed up the development of energy, transport and basic industries and curb the overheated growth of investment in fixed assets by enterprises and localities. So the government decided to issue 5.5 billion yuan of bonds for key construction projects in addition to the state treasury bonds. With a term of three years, the annual interest rate was set at 10.5 percent for individual buyers and 6 percent for collectives.

This year an additional 8 billion

Issue of Treasury Bonds Since 1981

Unit: billion yuan

Year	Planned Amount	Amount Actually Issued	Amount Bought by Units	Amount Bought by Individuals
1981	4-5	4.866	4.855	0.011
1982	4	4.383	2.412	1.971
1983	4	4.158	2.071	2.087
1984	4	4.219	2.012	2.207
1985	6	6.060	2.182	3.878
1986	6	6.251	2.247	4.004
1987	6	6.307	2.258	4.049
1988	9			
Total		36.244	18.037	18.207

The return on the bonds has been raised several times. In 1981, the interest rate for both units and individuals was 4 percent. In 1982, the rate for individuals was raised to 8 percent, and in 1985 to 9 percent, while for units it went up to 5 percent. In 1986, the interest rate for bonds bought by individuals was again raised to 10 percent, while that for units climbed to 6 percent.

Third Stage (1987 onward).

Since last year, the issue of government bonds has gradually been commercialized, with calls not only for a certain amount but also a fairly large variety of bonds.

yuan will be issued and sold to individuals, fund organizations and monetary institutions. The repayment will be in two years and the interest rate will be 9.5 percent. Apart from energy, transport and raw materials industries, the money will be used to develop scientific and educational undertakings.

The repayment period for state treasury bonds issued in 1988 has also been shortened from five to three years.

Because the government's budgetary deficits of the past few years

(Continued on P.28)

Discussion on Women and Work

"FUNU QINGKUANG"

(Information on Women)

The Shanghai Women Society and the Shanghai Marriage and Family Research Institute recently held a joint discussion on the subject of women and work in Shanghai.

Some people considered that women's liberation must follow the road of women making contributions to society by participating in production. But in China today, working women are pinned down by the small scale of social production and the need to do housework. So the number of working women has to be determined by the needs of production on the one hand and the skills individual women have to offer on the other.

Some people argued that the higher the proportion of working women, the greater the level of women's liberation. But such a view is not correct—in the Great Leap Forward of 1958, several million women were mobilized for social production. But as the subjective and objective conditions were not ripe, this proved no great leap for emancipation. So undue emphasis must not be put on social labour alone in a country with a low level of productive forces.

Some participants said that during the "cultural revolution" (1966-76), the slogan "what a man can do, a woman can do" was advanced to seek so-called equality. Actually, both men and women have their own strengths, and the slogan proved disadvantageous to women because it encouraged them to pit their weak points against men's strong ones.

Others argued that in socialist countries like China, housework is part of society's division of labour.

Because of this, it is necessary to reappraise the pros and cons of women's employment and to change our conception of the housewife to promote the emergence of a new type of housewives. To supplement this argument it was claimed that China would benefit from all or a large number of working women leaving their jobs, as it was better to sacrifice efficiency than have them shoulder both employment and housework.

A recent survey of 500 working couples indicated that 67 percent rejected such a return to the home, while 33 percent said that one party (mainly the woman) may quit work if the other's wages could support the family. Most of the debate's participants did not agree with this opinion.

The idea of recalling all women

from work was rejected by many as being divorced from reality. Aside from being impractical, they said it dampens women's enthusiasm for socialist construction and hinders the development of productive forces. It also runs counter to a recent survey of women waiting for jobs which found 73 percent eager for work.

After thorough discussion, the meeting agreed unanimously that the level of women's emancipation and the development of social productive forces must be synchronized. This means: (1) The development of China's productive forces is the main guarantee of emancipation in China, and women must become a strong force in production. (2) The targets of women's emancipation, including women's rights, interests and requirements must be restricted by the present level of development of the productive forces.

(No.1 1988)

Student Business on Campus

"DA XUE SHENG"

(University Students)

In recent years more and more university students have begun to earn money by taking on casual work or starting their own businesses. Some students work part time and study part time. Opinions about these practices vary according to their nature. A careful study reveals the following motives among students:

The wish to support oneself by working. Spurred by a desire to exercise their sales skills, some students sell postcards or jeans. Other students exhibit other skills by developing colour films or repairing clocks and watches. A large proportion of these students seek to make money to lighten the

burden on their families.

The desire to establish oneself and get into business. Some students get involved in businesses because they are afraid that they will have trouble finding a good job after graduation. Some students start businesses or offer services because they want to become business people or managers.

The quest for unfair gains. Some students buy postcards or other goods cheaply and sell them at high prices.

Problems with their studies. Some students start businesses because they are doing poorly in their studies. Other students have become involved in businesses or even discontinued their schooling because their courses are arranged

unreasonably.

The desire to apply what they have learned. Some chemistry students have established colour-photo development shops, while physics students have set up electrical equipment maintenance companies.

The five motivations have a common social background: the socialist commodity economy which has developed in a lively way in recent years.

(No. 3, 1988)

Reasons Behind Growing Birth Rate

"RENKOU YANJIU"

(Population Research)

China's birth rate has picked up in the past two years and the trend is expected to continue. The following reasons are cited:

■ Since 1949 China experienced two periods when the birth rate was extremely high. During the second period—from 1962 to 1975—360 million babies were born. Forecasts indicate that starting from 1986, some 25.7 million young people a year will get married and 12.85 million recently married women will give birth. This means 12.85 million babies a year will be born even if each couple has only one child. Thus, the total Chinese population will exceed 1.2 billion by the end of the century.

■ The number of rural married women who gave birth to two or three babies has increased. A document issued by the CPC Central Committee shows that in 1982, 5 percent of all married women had been allowed to have a second child. In 1984 the figure increased to 10 percent. And subsequently provincial governments have softened the conditions for allowing second

children in the course of implementing the policy.

■ The minority nationality population has increased sharply. Comparing 1982 census figure with those from 1964, the minority population has increased by about 27 million people or 68.4 percent. Some nationalities have doubled and redoubled in number. According to a government policy adopted in 1984, couples belonging to minority nationalities with fewer than 10 million members are allowed to bear two children, and a few can have three. Most provincial governments interpret the policy loosely, resulting in more births.

■ Early marriage and early child-bearing have become grave problems.

■ The interval between rural women's first and second children is growing shorter. In 1957 it

averaged 3.5 years; in the late 1970s it was 4 years; and today it is only 2.2 years.

■ With the development of China's economy in recent years, a large floating population has appeared. Owing to the poor management of this group, many unplanned babies have been born.

(No. 2, 1988)

Buddhist Monks In Xishuangbanna

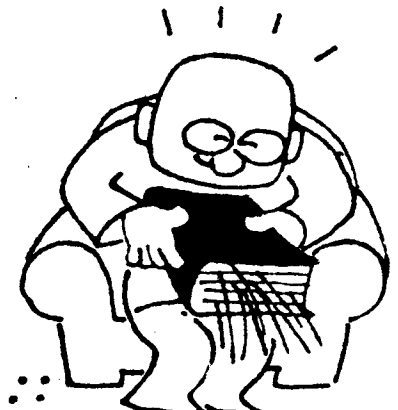
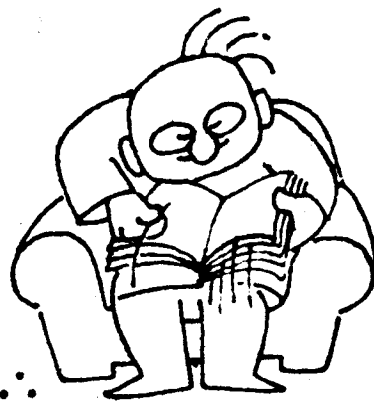
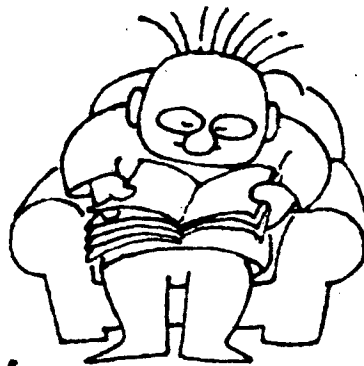
"RENMIN RIBAO"

(People's Daily, Overseas Edition)

One day in the spring of 1988, a reporter and two young monks, 17-year-old Yan Han and 16-year-old Yan Dian, had a conversation in the shade of a fig tree at Menghai Big Buddha

Most interesting passages.

by ZHENG XINYAO



Temple in Yunnan Province's Xishuangbanna Dai Autonomous Prefecture.

"How many monks are there in your temple?" the reporter asked.

"The temple has a Buddhist abbot and eight young monks. Among these eight, the eldest is seventeen years old and the youngest one is twelve," Yan Dian said.

"How do you arrange your daily life?"

"We get up and sweep the courtyard at 6:30. After breakfast, we recite scriptures and learn the Dai language from the Buddhist abbot till 10:00. After lunch we can go out and play all afternoon, but we must return to the temple before sunset. After supper we recite scriptures till 8:30," Yan

Han replied.

"Do you cook for yourselves?"

"Villagers deliver cooked rice and vegetable dishes right to our temple, but sometimes we cook," Yan Dian said.

"Do you young monks smoke?"

Yan Han nodded his head, but added, "We dare not smoke before the abbot."

"Can you get married?"

Yan Han shook his head and said, "My family hopes I become a monk because I then have the chance to become a respectable abbot after I am 20." But Yan Dian said, "I plan to resume secular life in two years time and then return home to get married."

"When was this temple completed and do you know who

provided the money?"

"Construction was completed four years ago. The Buddhists in the village both found funds and materials and built the temple," Yan Han said.

"May I visit your bedroom?"

"You are welcome," Yan Han replied.

There were thirteen beds in the room. The mosquito nets left little space and poor light. Opening the mosquito nets, mouth organs, mirrors and various kinds of male cosmetics could be seen. Some young monks had put stage photos of beautiful women on the wall, placed motorcycles against their beds and had radio-cassette recorders on the bedside cupboards.

(April 27, 1988)

(Continued from P.25)

have been mainly offset through overdrafts and bank loans; an increase in the issue of banknotes has followed. The aggregate deficit from 1979 to 1987 was an overdraft at the central bank. To curb the money supply, the government decided to issue 8 billion yuan's worth of financial bonds to specialized banks.

These changes indicate a maturation of China's national debt market through the active use of market mechanisms in macro-economic regulation instead of administrative means.

Open Bonds Market

The problem of opening a bonds market has surfaced since the state began to issue state treasury bonds in 1981. With the

increase in the amount and variety of bonds being issued, especially with the long period of repayment, the state treasury bonds have gradually lost their appeal as they cannot be transferred and discounted.

To remedy this situation, the People's Bank of China decided in May 1985 to allow individual buyers to discount the bonds they bought that year after keeping them for another two years. The term of discount ran from July 1, 1987 to June 30, 1990, at a rate of 12.93 percent. This decision, although a step towards establishing a national debt market, had not solved the problem fundamentally.

So in April 1988, on the basis of experience gained by some local financial organizations in the transaction of securities, the People's Bank of China decided to set up on a trial basis state treasury bonds transfer markets in Shenzhen. Since opening, the prices of state treasury bonds have been

stable with more buyers than sellers, indicating that the public has good faith in the bonds. Recently, the bank gave approval for another 54 cities to set up the markets, thus bringing the total number to 61.

Repayment

In 1986, the state began to repay both principal and interest of the bonds. That year, it paid out 798 million yuan, followed by 2.314 billion yuan in 1987, equivalent to 36.7 percent of the 6.29 billion yuan worth of bonds issued that year. In 1988, the total payment will reach 3.5-4 billion yuan. The amount is expected to go up further after 1990 when other bonds mature. But as China's total national debt is not huge, there will be no debt crisis so long as the government controls the issues in a planned way, co-ordinating repayment periods and establishing new bond transfer markets. ■

Tourist Prices to Rise 10%

The National Tourist Administration recently announced an increase of about 10 percent to tourist prices next year. The price of food, drink, transportation and other services will increase by an average 20 percent, and miscellaneous expenses will come to about two yuan a day per person.

Expenses incurred for interpreter guides, travel service charges, and promotional fees, however, will remain unchanged.

Liu Yi, head of the pricing section of the National Tourist Administration, pointed out that the main reasons for the price adjustment are the rise in domestic non-staple food prices, the increased costs of imported automobiles and the rising price of gasoline and diesel oil.

Next year hotel prices in popular tourist cities will basically remain stable. There will be slight changes in hotels situated in districts without central heating allowances. Hotels which have undergone renovations will be, according to state regulations, allowed to increase their rates about 15 percent if present fees are low.

Another change tourists can expect next year is that hotel rates, and transport costs for overseas Chinese, and Hong Kong and Macao compatriots who now enjoy discounts for travel on the mainland will be the same as for foreigners. But overseas Chinese, and Hong Kong and Macao compatriots will also be given preferential treatment for travel services.

Liu stressed that unified pricing is an inevitable trend in China's continuing reform. Some domestic airline, hotel, food and drink charges have already been adjusted according to unified prices for Chinese and foreign tourists.

In order to compete on the

international travel market, travel services next year will be allowed to raise their prices during the peak period and lower prices in slack seasons (January, February, March and December) by up to 30 percent of state-set prices. Certain allowances will be granted to foreign travel services attracting more business for China.

by Han Guojian

Special Travel Tours in Yantai

Yantai, the beautiful beach city, has developed special travel tours which have started attracting a large number of foreign travellers. According to statistics, more than 10,000 tourists visited the city in 1987, more than nine times the number in 1983, the year it opened to the outside world.

To meet the needs of different tourists, the Yantai government has organized a varied range of special tours, which offer such activities as pleasure boating, fishing and seafood tasting tours.

Yujia village in Anxiang Township, Penglai County, and Xiguan village in Muping County are high on travellers' lists for their rich national customs and traditions.

Tourists can visit farmers' homes and work in the fields to get a true feel of village life. A wedding tour has proved very popular among foreigners. They can hold their own wedding ceremony, dressed in red robes, blowing the *suona*, a woodwind instrument, and beating drums, and spend their honeymoon night in China.

Yantai, located in the eastern part of Shandong Peninsula, has ample tourist potential. Since 1984, it invested 50 million yuan in

renovations to scenic spots and historic sites. These include Penglai Pavilion, known as "Fairy Land," the Qi Jiguang Ancestral Temple [Qi was a famous general of the Ming Dynasty (1368-1644)]; the 1,500-year-old Wei Dynasty stone tablets on Yunfeng Mountain, China's third largest stone stelae; and Penglai river area. Some new tourist spots are also being explored. The number of scenic spots for tourists in Yantai now totals more than 200.

by Han Guojian

News in Brief

The largest royal garden in the world, Yuanmingyuan, which was burned by the British-French Allied Forces 128 years ago, officially opened to the public recently as a park after repairs and renovations.

Yuanmingyuan Garden, built and expanded over 150 years by five emperors of the Qing Dynasty, covers an area of 350 hectares and has more than 100 scenic spots.

Since the founding of New China, the Chinese government has attached great importance to protecting the Yuanmingyuan ruins. In 1980, state leaders, noted public figures, experts and scholars headed by Soong Ching Ling, wife of Dr. Sun Yat-sen, submitted a written suggestion that the ruins be protected and renovated. Work began in 1983.

Entering the elegant grand gate, tourists can now visit the renovated Wanchun Garden and Fuhai Sea, and other scenic spots, and row boats on the 60-hectare Fuhai Sea.

Wanhua-zhen, the only European palace in China, is now under reconstruction in the Western-style district. The round pavilion in the centre of Wanhua-zhen will soon be completed and all the other parks will be opened to the public before 1990. ■

China Increases Canned Food Exports

Over the years, Chinese canned food production has rapidly developed and exports of the product increased every year. The output of canned food reached 1.61 million tons in 1987, exports increased by 20 percent from 1986, and foreign exchange earnings were up 23 percent; this represented a staggering increase from 1950, and a 136 percent rise since the first year of the Sixth Five-Year Plan (1981). Foreign exchange earnings rose 70 percent.

By 1979, China was producing more than 300 canned products in more than 90 types of can. At that time the industry already became an important branch of the country's food industry reaching a considerably high level of technology. The 1979 output reached 501,300 tons, and exports totalled 315,500 tons, earnings US\$280 million. Canned foods have now become one of the major export commodities of China's light industries with products sold in more than 110 countries and regions.

China's canned food exports are celebrated for their purity of content and high quality at a fair price. Export volumes of such products as mushrooms, asparagus, broad beans, pineapple, oranges, water chestnuts, green soya beans and beef currently exceed 10,000 tons or over 100,000 tons. Some products have won many international gold prizes and have been awarded for their high-quality by the state. Canned mushrooms and asparagus in particular are very popular. The annual export volume of mushrooms exceeds 100,000 tons, and

ranks highest in the world. Health foods are praised by the consumers of many countries and regions for their freshness and nutritional value. Canned asparagus which went into production in the mid-70s has, over the past ten years, become a big seller with annual exports reaching 20,000 tons.

China's canned foods exports account for 4-5 percent of the world's total trade volume of canned foods. But the conditions are favourable to further develop the industry. Lying in subtropical zones, China has an abundance of fruit and vegetables and a group of major export-oriented enterprises have already been set up to tap these resources. Some key factories have imported advanced equipment and production technology and the state has adopted policies to encourage export-oriented enterprises.

Over the years, about half the country's can factories imported resistance welding equipment to prevent lead poisoning and ensure can quality. Some factories imported asparagus and canned beef production lines, as well as advanced sterilization equipment to increase output and improve quality.

China's can factories are now looking to overseas businesses to develop canned food products for the international market through co-operative enterprises, compensatory trade, the processing of imported materials and the establishment of factories abroad to open up new channels for trade and sales.

by Lu Yun

Aluminium Mines Seek Partners

Two new aluminium mines in Henan Province and Guangxi Zhuang Autonomous Region now have state approval to find foreign partners.

With reserves of 160 million tons of aluminium oxide, the Xinxiang Mine at Jiaozuo in Henan Province has been designed to produce 500,000 tons of electrolytic aluminium annually. It is expected to need US\$3 billion investment for the main works, power stations and other auxiliary facilities. Planning mainly to use foreign funds, money can be invested in various ways and will be repaid by any means suggested by investors or joint management.

The Pingguo Mine in Guangxi stands astride aluminium reserves of 100 million tons, and the mine should produce 500,000 tons of electrolytic aluminium, 1 million tons of aluminium oxide and 300,000 tons of other aluminium-based materials annually.

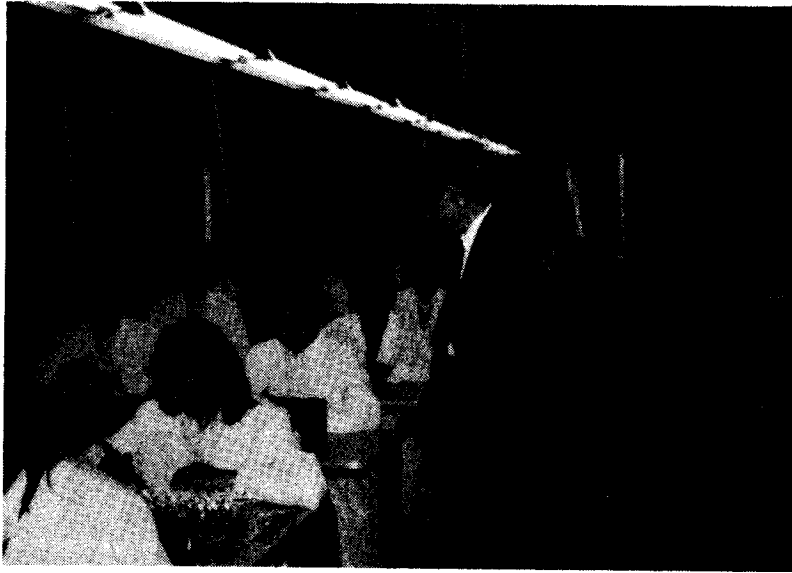
The first phase of the project — which should produce 100,000 tons of electrolytic aluminium annually — should be in operation by early 1989. Now the China National Nonferrous Metal Industry Corp. is looking forward to talks with foreign investors about the second and third phases.

The newly founded Great Wall Aluminium Industry Co. is responsible for development of Xinxiang Mine.

by Yang Xiaobing

Changzhou Farmers Light the Way

In only three months a Changzhou company manufacturing flashing lights has recouped its 1 million yuan investment.



General Manager Zhu Rongkun oversees production in his flashing light factory.

YEU HAITAO

Located in suburban Changzhou in Jiangsu Province, the Yinyan Electronic Light (Changzhou) Co. Ltd. was set up by local farmers and the Weigo Technology Ltd. of Hong Kong. With imported equipment, it can produce 400,000 flashing lights a year which can each be sold for up to US\$7.

The company's two production lines and another joint venture founded by Weigo and a Beijing business make enough of the Yinyan brand lights for half of China's domestic market, and now samples are being shipped around the world in search of overseas markets.

The principal reason why Changzhou was chosen as the right site for the factory was the lower wages of the area. The light company's 84 employees' monthly wage bill totals just 40,000 yuan — including bonuses, subsidies, medical services and retirement payments.

The average age of the workforce is 22, most of them graduates of the local senior middle school. Workplace discipline is strictly enforced with fines for slack timekeeping.

General Manager Zhu Rongkun said his company would rely on its low-price, high quality products to enter the world market.

So far Changzhou has 20 joint ventures, and the Yinyan Electronic Light Co. is one of six using advanced technology that enjoy preferential treatment from the local authorities.

A senior official from the Changzhou government said the success of the company was now used as an advertisement to attract foreign investment.

To safeguard its future, the company has plans for diversification. Its technicians are developing top grade electronic toys, and its manager is currently holding talks about assembling cameras.

by Yue Haitao

News in Brief

■ According to statistics released by China's Ministry of Foreign Economic Relations and Trade, in the first half of this year, China's imports and exports totalled US\$35.85 billion, 19.5 percent higher than the same period last year. Exports accounted for US\$20.22 billion of this figure (up

16.1 percent), and imports US\$15.63 billion (up 24.3 percent), leaving China's trade balance US\$4.59 billion in the black.

Trade with the Soviet Union, the United States and Hong Kong increased greatly, while dropping slightly with France, Britain and Australia.

Export of manufactured goods increased in the first half of this year, while that of agricultural and sideline products dropped. Imports now mainly comprise raw materials, components and key technological equipment. The indiscriminate purchase of overseas production lines and high-grade consumer items has largely been brought under control.

■ Jointly sponsored by the State Science and Technology Commission and Ministry of Foreign Economic Relations and Trade, China's first Technology Trade Fair will be held in the Shenzhen Exhibition Centre from October 15-25.

During the exhibition 3,440 Chinese technological items will be displayed. Of these, 91 have won prizes around the world, 844 have won scientific and technological prizes in China, and more than 200 have been awarded Chinese patents.

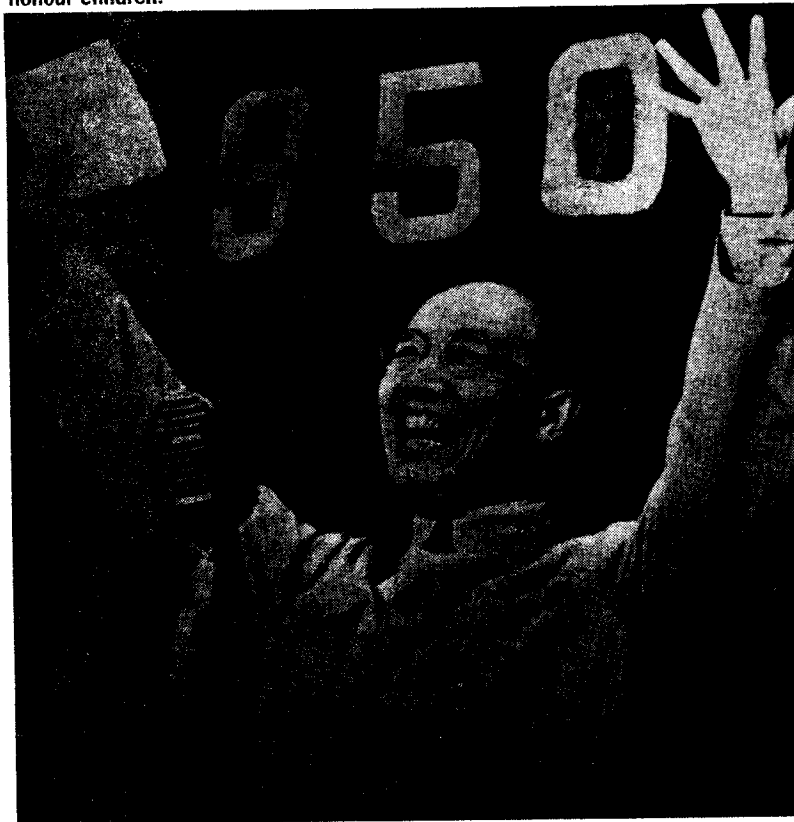
■ On July 3, the State Council decided to grant more rights to examine and approve foreign investment proposals involving less than US\$10 million to the following: inland provinces, autonomous regions, cities that handle their own development plans, several ministries and commissions under the State Council, the State Building Materials Industry Bureau, State Pharmaceutical Administration, National Tourism Administration, National Bureau of Oceanography, National Meteorological Bureau, State Seismological Bureau and the Chinese Academy of Sciences.

Great Man of Letters Remembered



Guo Moruo in Japan.

On New China's first Children's Day (June 1, 1950), Guo recited a poem he wrote to honour children.



The 10th anniversary of the death of Guo Moruo (1892-1978), one of China's greatest poets, scholars and revolutionary activists, was recently marked with the erecting of a bronze statue of Guo in his former Beijing residence.

Guo's life was full of the spirit of creation; his achievements spanned studies of literature and art, philosophy, history, archaeology, palaeography, and the translation of Marxist works and foreign literature. He was one of only a few so learned in modern Chinese history.

Guo's former residence in Beijing was listed as one of the

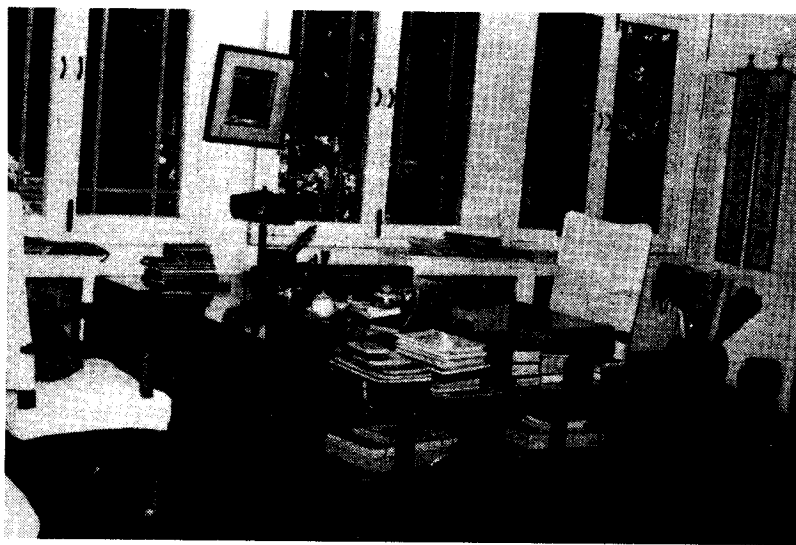
state's key cultural sites for protection. It is located on the west bank of the Qianhai Lake, about a ten-minute walk from the well-known Beihai Park. Guo and his family moved to the house in 1963, and he spent his last 15 years there until his death at the age of 86.

During his life time, Guo held many important governmental and social posts. By 1978 he served as vice-chairman of the Standing Committee of the National People's Congress, vice-chairman of the National Committee of the CPPCC, president of the Chinese Academy of Sciences, chairman of the All-China Federation of Literature and Art Circles; and chairman of the Chinese People's Association for Defending World Peace, and honorary president of Sino-Japanese Friendship Association.

Guo's Beijing residence is now open for visitors. The house is a traditional Chinese compound in which the houses encircle a central courtyard.

The west room of the front house is a sitting room where Guo received many Chinese and foreign guests, including the late premier Zhou Enlai. On the west wall of the room hangs a landscape painting by Fu Baoshi, a well-known Chinese artist, who based the work on the message in one of Guo's poems. The walls are decorated with stones of varying shape which Guo liked very much. The room is arranged simply but elegantly with the furniture kept as it was in Guo's lifetime.

The east room was Guo's office. His brush pen and his hearing aid still lie on the desk. On the tea table in the corner of the room are the scripts of his works on

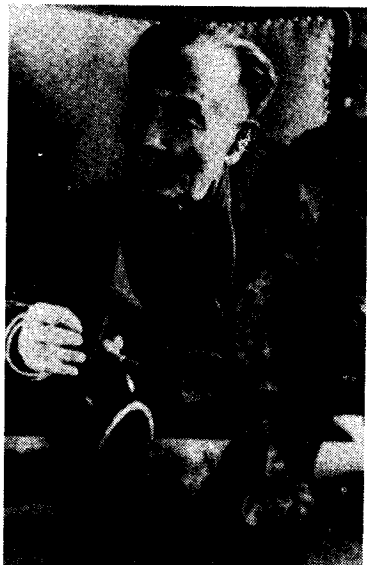


Guo's study.

palaeography written while in exile in Japan. Above the book shelf facing the door, hangs a piece of calligraphy by Mao Zedong. The small room adjoining the main house was his bed room. By the bed is *The Twenty-Four Histories* which Guo often read and consulted.

The central room in the back row of the house was the study of Yu Liqun, Guo's wife. Guo Moruo won wide repute for his calligraphies, and Yu, who married him in 1938, is also an

Guo examining bronze objects.

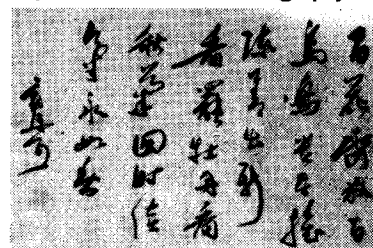


established calligrapher. In this room, the couple often studied the works of other famous calligraphers and wrote their own pieces.



Visitors pose beside the bronze statue of Guo.

A piece of the writer's calligraphy.



In the rooms of the east and west wings, visitors can get a glimpse of the life of this great man through well-arranged exhibits—from the poems he composed at a small age, to his school reports, to his creative works of literature and history. His great contributions to social progress and the revolution are also remembered in the displays.

On the occasion of the tenth anniversary of his death, his children presented to the country all of Guo's manuscripts, letters, books, and photos, as well as the stone-tablet rubbings, paintings, calligraphical works and other cultural relics Guo collected during his lifetime. All this is now well preserved in the house.

Guo's former residence in his hometown in Leshan County, Sichuan Province, southwestern China is now under repair.

This is a wooden house, located on the banks of the Dadu River, where Guo spent the first 20 years of his life. It opened to the public in 1980, and has since received more than 500,000 visitors.

The house, built in the mid-19th century, showed obvious signs of age and disrepair. Some of the

wooden pillars were beginning to decay, and some had even collapsed. The repair work now underway aims to restore the house to its original state and, at the same time, add some modern equipment, and build extra rooms for exhibition purposes. The repairs will be completed before October 1992, in time for the anniversary of Guo's 100 birthday.

Special Issue Marks China's First Stamps

Early last month, China issued a commemorative miniature sheet to mark the 110th anniversary of China's first stamps.

The first set of stamps in the history of China's postal service was issued in 1878 by the customs department of the Qing Dynasty administration. About 10 years earlier, the department had launched a postal service on a trial base for the use of the diplomatic corps and selected institutions. During the trial period, mail carried postmarks but no stamps. After the first stamps were issued, the postal service was expanded to handle ordinary letters, remittances and parcels.

China's first stamps had a dragon—the emperor's symbol—in the middle and so were called "Big Dragons of the Customs." The set was printed in green, vermilion and yellow in denominations of one, three and five fen, based on the silver dollar then used in China. This set was gradually replaced in 1885 by a new issue, called "Small Dragons," not as big as the original set but with the same face values.

In 1897, China formally established its general postal service department. At the same time, due to the reform of the money system, the face values of the stamps were changed, with yuan, jiao and fen

denominations, and the "Big Dragons" were removed from circulation.

According to records, Chinese customs issued 206,486 of the one fen "Big Dragon" stamp, 557,868 of the three fen and 239,610 of the five fen. It is estimated that the numbers preserved in the hands of philatelists for each of the three denominations are less than 10,000. There are limited numbers of two stamps connected together, and a complete sheet is very rare.

Stamp specialists have established definitely that three original plates were engraved for the three denominations of the "Big Dragons." Each of these three was then cast into 25 printing plates. Because the three original plates were made separately, patterns on the dragons' bodies, the clouds and waves all differ slightly, and the plate making technology of the time compounded these differences.

In the first five years, the stamps were printed on thin, and faintly transparent paper, with a distance of 2.5 mm between two stamps. In 1882, the space increased to 4.5 mm, and after 1883, thicker, opaque paper was introduced. The original stamps were smoothly perforated, but in the later stages, the perforations grew more coarse.

It has been established that the wide-edged three fen stamps were partly printed in a format of three rows of five stamps, and the thick paper stamps issued after 1883 were all printed in four rows of five or five rows of four as a result of damage to some of the original plates.

According to research by the late Chinese stamp collector, Chen Xiangshou, and some foreign philatelists, the one and five fen "Big Dragons" had at least seven editions, while the three fen went through at least 15 editions.

Philatelist Chen collected three sheets of the thin paper "Big

Dragons" set; all the three denominations have been confirmed as first editions. When this set was displayed at the ten-day 1983 China National Philately Exhibition in Beijing, it raised great interest with the 120,000 Chinese and foreign visitors.

The stamps commemorating the "Big Dragons" display the three original denominations. Above them is a blazing pearl—of great significance in Chinese folklore as "three dragons playing with a pearl" symbolizes jubilation and happiness. Below the dragons are waves coloured blue and gold according to the custom of the Qing Dynasty, when similar patterns were used to decorate the robes of the nobles.

Recently, China National Stamps Museum held an exhibition and an academic symposium on the history of the Chinese postal service to mark the 110th birthday of the "Big Dragons."

Founded in July 1985, the museum aims to promote interest in philately and provide reference materials. Under the jurisdiction of the Stamp Distribution Bureau of the Ministry of Post and Telecommunications, the museum now houses 100 million stamps of 200,000 different varieties.

The collection includes Chinese stamps and related materials since 1878, stamps issued by the imperialist powers in China, and original art works and printing plates of stamps issued since the founding of the People's Republic in 1949.

Over the past two years, the museum has sponsored many exhibitions in Beijing and other places. These have featured special themes such as animals and plants of the world, the great leader of the democratic revolution Sun Yat-sen, and the Red Cross, or have displayed stamps from other countries including Mexico and Spain. ■

ART PAGE



Mountain Forests.

by Deng Zijing

Chinese Paintings — Theme on Greening

These Chinese paintings from the "Greening Guangdong Exhibition" are new works by Guangdong artists who visited forests to observe and learn about nature. The paintings transport art-lovers into the rich world of forests, birds and fruits.



An Islander Raising Pigeons. by Zhang Hong



A Tree Laden With Pineapples.

by Chen Lin

Effective Hair Tonic

Hits the Market

This is the most Efficient Hair Panacea (Ginseng Hair Tonic) in the treatment of baldness (seborrheic trichosis). Made from pure traditional Chinese medicine, the tonic contains no poison, and has no harmful side effects. It has won a first-class knight medal for world inventors, and a silver award at the 36th Eureka International Innovation Fair in Brussels.



1st-Class Knight Medal



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